Invesco Perpetual Recovery Trust 2011 plc

Annual Financial Report
Year Ended 31 October 2008

If you have any queries about Invesco Perpetual Recovery Trust 2011 plc, or any of the other Investment Trusts managed by Invesco Perpetual, please contact the Customer Services team at Invesco Perpetual on:

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Investment Objectives

Invesco Perpetual Recovery Trust 2011 plc's ('the Company') principal objectives are to meet the capital entitlements of the Zero Dividend Preference Shares ('ZDP Shares') and to provide capital growth, a high dividend income and the potential for growth in dividends for Ordinary Shares. The Company is geared to the extent of its ZDP Shares and it has no other fixed borrowings.

Investment Policy

A full description of the Company's Investment Policy can be found on pages 17 and 18.

Share Capital

The Company's share capital consists of 16,044,750 Ordinary Shares of 1p each and 19,610,250 ZDP Shares of 1p each.

As at 31 October 2008, 2,691,315 Ordinary Shares and 3,289,385 ZDP Shares were held in Units. Each Unit contains 9 Ordinary Shares and 11 ZDP Shares. Therefore, as at 31 October 2008, there were 299,035 Units in existence. On application to the Company's registrars, a Unit may be separated into its component shares. Ordinary Shares and ZDP Shares may also be combined into Units at any time on application to the Company's registrars.

ISA Eligibility

The Ordinary Shares, ZDP Shares and Units of the Company are qualifying investments under applicable ISA regulations.

Glossary of Terms

There is a glossary of terms on page 59 which defines some of the technical references used in this Annual Financial Report.

FINANCIAL INFORMATION

Performance Statistics

† Defined in the Glossary of Terms on page 59.

	AT 31 OCTOBER 2008	AT 31 OCTOBER 2007	% CHANGE
Capital			
Total assets less current liabilities (£'000)	25,679	44,487	–42.3
Net assets attributable to Ordinary Shareholders (£'000)	2,381	21,718	–89.0
Actual gearing†	979%	104%	
Asset gearing†	934%	104%	
Ordinary Shares:			
Net asset value†	14.8p	135.4p	–89.1
Mid-market price	38.0p	116.5p	–67.4
Discount/(premium)† with prior charges deducted:			
– at calculated value†	(156.8)%	14.0%	
– at market value†	13.5%	13.4%	
Market capitalisation† (£'000)	6,097	18,692	–67.4
Zero Dividend Preference Shares†:			
Calculated value	118.8p	112.1p	+6.0
Mid-market price	95.0p	112.8p	–15.8
Discount/(premium)†	20.0%	(0.6)%	
Market capitalisation† (£'000)	18,630	22,120	–15.8
Units:			
Calculated value	1440p	2451p	–41.2
Mid-market price	1325p	2360p	–43.9
Discount†	8.0%	3.7%	
Total Return on Portfolio			–40.9
Total Return Indices:			
FTSE All-Share	2,706.99	4,123.82	–34.4
FTSE 350 High Yield	3,035.54	4,463.26	–32.0
Merrill Lynch Sterling High Yield	146.38	187.92	–22.1

Performance Statistics

† Defined in the Glossary of Terms on page 59.

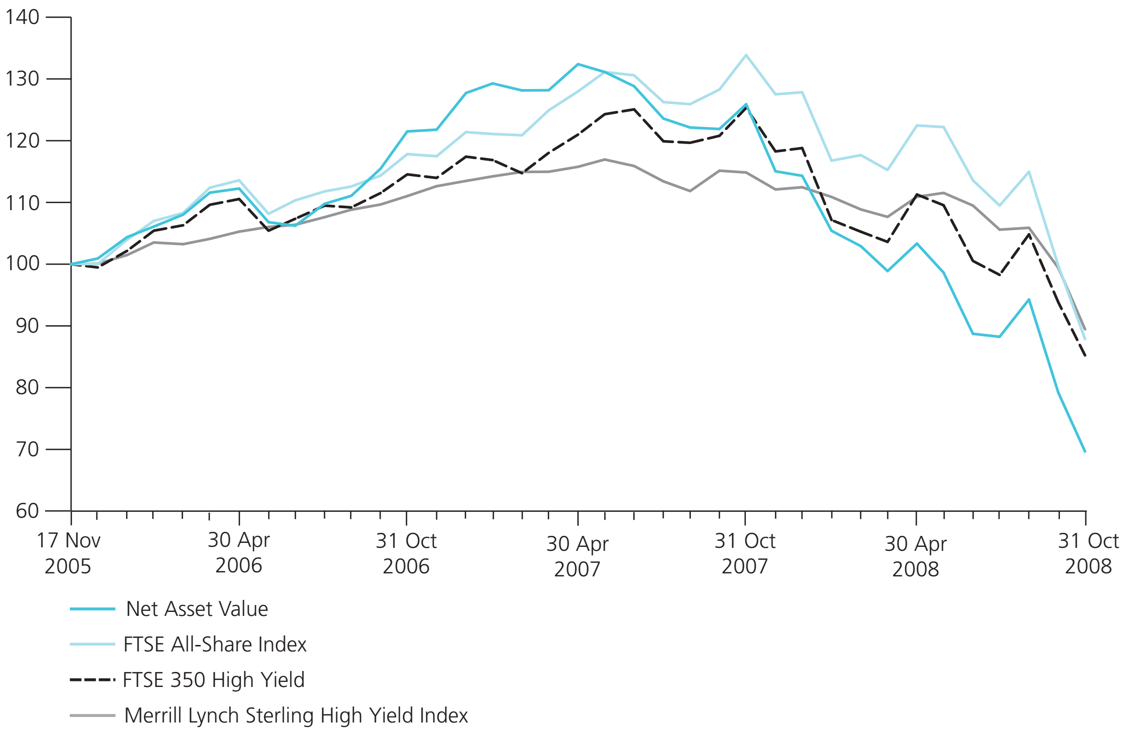
	AT 31 OCTOBER 2008	AT 31 OCTOBER 2007	% CHANGE
Revenue			
Gross income (£'000)	2,175	1,804	+20.6
Net revenue available for Ordinary Shares (£'000)	1,784	1,365	+30.7
Net dividends per Ordinary Share	7.70p	7.25p	+6.2
Total Expense Ratio†	1.1%	1.0%	
Total Return per Ordinary Share			
Revenue return	11.1p	8.5p	
Capital return	(123.9)p	(2.8)p	
Total return	(112.8)p	5.7p	

Historical Record Since Launch

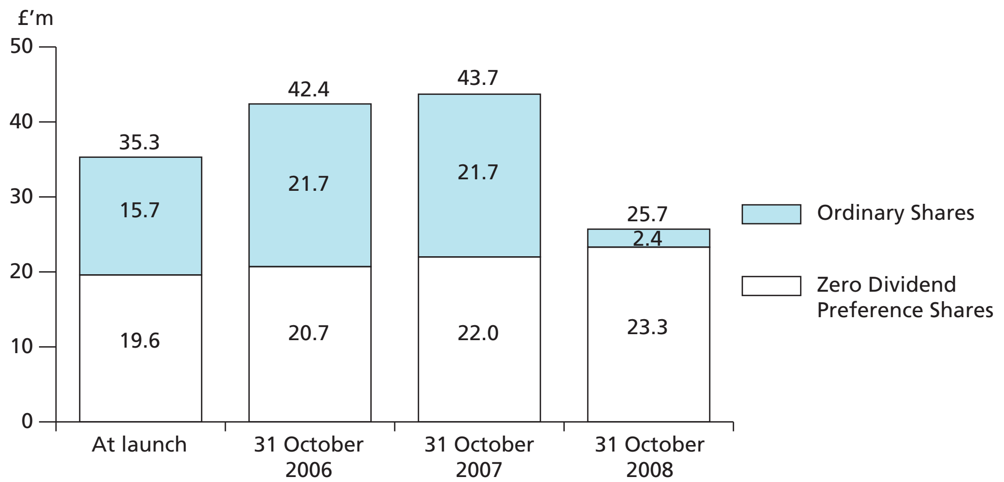
To 31 October	Revenue return before finance costs and taxation £'000	Dividends on Ordinary Shares (including proposed dividends) Cost £'000	Dividends on Ordinary Shares (including proposed dividends) Rate p	Total assets less current liabilities £'000	Ordinary Share Net asset value p	Ordinary Share Mid-market price p	Zero Dividend Preference Share Calculated value p	Zero Dividend Preference Share Mid-market price p	Units Calculated value p	Units Mid-market price p
At launch on 7 October 2005	n/a	n/a	n/a	35,340	98.0	100.0	100.0	100.0	1960	2000
2006	982	866	5.4	42,829	135.0	112.5	105.7	104.9	2379	2165
2007	1,365	1,163	7.25	44,487	135.4	116.5	112.1	112.8	2451	2360
2008	1,784	1,493	9.30	25,679	14.8	38.0	118.8	95.0	1440	1325

FINANCIAL INFORMATION
continued

Growth in Net Asset Value (Total Return) Since Launch
(Rebased to 100 at launch)



Analysis of Funds



The 19,610,250 Zero Dividend Preference Shares ('ZDP Shares') rank for repayment ahead of the Ordinary Shares on winding-up. At 31 October 2008, the assets of the Company provide 93% of the cover for the £27,729,000 repayment value of the ZDP Shares on 27 October 2011. Further analysis of the projected net asset values of the Ordinary Shares and the ZDP Shares are described in the Chairman's Statement on pages 5 to 8.

CHAIRMAN'S STATEMENT

Investment Performance

In this, my third annual report to shareholders as the Chairman of your Company, I am very disappointed to have to report a substantial decrease in the total assets less current liabilities of the Company of 42.3% for the financial year ended 31 October 2008.

The entitlement of the Zero Dividend Preference Shares ('ZDP Shares') means that a predetermined amount is notionally allocated from capital each financial year to provide for repayment of the ZDP Shares at the wind-up date. If there are insufficient capital assets (that is, total assets less current liabilities) at any time to cover the total notional cumulative allocation at that time then all the remaining capital assets are notionally allocated to provide for the partial repayment of the ZDP Shares. Whereas there has been a decrease in total capital assets in respect of this financial year, sufficient capital assets remained at the end of the year to cover the total notional cumulative allocation to provide for repayment of the ZDP Shares at the date of winding up. As a consequence, the capital assets available for the repayment of Ordinary Shares on the winding up date have fallen by an amount equivalent to the sum of the fall in the total capital assets and the notional allocation of capital assets to the ZDP Shares. As a result, the net asset value ('NAV') of the Ordinary Shares has fallen by 89.1% to 14.8p. The share price of the Ordinary Shares has fallen 67.4% to 38p, which, taking account of the ZDP Shares at their mid-market price of 95p, means the Ordinary Shares stand at a premium of 157%.

The nature of the Company's investments, whether equity or fixed interest, is orientated towards company specifics. Your Board considers that the performance of three company orientated indices, namely the FTSE All-Share Index, the FTSE 350 High Yield Index (for equity comparison) and the Merrill Lynch Sterling High Yield Index (for fixed interest comparisons), are those generally most relevant to the investments of the Company for performance comparison purposes. During the year under review the Merrill Lynch Sterling High Yield Index has given a total return of -22.1%. At the start of this year, the Company held only one fixed interest recovery investment, which was the Northern Rock 8% Preferred Shares, but during the year two further holdings were added. The fixed interest recovery investments at the financial year end represented 6.1% of the total assets less current liabilities. Otherwise, your Company's investments have all been in equity recovery stocks.

The total return of the portfolio during the year was -40.9% and the corresponding total returns on the FTSE All-Share Index and the FTSE 350 High Yield Index were -34.4% and -32%, respectively. This is clearly very disappointing. The substantial fall in the UK equity market was not foreseen by the Manager and not expected by the Board but the Company has suffered further because those recovery equities held have performed less well than the comparable indices. Both the fall in the UK equity market and the under performance by the Company's equity holdings have much to do with what has happened in the Banking sector during the period.

The UK interbank market effectively seized up because the problems from subprime mortgages in the US and very lax mortgage lending in the UK, loans to leveraged buyouts and hedge funds and a range of more exotic exposures were emerging and it was known that many of these increasingly dubious assets were held by banks. Banks themselves were unsure who, amongst their counterparties in the interbank market, held toxic exposures and would not have strong enough balance sheets to absorb any losses. Northern Rock was taken over by the UK Government but it was clear that the nation's balance sheet made a similar solution for any of the UK's major banks untenable. The Bank of England's willingness to accept a wider range of assets in exchange for providing liquidity to the interbank market came too late; that market had effectively stopped fulfilling its crucial role. The consequences continued to unfold. Any bank that relied on the interbank market for its funding became potentially vulnerable so adding another cause for doubt. Many banks after a sustained period of growth and having entered into some, what might be called, at best, foolhardy lending were ill-prepared, with Tier 1 capital ratios (basically liquid assets as a percentage of all assets) at the low end of the range allowed by the Regulator, to withstand the trauma of the interbank market ceasing to function properly. Confidence in the banking system was disappearing fast. Each bank was increasingly looking to protect itself against new shocks from without whilst taking whatever measures it could within. These included trying to sell off non-core assets to boost liquidity and to reduce total assets (lending), both aimed at improving Tier 1 capital ratios and thus being seen as 'safe'. So willingness to lend to the private (mortgages and consumer loans) and corporate sectors decreased and, as lending became less available, the terms on which it was available became more onerous (interest cost, fees and conditions) for the borrowers. In the same way that the banks can't function properly without an efficient interbank market the UK economy can't function properly without an efficient lending market. This was how the banking crisis became the cause of a deeper than necessary UK economic recession.

The recent past has been extraordinary. We have had depositors queuing outside an UK bank to withdraw their money, the interbank market has seized up, the cost of borrowing has generally risen despite the base rate being reduced to 2%, the number of new mortgages has dropped precipitately and house prices are falling. UK economic activity has fallen rapidly and unemployment is rising. Risk aversion has increased dramatically and capital values have been undermined. Unfortunately, in these circumstances,

CHAIRMAN'S STATEMENT
continued

recovery stocks are likely to under perform even though there are opportunities to buy recovery shares.

As well as the conditions being particularly adverse for recovery stocks, your Company has suffered to a greater extent by virtue of its high exposure to financials, in general, and to banks, in particular. Your Board, like your Manager, did not foresee the extent to which the share prices of some of the major UK banks would fall. Your Manager describes what he believes has happened in the banking sector, his active response to it and his expectations for the future in his report that follows. Your Board, whilst not having an aggressively negative view of the future of the UK banks at the time, had, at an early stage, thought it appropriate, on the basis of limiting the overall risk, to halt further net investment into the banking sector to limit the exposure of your Company to the sector as a whole. The sector represented a large percentage of the overall market and a significant over weighting would necessarily have represented a substantial proportion of your Company's total assets but also, the certainty with which the future could be predicted was decreasing. Events as they unfolded proved this to have been a good policy. Additionally, I decided that the Board should have an exceptional meeting just with the Directors. This was held on 22 October 2008. At this special meeting, we reviewed all aspects of the Company and particularly, our exposure to risk. Our conclusions were minuted and then fully discussed with the Manager; as a result certain aspects of our risk strategy were further refined.

Despite the comments above about the falling market and the under performance of the stocks held, your Board retains the confidence in the Manager to take forward the investments of your Company. Excepting some of the banks, the Manager has had notable success with many of the stocks held for recovery in the mega-cap part of the UK equity market that have represented a substantial proportion of the total portfolio with GlaxoSmithKline, AstraZeneca and Royal Dutch Shell, all performing strongly over the period against a falling market.

As I said earlier, it is likely that such a traumatic period will provide many recovery opportunities. The length and depth of the recession is difficult to predict but recovery in many individual share prices will come ahead of the recovery of the UK economy. In such uncertain times, whilst not being able to say where the bottom of the market will be, the Board expects that with the market having fallen so far, there will be time within the remaining life of the Company for profits to be made from recovery investing.

Board and Committee Membership

Tim Congdon (previously Chairman of the Management Engagement Committee) resigned from your Board on 4 June 2008 in order to allocate more of his time to his expanding personal business interests.

Following Tim Congdon's resignation from the Board of the Company, Bill Erasmus replaced him as Chairman of the Management Engagement Committee.

Tim has been a valuable member of the Board, as he was of the boards of the two preceding investment trusts, the first of which was Invesco Recovery Trust, which began in 1991 and the second being the 'roll over' of that company in 1998 into Invesco Recovery Trust 2005 plc. Tim's monetarist economic approach has provided to all of those Boards valuable long term insight over the years. I and the rest of the Board would like to thank him in particular for his contribution to this Company since it was formed in 2005.

It is the current intention of the Board not to appoint another non-executive Director to replace Tim. Professor Jim MacLeod joined the Board as an additional non-executive Director on 1 January 2007 with recent relevant financial experience and chairs the Audit Committee. The Board will receive regular economic assessments from John Greenwood who is the Chief Economist of Invesco Perpetual.

Revenue and Dividends

During the second financial year of the Company, the Board increased the final quarterly dividend payment from 1.35p to 1.5p and in my statement in the last Report and Accounts it was explained that it had been set at a level that the Board would expect, in normal circumstances, to be maintainable for future quarterly dividends. For the current financial year your Board has declared three quarterly dividends of 1.5p and also proposes a final dividend of 1.5p. Revenue received in this reporting period, by virtue of the nature of the recovery stocks held, has again been high. The Board is required to distribute at least 85% of revenues in any financial year and therefore, cannot retain all of this year's remaining revenue in the revenue reserves. The Directors are, therefore, pleased to declare a special dividend of 3.3p. The final dividend together with the three interim dividends of 1.5p per Ordinary Share that have already been declared make a total of 6p for the financial year and the special dividend raises this to 9.3p. Pending the approval of shareholders at the AGM for the payment of the final dividend, both the final and special dividends will be payable on 29 January 2009 to Ordinary Shareholders on the register on 30 December 2008.

The Board recognises that, as a result of restrictions on the payment of some future bank dividends and the worsening economic environment in general, it is highly likely that the revenue received during the Company's current financial year will be considerably reduced from last year's level. Currently, it appears improbable that a special dividend will be declared for the next financial year. It is also likely that there will be insufficient revenue received in the next financial year to cover four quarterly payments of 1.5p. However, the Board has always recognised that during some periods the recovery stocks held in the portfolio may not produce as much revenue. Accordingly, as stated above, the Board had set the quarterly dividend at a level that, in normal circumstances, it expected to be maintainable for future payments. It is the Board's current intention to pay the same quarterly amount of 1.5p in the Company's current financial year and if necessary, the revenue reserves will be used to make up for any shortfall in that year's revenue for the cost of a total annual dividend of 6p per Ordinary Share. The Board has always envisaged utilising the revenue reserves to pay the quarterly dividend when necessary to ensure that the Manager is not constrained by the dividend policy in his ability to invest in recovery stocks that he sees as offering the likelihood of capital gains.

VAT on Management Fees

As I reported in the last annual report, investment trust management fees are no longer charged to VAT and it has become possible to take steps to reclaim part of the VAT paid in prior periods. However, as your Company is relatively young, only £44,000 of VAT was suffered and no adjustment has been made in these financial statements in respect of this. Your board will continue to monitor the situation and update shareholders as the position develops.

Projected Net Asset Value ('NAV')

The gearing of the Company means that the change in the NAV of the Ordinary Shares will be greater than the change in total assets less current liabilities. In assessing the future value of both the ZDP Shares and Ordinary Shares, I have had tabulated what would happen in a number of different situations.

Projected NAV of Ordinary Shares

% Growth per Annum in Total Assets less Current Liabilities	Approximate NAV per Share
+3.7%	nil
+5.0%	6.8p
+10.0%	33.6p
+15.0%	62.9p
+20.8%	100p

The above projected NAVs show the estimates of capital repayments which could be made to the Ordinary Shareholders assuming a variety of different growth rates in the Company's total assets less current liabilities to wind-up in October 2011.

Projected NAV of ZDP Shares

% Growth per Annum in Total Assets less Current Liabilities	Approximate NAV per ZDP Share
+3.7%	141.4p
nil	127.0p
-5.0%	109.0p
-10.0%	92.7p

Investment Policy

Currently the Company's Investment Policy states that no investment will take place in any other listed investment companies. This restriction was included by the Board in the wake of the collapse of the split capital investment trust market to make it clear that this Company did not invest in other split capital investment trusts. It remains the intention of the Board not to invest in such investment companies. However, the restriction precludes investment in all other listed investment companies. The Manager has advised the Board that he expects that there will be recovery opportunities emerging in the lower market capitalisation end of the UK equity market. He believes that to invest in other investment companies that specialise in the 'smaller-caps' may be even more advantageous because at times of particular distress, such investment company share prices may well stand at a particularly large discount to their NAVs. Accordingly, the Board proposes that the policy should be amended to allow the Company to invest up to 15% of total net assets less current liabilities in other listed investment companies.

Annual and Separate General Meetings

As explained above, your Board are proposing to make a change to the Company's Investment Policy, which requires the approval of both the Ordinary and ZDP Shareholders. For that reason, both a Separate General Meeting of ZDP Shareholders and an Annual General Meeting will be held from 11.50 a.m. on 28 January 2009.

I look forward to seeing shareholders at the general meetings of the Company on 28 January 2009. Following the AGM, there will be an opportunity to meet members of the Board and Mr Carstairs, the Investment Manager.

Your Directors have carefully considered all the resolutions proposed in the Notices to both general meetings and consider them all to be in the interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution.

Separate General Meeting of ZDP Shareholders

The holders of ZDP Shares have the right to attend and vote at the Separate General Meeting, which will take place on 28 January 2009 at 11.50 a.m. At the Separate General Meeting, one item of special business is proposed. Your Directors are seeking the formal adoption of an amended Investment Policy, which can be found in full on page 17 of the Report of the Directors.

Annual General Meeting ('AGM')

The holders of the Ordinary Shares have the right to attend and vote at the AGM, which will take place at 12 noon on 28 January 2009. Holders of the ZDP Shares have the right to receive notice of, but not attend or vote at the AGM. At the AGM, two items of special business are proposed.

Firstly, your Directors are seeking the formal adoption of an amended Investment Policy, details of which can be found in full on page 17 of the Report of the Directors.

Secondly, your Directors are seeking the approval of new Articles of Association of the Company, primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and existing Articles of Association is set out in the Notice of the AGM on page 55. Shareholders should note that the terms of the new Articles of Association with all the proposed changes highlighted are available for inspection at 30 Finsbury Square, London EC2A 1AG from 22 December 2008 until the close of the AGM on 28 January 2009.

The Rt. Hon. the Lord Naseby
Chairman
23 December 2008

MANAGER'S REPORT

During the year under review the UK equity market has fallen dramatically and the UK economic situation has deteriorated substantially. In capital terms, the FTSE 100 Index fell by 34.9%, the FTSE 250 fell by 46.2% and the FTSE Small Companies ex Investment Trusts fell by 54.0%. The Company's portfolio has underperformed its comparators. The hope that I expressed in the last annual financial report that the worst falls for many holdings may have been seen has proved to be far from the case.

What has happened? The year started with depositors having queued in the streets to withdraw their deposits from an UK high street bank and that bank having to be nationalised. This is unprecedented in the UK in modern times so why did it happen?

The bank had undoubtedly made bad loans, the Tier 1 capital which is there to cushion the impact of loan write-offs would undoubtedly be impacted, but the bank was operating within the parameters set by the Regulator. Many banks have been in this sort of position at some time in the past, but a run on the bank has not been the result. In fact every bank would be bankrupt if all depositors withdrew their money at the same time. Banks hold relatively liquid assets to some degree to enable them to meet normal withdrawals and if those withdrawals become excessive they go to the lender of last resort, the Bank of England ('BofE'), and lodge assets with the BofE on security of which the BofE lends extra liquid assets to them to meet withdrawals. Depositors who want to withdraw their money immediately are able to and those that do not, expect to be able to do so should they wish to in the future. Essentially, you do not get a run on a bank if confidence in the bank is maintained. If confidence in the bank goes, it is likely that the bank will go.

Of course, a bank that has continually to write-off bad loans must do something to address the problem. It may raise further capital sufficient to absorb the write-offs, it may have sufficient capital already and just has to avoid making too many further bad loans, it may sell off assets to provide sufficient capital or it may shrink the overall size of its balance sheet (its lending) to bring the capital it has to take risk into line with the risks it is taking. There are many solutions and combinations but the key characteristic of all of them is that they take time to implement. Confidence must not be lost whilst the necessary adjustments are being made. This is precisely why banks have Tier 1 capital, why they have shareholders who will normally be prepared to invest more risk capital, why there is a lender of last resort and why the banks are regulated by the UK government.

The problems of Northern Rock were not insoluble. Indeed, at various times there were bids mooted or real from banks and other investors. They appear not to have progressed because bidders wanted the government to offer some form of guarantee which was not forthcoming at the time. In my view, despite the argument of moral hazard, this was the wrong decision when stability of the banking system as a whole should have been the priority. The guarantees given since, available to the banking system as a whole, dwarf what would have been required.

Nobody should underestimate the profound implications of what happened to Northern Rock. In the end it had to be nationalised, otherwise it would have gone bankrupt. The problems for the banks of bad loans were already there, but when confidence in one UK high street bank has gone why could it not happen to any UK bank? Once this question is asked there is a much bigger problem than there was before. Following this, banks, that already knew perfectly well that there were a lot of bad loans to be written off, knew that it was important to know where and how big they were because they could not lend to another bank and rely on it being there long enough to repay the loan. Attention became focused on Tier 1 capital ratios. Broadly the assumption was that the lower the Tier 1 ratio, the more likely the bank could fail but speculation and guesswork played its part and apparently quite strong capital ratios were notionally written down by the market to make most UK banks potentially at risk. As the crisis was developing, more and more bad news emerged from the economy to encourage people to make larger and larger notional future write-offs. These assumptions were certainly not necessarily invalid and those perceived as the weaker banks were driven to the necessity of rights issues to underpin confidence.

Unfortunately, the increasing distrust amongst the banks themselves was taking its toll on the interbank market (the market where every day banks lend vast amounts to each other over various periods of time). This brought with it another focus for concern. Where a bank has much more lending than reliable longer term deposits it makes up some of the difference by borrowing in the interbank market. As the interbank market began to seize up further pressure came upon banks that were short of depositors and long of loans (Northern Rock had been in this position of being a continual interbank market borrower, but by that time it was Northern Rock specifically that was essentially unable to fund from that market because its business model was perceived to be flawed rather than the whole market having effectively seized up as was the case later). In my view the BofE was too slow in addressing the deterioration in the interbank market. Latterly, it introduced measures that should be sufficient to regenerate that market, but if it had acted sooner the damage would have been more limited.

With the interbank market effectively closed to many participants and increasingly expensive relative to base rate for the others (as those lenders participating required a greater risk margin from those banks to whom they lent), banks were taking further self help actions, as well as rights issues, by selling assets, reducing their level of lending and tightening the terms for lending. The vicious circle, of less lending and bigger deposits because house prices might fall causing house prices to fall because there were fewer buyers, had been firmly established.

Falling house prices, fewer new mortgages and rising interest costs, because of the interbank market problems and many mortgage borrowers coming off cheap fixed rate deals, brought Bradford and Bingley under the spotlight despite it having had a high stated Tier 1 capital ratio and despite it having had a rights issue to boost its ratios further. It was short of deposits, long on loans and relied on the interbank market. It had grown a large loan book with a lot of buy-to-let mortgages. By now there is another problem coming to the fore, the rating agencies were revisiting bank ratings in the light of the deteriorating banking background. The rating agencies are really supposed to be the banking industry's objective assessors of the riskiness of individual banks. Unfortunately, in the run-up to the banking crisis the rating agencies had shown no particular prescience and around the world banks with apparently sound credit ratings were going bankrupt. To be fair to them extraordinary things were now happening, but they were also playing catch up. Unfortunately, large enough credit rating agency downgrades of a bank have the same affect as a run on the bank, confidence goes and some sort of solution must be found or the bank will go bankrupt. Bradford & Bingley was severely downgraded, a way out had to be found. One UK high street bank had failed, why could not another? The rights issue had not worked, assets could not be sold in time and any potential buyers were uncertain of the extent of loan losses in a rapidly falling property market and of the future profitability of the business so there were none. Again nationalisation was the solution. Now two UK high street banks had failed, why could not another?

Many participants in the banking market whether consumers, corporates, banks or investors were by now bewildered. They had thought that the situation they now found themselves in could not have happened. Despite government having discussed, well before Northern Rock's problems, increasing the deposit guarantee scheme coverage from £35,000 to £50,000 it still had not been done by the beginning of October 2008. Retail customers were opening new accounts with other banks to get more deposit protection and money was being moved into short dated gilts, treasury bills and other government guaranteed paper out of bank deposits in case the bank went bankrupt. Those with amounts deposited above the deposit guarantee limit would only be creditors if a bank became bankrupt. Normal lending to business was increasingly being affected and the direct negative impact on the economy was escalating rapidly.

A further complication was manifesting itself. Similar problems were emerging for similar reasons in the US and Europe. The functionings of the banking systems of different countries are connected. Problems in one country, particularly the major western economies, impact on others. Individual countries were acting to support their banking systems and there were potentially adverse consequences for others. If another country is giving an unlimited guarantee on deposits in the banks that it regulates then why not move one's deposit to be fully guaranteed there rather than risk a loss in the UK?

The magnitude of the problem was spiralling out of control. Alliance & Leicester had been bid for in July by Santander, thereby securing its future, and Northern Rock and Bradford & Bingley had been nationalised. The three smallest UK high street banks had gone, now only the big ones remained. Why could not one or two other UK banks fail? In fact, HBOS seemed to be coming under mounting pressure and Lloyds TSB, with a suspension of the monopolies rules, was allowed to bid for it. Now only a solution that protected the main banks in the UK banking system would do and thankfully, the government finally acted decisively enough to go from being behind the curve all the time to ahead of the situation. A comprehensive set of measures was unveiled on 8 October to recapitalise any major bank that needed help to reach new higher targets for Tier 1 capital. Any of the major banks that met those targets could participate in another set of government measures aimed at kick starting the interbank market. In terms of addressing the banking crisis the package of measures announced was good and is having the hoped for impact on the functioning of the banking system. However, for some of the individual bank share prices it has been dire.

The effect of the package is essentially to require banks to have a much higher than previously Tier1 capital minimum immediately. A bank that is short of that minimum would have some form of capital raising. Such a capital raising can be done in the market in the normal way, but it can also be done with the government which will effectively underwrite the issue of sufficient new shares to achieve at least the minimum Tier 1 ratio providing the bank involved undertakes to do certain things (in particular to pay no ordinary dividends) while the preference shares that form part of the fundraising remain in the hands of the government. This is all broadly reasonable, but the restriction on any ordinary dividend payments while the preference shares are outstanding undermines the reason that some major investors hold bank shares and will limit the take up by existing shareholders, thereby leaving more ordinary shares with the government than it would like.

I have written such a long explanatory narrative because I feel that it is important that investors understand what has been happening in a year the like of which has not been seen for a very long time and I shall go on to explain what has been happening in the portfolio. Firstly, I shall describe what I have been doing in the banks.

As outlined in the Chairman's Statement, the Board at an early stage imposed a limitation of no further net investment in the banking sector. I was heavily invested in the sector too early. At the start of the year there was a holding of Northern Rock but this was sold at a loss before it was nationalised and before the Board imposed the restriction of no new net money into banks. The holding in HSBC substantially outperformed the FTSE All-Share over the time it was held but HBOS, Royal Bank of Scotland ('RBS') and Lloyds TSB all did badly and made a major contribution to the poor performance of the fund. Lloyds TSB started the year as the largest bank holding and has performed much better than HBOS (for which it has been allowed to bid) and RBS. RBS and HBOS both had rights issues in the summer. We subscribed for both using money from sales of HSBC. Following the government's bank rescue package we have bought all the shares in HBOS needed to maintain an undiluted position following the issue of new shares to the government by buying in the market at about half the price at which shares could have been clawed back from the government. These purchases were funded by further sales of HSBC. Since the year end the Board relaxed the restriction of no new money into banks to allow me to purchase sufficient further HBOS shares to enable me, when the bid by Lloyds TSB completes, to have purchased the equivalent number of Lloyds TSB shares required not to be diluted by the government (again at a discount to claw back) and to buy some, though not all, of the RBS shares required not to be diluted (again at a discount to claw back). Otherwise the restriction remains in place. During the year I also bought and sold Bradford & Bingley at a profit. I have been very keen to maintain undiluted positions in Lloyds TSB, HBOS and RBS because I believe that the share prices have fallen too far. Due to the restriction I have not been able to achieve this aim in respect of RBS.

Having got major investments in some of the banks wrong thankfully I have been right about some things. My expectation that large (particularly mega) cap would outperform mid and small caps has been correct. The large exposure to GlaxoSmithKline and AstraZeneca as recovery stocks has paid off handsomely and the heavy weighting in Royal Dutch Shell, despite a rapidly declining oil price, has been rewarding.

During the year we disposed entirely of Robert Wiseman, DS Smith, Northern Foods, Scapa, Tate & Lyle, Mothercare, International Personal Finance, United Utilities, GCAP, Intec Telecom, HSBC, Zotefoams, Filtronic, Thus, Games Workshop and Northern Rock. We have reduced Vodafone, GlaxoSmithKline, Morrisons and Stanelco. As well as the banks mentioned above we have added to Johnston Press, French Connection, Luminar, SCS Upholstery (which subsequently went bankrupt), British Polythene and BT. We have started new holdings of Wolseley, Mitchells & Butlers, Bellway, Bovis, Lupus, Marstons, Redrow, KCOM and Trinity Mirror. We have added two new fixed interest holdings, Scottish Mutual 7.25% Perpetual and Standard Chartered Floating Rate Perpetual.

Investment Outlook

The UK equity market has fallen substantially. The prospects for the UK economy have deteriorated sharply. World governments are taking unprecedented measures to stabilise the financial system and to stimulate growth to stave off a prolonged and deep recession. These are extraordinary times and I am not sure what is going to happen. However, I think that equity markets will be higher in three years' time and I think the banks will recover strongly over the same time scale. I think that the mega caps in the portfolio probably have further to go and I think there will be many recovery opportunities emerging in the mid cap section of the market over the next twelve months so I shall be optimistic.

Ian Carstairs

Investment Manager

23 December 2008

CLASSIFICATION OF INVESTMENTS

AT 31 OCTOBER

	2008 AT VALUATION £'000	2008 % OF PORTFOLIO	2007 AT VALUATION £'000	2007 % OF PORTFOLIO
Oil & Gas				
Oil & Gas Producers	2,984	12.1	5,548	12.5
Basic Industries				
Chemicals	–	–	551	1.2
Industrials				
Construction & Materials	73	0.3	–	–
General Industrials	50	0.2	314	0.7
Electronic & Electrical Equipment	360	1.5	577	1.3
Industrial Engineering	62	0.2	215	0.5
Support Services	809	3.3	919	2.1
Consumer Goods				
Beverages	142	0.6	–	–
Food Producers	–	–	806	1.8
Leisure Goods	28	0.1	360	0.8
Household Goods	614	2.5	–	–
Health Care				
Pharmaceuticals & Biotechnology	6,010	24.4	6,989	15.7
Consumer Services				
Food & Drug Retailers	396	1.6	1,479	3.3
General Retailers	90	0.4	785	1.8
Media	217	0.9	687	1.5
Travel & Leisure	828	3.3	1,616	3.6
Telecommunications				
Fixed Line Telecommunications	1,390	5.6	2,270	5.1
Mobile Telecommunications	2,500	10.2	4,959	11.2
Utilities				
Electricity	1,109	4.5	799	1.8
Gas, Water & Multiutilities	–	–	729	1.6
Technology				
Software & Computer Services	141	0.6	468	1.1
Technology Hardware & Equipment	–	–	387	1.0
Financials				
Banks	3,033	12.3	10,535	23.7
Life Insurance	1,158	4.7	2,335	5.3
General Financial	1,121	4.6	975	2.2
Total Ordinary Shares	**23,115**	**93.9**	**44,303**	**99.8**
Total Fixed Income Securities	**1,499**	**6.1**	**75**	**0.2**
Total Investments	**24,614**	**100.0**	**44,378**	**100.0**

INVESTMENTS IN ORDER OF VALUATION
AT 31 OCTOBER 2008

All ordinary shares unless otherwise indicated

INVESTMENT	ACTIVITY BY SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Royal Dutch Shell	Oil & Gas	2,984	12.2
GlaxoSmithKline	Pharmaceuticals & Biotechnology	2,873	11.7
AstraZeneca	Pharmaceuticals & Biotechnology	2,630	10.7
Vodafone	Mobile Telecommunications	2,500	10.2
Lloyds TSB	Banks	1,701	6.9
HBOS	Banks	1,263	5.1
British Energy	Gas, Water & Multiutilities	1,109	4.5
Royal Bank of Scotland	Banks	1,030	4.2
Cable & Wireless	Fixed Line Telecommunications	737	3.0
Aviva	Life Insurance	625	2.5
Carnival	Travel & Leisure	542	2.2
Legal & General	Life Insurance	533	2.2
BT	Fixed Line Telecommunications	517	2.1
W M Morrison Supermarkets	Food & Drug Retailers	396	1.6
Electrocomponents	Support Services	389	1.6
Redrow	Household Goods	328	1.3
BTG	Pharmaceuticals & Biotechnology	269	1.1
Vectura	Pharmaceuticals & Biotechnology	238	1.0
British Polythene	Support Services	218	0.9
Wolseley	Support Services	202	0.8
Mitchells & Butlers	Travel & Leisure	156	0.7
Bovis Homes	Household Goods	152	0.6
Marston	Household Goods	141	0.6
Computacenter	Software & Computer Services	141	0.6
Delta	Electronic & Electrical Equipment	137	0.6
Kcom	Fixed Line Telecommunications	135	0.5
Bellway	Household Goods	135	0.5
Abacus	Electronic & Electrical Equipment	126	0.5
Luminar	Travel & Leisure	123	0.5
St. Ives	Media	109	0.4
French Connection	General Retailers	90	0.4
Johnston Press	Media	74	0.3
Lupus Capital	General Industrials	73	0.3
Metalrax	Industrial Engineering	62	0.2
Paragon	General Financial	60	0.2
NXT	Electronic & Electrical Equipment	57	0.2
Wagon	General Industrials	50	0.2
Cattles	General Financial	47	0.2
Investec	General Financial	41	0.2
Stanelco	Electronic & Electrical Equipment	40	0.2
Trinity Mirror	Media	35	0.1
Alba	Leisure Goods	28	0.1
London Scottish	General Financial	12	0.0
Regent Inns	Travel & Leisure	7	0.0
Total Ordinary Shares		**23,115**	**93.9**
Scottish Mutual 7.25% Perpetual	General Financial (NR/NR)	990	4.0
Standard Chartered Fltg Perpetual	Banks (Baa1/NR)	480	2.0
Northern Rock 8% Perpetual	Banks (NR/BBB-)	29	0.1
Total Fixed Income Securities		**1,499**	**6.1**
Total Value of Investments (47)		**24,614**	**100.0**

DIRECTORS

The Rt. Hon. the Lord Naseby PC

(Chairman of the Company and the Nomination Committee)

The Rt. Hon the Lord Naseby PC was appointed to the Board on 12 October 2005. He is a Life Peer and former Deputy Speaker of the House of Commons and former Member of the Public Accounts Committee. In October 2007 he successfully piloted through the House of Lords the private bill "Building Societies (Funding) and Mutual (Transfers)". He is a Director of the Parliamentary Broadcasting Unit, a Trustee of the Parliamentary Pension Fund and the former Chairman of The Children's Mutual. He is Chairman of the All Party Sri Lanka and Maldives Committees. He is Patron of the Naseby Battlefield Project and joint Patron of Northamptonshire County Cricket Club; a member of the MCC; the All England Lawn Tennis Club and Royal St. Georges Golf Club.

William D. L. Erasmus

(Chairman of the Management Engagement Committee)

William Erasmus was appointed to the Board on 12 October 2005. He has over 30 years industrial experience including CEO positions in turnaround and recovery situations, and has specialised in the environmental and manufacturing sectors. He previously had a senior role in a US based management consultancy, and has worked in an advisory position with a number of Venture Capital companies. He currently provides strategic and mentoring advice to private industrial companies, and is on the investment committee of a BERR backed mezzanine Venture Capital fund.

Howell M. Harris Hughes CBE

Howell M. Harris Hughes CBE was appointed to the Board on 12 October 2005. He was a Director of Sarasin Investment Management. He was previously with Phillips and Drew and then UBS until 1998. Between 1994 and 1997, he served on the Occupational Pensions Board. From 1998 to 2003, he was Chief Executive of the Church Commissioners and between 1988 and 1992, he was a member of the Prime Minister's Policy Unit.

Professor James MacLeod

(Chairman of the Audit Committee)

Professor James MacLeod was appointed to the Board on 1 January 2007. He is a Chartered Accountant and was a partner in Ernst & Young from 1973 to 1998. He is a Director of British Assets Trust plc, Scottish Investment Trust plc and Invesco Perpetual AiM VCT plc.

All Directors are non-executive and are members of the Audit, Management Engagement and Nomination Committees.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Manager, Company Secretary and Registered Office

Invesco Asset Management Limited
30 Finsbury Square
London EC2A 1AG
☎ 020 7065 4000
Company Secretarial contacts:
Karina Bryant and Chris Cordrey

Registered in England and Wales
Number 5586582

Invesco Perpetual Customer Services

Invesco Perpetual has a Customer Services team available to assist you from 8.30 am to 6.00 pm every working day. Please feel free to take advantage of their expertise.
☎ 0800 085 8677.

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

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

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

Capita Registrars provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling, at www.capitadeal.com or by calling ☎ 0870 458 4577

Auditors

Deloitte LLP
London

Custodian

JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

The Ordinary and ZDP Shares of the Company are quoted on the London Stock Exchange. Purchases and sales can be arranged in a number of different ways. Here are some examples: Stockbroker, Bank, Share Shop and on-line Dealing.

Net Asset Value ('NAV') Publication

The NAV of the Company's Ordinary and ZDP Shares is calculated by the Manager at the close of business on Wednesday each week and is notified to the Stock Exchange on the next business day. The estimated NAV is also published daily in the newspapers detailed under Share Price Listings.

Share Price Listings

The price of your shares can be found in the following places:

Financial Times	Investment Companies
Daily Telegraph	Investment Trusts
The Times	Investment Companies
Reuters	
IPRT.L	Ordinary Shares
IPRTZ.L	ZDP Shares
Bloomberg	
IPRT	Ordinary Shares
IPRZ	ZDP Shares
Internet addresses	
www.trustnet.com	Trust net
www.iii.co.uk	Interactive Investor
www.theaic.co.uk	The Association of Investment Companies

The Company's Website

The Company's website can be found at www.invescoperpetual.co.uk/investmenttrusts.

Financial Calendar

In addition, the Company publishes information according to the following calendar:

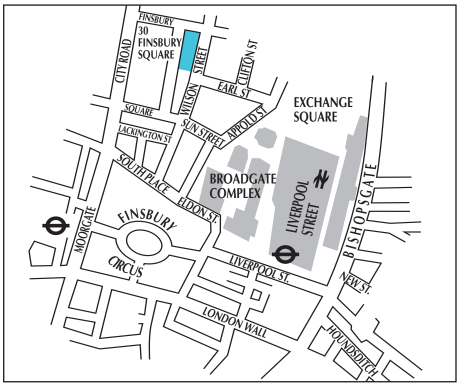
Announcements	
Half-Yearly Financial Report	June
Annual Final results	December
Interim Management Statements	February/ August
Ordinary Share Dividends	
1st interim payable	April
2nd interim payable	July
3rd interim payable	October
Final payable	January
Annual General Meeting	January
Year End	31 October

Location of Annual and Separate General Meetings

The Separate General Meeting of ZDP Shareholders will be held at 11.50 a.m. on 28 January 2009.

The Annual General Meeting will be held at 12 noon on 28 January 2009.

Both meetings will be held at 30 Finsbury Square, London EC2A 1AG.



REPORT OF THE DIRECTORS (incorporating the Business Review)

FOR THE YEAR ENDED 31 OCTOBER 2008

Introduction

The Directors have pleasure in presenting their Report together with the audited financial statements of the Company for the year ended 31 October 2008.

The Report of the Directors incorporates the Business Review and expands on the following areas:

Nature of the Company

The Company was incorporated and registered in England and Wales on 7 October 2005 as a public limited company under the Companies Act 1985.

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988 ('ICTA 1988'). HM Revenue & Customs ('HMRC') have approved the Company's status as an investment trust, subject to there being no subsequent enquiry under Corporation Tax Self Assessment, in respect of the year ended 31 October 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval. It is the Company's intention to continue to seek authorisation under Section 842 of ICTA 1988.

Investment Policy

The Directors are proposing an amended Investment Policy to be adopted formally, subject to the approval of holders of both the Ordinary and Zero Dividend Preference Shares ('ZDP Shares'), at Annual and Separate General Meetings to be held on 28 January 2009. The Company's Investment Policy approved at the Annual General Meeting in January 2008 does not allow investment in any other listed investment companies. It remains the intention of the Board not to allow investment in split capital investment trusts, however, the Board proposes that the Company's Investment Policy be amended to allow the Company to invest up to 15% of gross assets in other listed investment companies. Further details of this proposal can be found in the Chairman's Statement on pages 5 to 8. It is not expected, or intended, that this will give rise to significant changes in the way the Company's assets are managed.

The proposed statement is as follows:

Investment Policy

This Investment Policy will only be subject to material change with the consent of both classes of shareholders in a general meeting.

Objectives

The Company's principal objectives are to meet the capital entitlements of the ZDP Shares and to provide capital growth, a high dividend income and the potential for growth in dividends for Ordinary Shares. The Company is geared to the extent of its ZDP Shares and has no other fixed borrowings.

Investment Policy and Risk

The Company will invest principally in the quoted equity and fixed income securities of UK companies across all market sectors which are considered to offer recovery prospects and which may also provide regular income returns. It is intended that at least 75% of the portfolio will be invested in equities and the balance, if any, in fixed income securities (including convertibles or similar securities) unless market conditions should change significantly.

The Manager will manage the portfolio with the aim of reducing the effects of the risk of individual securities held through diversification across stock market sectors.

The Company will not incur borrowings (other than utilising short-term overdraft facilities from time to time) or any other charges which rank ahead of the ZDP Shares.

Investment Approach

It is the view of the Directors and the Manager that there are opportunities to invest in recovery securities which have been adversely affected by market sentiment and are believed to offer recovery prospects. The Manager will determine stock allocation and selection with a view to achieving the objectives of the Company and to meeting the individual returns expected for both classes of share. In order to select stocks appropriate for the Company's portfolio, the Manager will use a combination of analytical accounting tools, credit analysis and fundamental analyses, together with market price based valuation information. Due to the nature of the securities in which the Company invests, there is no appropriate single benchmark against which the Company's investment performance will be measured.

The Company intends to remain substantially invested until its winding-up date.

Investment Limits

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

- no single investment may exceed 15% of gross assets;
- the Company will not invest more than 15% of its gross assets in other listed investment companies;
- the Company will not invest in other split capital investment trusts; and
- the Company will not invest more than 25% of its gross assets in fixed income securities.

Life of the Company

The Company is a split capital investment trust with a planned life due to expire no later than 27 October 2011. In accordance with the Articles of Association, the Directors are obliged to convene an extraordinary general meeting ('EGM') on a date between 13 and 27 October 2011 at which a resolution is to be proposed to wind up the Company not later than 27 October 2011. The Directors may be released from this obligation only by special resolution passed not later than 27 July 2011 and with the class consents of both the Ordinary and ZDP Shareholders. As it is intended that shareholders should have the opportunity to realise their investment in cash at or about this time, each shareholder who votes in favour of the winding up resolution will, on a poll, have sufficient votes in respect of each share held by him to ensure that the resolution is passed. However, the Articles of Association also contain provisions designed to facilitate a reconstruction of the Company provided that its terms would still entitle shareholders to elect to receive cash, estimated by the Directors to be not less than their capital entitlements on a winding up in accordance with the Articles of Association. The Directors intend, as the winding up date approaches, to consider ways in which this might be achieved so that those shareholders who wish to continue their investment beyond that date, through a successor vehicle, may do so.

Share Capital

The Company's capital structure consists of 16,044,750 Ordinary Shares of 1p each and 19,610,250 ZDP Shares of 1p each. The Company has 299,035 Units in issue, each of which comprises nine Ordinary Shares and eleven ZDP Shares. On application to the Company's registrars, a Unit may be separated into its component shares. Ordinary Shares and ZDP Shares may also be combined into Units at any time on application to the Company's registrars.

Rights Attaching to the Ordinary Shares

At a general meeting of the Company every Ordinary Shareholder has one vote, exercisable either on a show of hands or on a poll, for each Ordinary Share held. The notice of general meeting specifies deadlines for exercising voting rights, either in person or by proxy, in relation to resolutions to be passed at a general meeting.

No Ordinary Shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being an Ordinary Shareholder if he or any person with an interest in Ordinary Shares has been sent a notice under section 793 of the Companies Act 2006 (which confers the power to require information with respect to interests in their voting shares) and he or any interested person has failed to supply the Company with the information requested within 14 days after delivery of that notice where the default shares represent 0.25% or more of the issued share capital. The Board may also decide that no dividend is payable in respect of those default shares and that, except in certain limited circumstances, no transfer of any default shares shall be registered. These restrictions end on an approved transfer of the shares or seven days after receipt by the Company of all the information required by the relevant section 793 notice, whichever is the earlier.

Rights Attaching to the ZDP Shares

The holders of the ZDP Shares shall have the right to receive notice of any general meeting but shall not have the right to attend or vote except upon any resolution varying, modifying or abrogating the special rights or privileges attaching to the ZDP Shares; any resolutions relating to the liquidation and/or reconstruction of the Company; and any resolution relating to a material change to the Company's Investment Policy.

At a general meeting of the Company at which ZDP Shareholders may vote, every ZDP Shareholder has one vote on a show of hands and on a poll one vote for each ZDP Share held. The notice of general meeting specifies deadlines for exercising voting rights, either in person or by proxy, in relation to resolutions to be passed at a general meeting.

Share Transfers

The Directors may refuse to register any transfer of any Ordinary or ZDP Share which is not a fully-paid share, although such discretion may not be exercised in a way which prevents dealings in the shares of the relevant class or classes from taking place on an open or proper basis. As at 31 October 2008, the Company's issued share capital did not include any Ordinary or ZDP Shares that were not fully paid. The Directors may also refuse to register any transfer of an Ordinary or ZDP Share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws).

Share Issuance and Buy Backs

The Company shall not, without the previous sanction of an extraordinary resolution passed at separate general meetings of the holders of the Ordinary and ZDP Shares respectively:

- issue or grant any rights to subscribe for, or rights to convert or exchange any securities into, any shares or securities in the Company unless any shares or securities to be issued are issued in the ratio of 9 Ordinary Shares to 11 ZDP Shares ('the Relevant Portion') and at prices such that for every unit of 9 Ordinary Shares and 11 ZDP Shares issued the aggregate cash consideration received upon issue thereof (net of expenses) is at least equal to the aggregate net asset value ('NAV') of such unit at the date of issue of the said shares and so that the Ordinary Shares and the ZDP Shares are in the Relevant Proportion; or
- pass any resolution to reduce the share capital of the Company in any manner including any resolution authorising the Directors to buy back shares in the Company.

Return of Capital on a Winding Up or other Return of Assets

On a return of capital on a winding up or other return of assets, the assets of the Company available for distribution to shareholders shall be applied first, in paying to the holders of the ZDP Shares an amount equal to 100p per ZDP Share, the amount of 100p being increased at the rate of 0.016 per cent per day, such increases to be compounded daily and calculated to the date of commencement of winding up or earlier return of assets subject to a maximum of 141.4p per ZDP Share; and secondly, in distributing the balance of the assets of the Company rateably amongst the holders of the Ordinary Shares according to the nominal value of their respective holdings of such shares.

Shareholder Agreements

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

REPORT OF THE DIRECTORS (incorporating the Business Review)

FOR THE YEAR ENDED 31 OCTOBER 2008
continued

Share Valuations

On 31 October 2008, the mid-market price and the NAV per Ordinary Share of 1p each were 38p and 14.8p respectively. The comparative figures at launch on 31 October 2007 were 116.5p and 135.4p respectively. The NAV has been calculated after deducting the 19,610,250 ZDP Shares at £1 per share together with the accumulated growth in their value to 31 October 2008 of £3,688,000.

Revenue

The results for the year ended 31 October 2008 are shown in the Income Statement on page 38.

Key Performance Indicators

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

- Relative Asset Performance;
- Dividend Policy;
- Meeting the Capital Entitlement of the ZDP Shares; and
- Total Expense Ratio

Relative Asset Performance

The performance of the Company depends upon the absolute returns provided by the securities in which it invests.

For the purposes of performance comparison, the Board has reviewed the NAV of the Company and its performance relative to that of the FTSE All-Share Index, the FTSE 350 High Yield Index and the Merrill Lynch Sterling High Yield Index. The total return of the Company was -40.9% during the course of the year, compared with falls of -34.4%, -32% and -22.1% in the respective indices.

Dividend Policy

One of the Company's investment objectives is to provide a high dividend income. For the year ended 31 October 2008, the Directors have declared three interim dividends, each of 1.5p per Ordinary Share. They have also proposed a final dividend of 1.5p per Ordinary Share and declared a special dividend of 3.3p per Ordinary Share, a total of 9.3p payable to Ordinary Shareholders in respect of the financial year ended 31 October 2008. It is the intention of the Board that dividends paid in future years will not be less than 6p per annum, dependent on market conditions and income received. The final dividend is at a level at which the Directors expect to at least maintain or to the extent possible, to increase it.

Meeting the Capital Entitlement of the ZDP Shares

The ZDP Shares are designed to provide pre-determined capital growth from the issue price of 100p to a final capital entitlement of 141.4p on 27 October 2011, by which time the Company is due to be wound up. If the total assets less current liabilities of the Company remain at the 31 October 2008 level, then the ZDP Shareholders would not receive this pre-determined final capital entitlement. However, if the total assets less current liabilities of the Company were to fall, the ZDP Shareholders could receive less.

Total Expense Ratio ('TER')

The expenses of managing the Company are carefully monitored by the Board at every meeting. It is the intention of the Board to minimise the TER, which provides a guide to the effect on performance of all annual operating costs.

The expenses for the year decreased from £439,000 last year to £391,000 this year. However, as the total assets less current liabilities of the Company had decreased substantially, this led to an increase in the TER from 1% to 1.1%. As disclosed on page 25, the Company has in place both a performance related fee and an uplift fee. At the end of the last year a provision of £793,000 was made for the performance fee. At the end of the current year no performance fee is due and this provision has been reversed in full, as shown in note 13.

Current and Future Developments

The Company's overall strategy is to manage its affairs so as to maximise returns for shareholders. Opportunities to expand the Company through further issues of shares or other means will be considered where this can be achieved.

Principal Risks and Uncertainties

The principal risk factors relating to the Company can be divided into the following areas:

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

The Company's Investment Policy permits investment in up to 25% of its gross assets in fixed income securities, which may be high-yielding securities. High-yielding securities may provide greater total returns than investment in interest-bearing securities with higher credit ratings, but also entail greater risk. In addition, market prices of high-yielding securities generally fluctuate more than market prices of securities with higher credit ratings. There is often limited market liquidity in high-yielding fixed income securities, which means that it may not be possible to realise them quickly and there is no guarantee that such investments can be realised at their stated bid prices. As at 31 October 2008, the Company owned three fixed interest recovery securities representing a total of 6.1% of the Company's portfolio.

There is no guarantee that the Investment Policy adopted by the Company will provide the returns sought by the shareholders.

Investment Process
Risk management is an integral part of the investment management process. The Manager effectively controls risk by ensuring that the Company's portfolio is always appropriately diversified. In-depth and continual analysis of the fundamentals of all holdings should give the Manager a full understanding of the financial risks associated with any particular stock.

Market Movements and Portfolio Performance
As at 31 October 2008, all of the Company's investments, with one exception, were traded on the London Stock Exchange. The principal risk for investors in the Company is of a significant fall in the markets and/or a prolonged period of decline in the markets relative to other forms of investment as well as bad performance of individual portfolio investments.

The prices of investments are influenced by many factors including the general health of world (and particularly UK) economic conditions including 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 the securities in which it invests, but these securities are influenced by market conditions and the Board acknowledges the external influences on portfolio performance.

The past performance of the Company, and all of the investments managed by the Manager, are 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 portfolio of the Company, please see both the Chairman's Statement and Manager's Report on pages 9 to 11.

Shares
The market price of the Ordinary Shares, as well as being affected by the NAV, also takes account of the dividend yield and prevailing interest rates, which may fluctuate. It may not always reflect the underlying NAV, and may, therefore, trade at a discount to NAV. However, as the market anticipates future dividends, the Ordinary Shares can also trade at a premium. At the year end, the premium with ZDP Shares deducted at calculated value was 157% (2007: discount of 14%). On 31 October 2008, based on the market value of the ZDP Shares, the Ordinary Shares traded at a discount of 13.5% compared with a discount of 13.4% at the previous year end.

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 investment. Due to the potential difference between the mid-market price of the Ordinary and ZDP Shares and the prices at which they are sold, there is no guarantee that the realisable value of each class of share will reflect their market price.

While it is the intention of the Directors to pay quarterly dividends to Ordinary Shareholders, the ability of the Company to pay dividends will depend upon the level of income received from its securities and the timing of such receipts. 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 received by Ordinary Shareholders. It may not be possible to increase or even to maintain the level of dividend paid on the Ordinary Shares in future years.

Gearing

Due to the gearing provided by the ZDP Shares and their increasing capital entitlements, the risk of loss of Ordinary Shareholders' assets is greater than for equities generally. The total assets less current liabilities of the Company need to increase by at least 3.7% per annum from their 31 October 2008 value in order for the ZDP shareholders to receive their full pre-determined value of 141.4p at 27 October 2011.

Regulatory and Tax Related

The Company is subject to various laws and regulations by virtue of its status as a Company registered under the Companies Act 2006 as an investment company, and its listing on the London Stock Exchange. A serious breach of regulatory rules may 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, may 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 s842 ICTA 1988 and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all perceived risks and the measures in place to control them. 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. A breach of s842 ICTA 1988 could lead to the Company being subject to capital gains tax on the sale of its investments.

Further details of the risk management policies and procedures as they relate to the financial assets and liabilities of the Company are detailed in note 20 to the financial statements.

Resources

The Company is an investment company which outsources its management, company secretarial and administrative functions. As a result, the Company has no employees. However, through contractual arrangements, a full range of services is available to it. The most significant contract is with the Manager, Invesco Asset Management Limited ('IAML'), to whom responsibility for the investment management of the portfolio is delegated. The Board reviews the performance of the Manager formally at every Board Meeting and additionally as appropriate.

The day-to-day responsibility for the investment management of the portfolio rests with the Manager. The Board has adopted guidelines within which the Manager is permitted wide discretion and any proposed variations outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the management contract formally once a year. The outcome of this review is commented upon on pages 25 and 26.

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

Advisers and Principal Service Providers

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

The Company also has the following advisers:

- Deloitte LLP as Auditors;
- JPMorgan Chase as Custodian; and
- Capita Registrars as Registrars.

Further details of the advisers can be found on page 15.

Shareholder Communication

Through the annual and half-yearly financial reports, interim management statements, monthly fact sheets, the Company's website at www.invescoperpetual.co.uk/investmenttrusts, general meetings and the publication of a weekly NAV and other methods, the Board endeavours to ensure that shareholders understand the Company's Investment Policy and that the Board, both independently and through the Manager, reviews its Investment Policy in the light of feedback from shareholders. The Board monitors and reviews shareholder communications on a regular basis.

Financial Position

Assets and Liabilities

At 31 October 2008, the Company's total assets less current liabilities were £25.7 million.

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

Social and Environmental Policies

As an investment company with no employees, property or activities outside investment management, environmental policy has limited application.

The Company's policy is that, subject to an overriding requirement to pursue the best financial interests of the Company, the Manager should take account of social, environmental and ethical factors in making and holding investments and in the use of voting powers conferred by such investments.

Substantial Holdings in the Company

At 30 November 2008, the Company had been notified of the following holdings of 3% and over of the Company's issued Ordinary Share capital:

	HOLDING	%
Philip Milton	2,302,118	14.4
Investec Asset Management	1,860,000	11.6
New Star Asset Management	1,500,000	9.4
Rathbones	1,367,800	8.5
Raymond James Investment Services	986,782	6.1
JP Morgan Asset Management	877,500	5.5
Transact	808,284	5.0
FW Stephens	557,539	3.5
Rensburg Sheppards Investment Management	484,537	3.0

Directors

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

REPORT OF THE DIRECTORS (incorporating the Business Review)

FOR THE YEAR ENDED 31 OCTOBER 2008
continued

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

Mr Harris Hughes and Professor MacLeod retire at this year's AGM and offer themselves for re-election.

The Directors of the Company, all of who served throughout the year, are listed on page 14.

Directors' Interests

The interests of the Directors in the Ordinary and ZDP Shares of the Company at 31 October are set out below.

	ORDINARY SHARES		ZDP SHARES	
	2008	2007	2008	2007
The Rt. Hon. The Lord Naseby	7,469	4,873	2,611	2,611
William Erasmus	5,000	5,000	2,989	2,989
Howell Harris Hughes	12,183	12,183	58,706	58,706
Professor James MacLeod	25,000	25,000	–	–

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

Between the year end and 22 December 2008, there have been no changes in the above interests.

Deed of Indemnity

A Deed of Indemnity has been executed between the Company and the Directors.

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

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

The Deed of Indemnity is available for inspection at the Registered Office of the Company at any time.

Disclosable Interests

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

Conflicts of Interest

The Companies Act 2006 ('the 2006 Act') sets out Directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, to a Director who becomes a director of another company or a trustee of another organisation. The 2006 Act allows Directors of the Company to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The 2006 Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest.

The new Articles of Association of the Company, proposed for approval by shareholders at the Company's AGM on 28 January 2009, give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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

Going forward, it is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

The Directors have declared all potential conflicts of interest with the Company. The Register of Potential Conflicts of Interests is kept in the Registered Office of the Company. It is reviewed regularly by the Board and the Directors will advise the Company Secretary as soon as they become aware of any potential conflicts of interest. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.

The Manager

Investment Management Agreement

Under an agreement dated 14 October 2005 between the Company and Invesco Asset Management Limited (IAML), IAML provides investment, administration and company secretarial services to the Company. The agreement is terminable by either party giving not less than one year's notice in writing.

Under the agreement, the Manager receives a management fee of 0.35% per annum of NAV (which excludes the accrued liability for the repayment of the ZDP shares) payable quarterly in arrears. The Manager is entitled to receive a performance related fee of 0.65% per annum of NAV cumulatively payable if and only if, on a winding up at the winding up date, each Ordinary Shareholder would be entitled to receive, before payment of the performance related fee, at least 100p per Ordinary Share. An additional fee (the 'uplift fee') will also be payable if, after payment of the performance related fee, each Ordinary Shareholder is entitled to receive at least 100p per Ordinary Share. This uplift fee will equal the performance related fee multiplied by the percentage by which the Ordinary Shareholders' entitlement on the winding-up of the Company exceeds 1p per Ordinary Share. Both these latter fees are payable at the end of the life of the Company. No performance or uplift fee is provided for at the year end.

With effect from 31 October 2007 no VAT has been payable on management or performance fees following the ruling of the European Court of Justice that investment trust management fees are exempt from VAT.

Statement of the Manager's Responsibilities

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

As Company Secretary and Administrator to the Company, the Manager provides full administration and company secretarial services, ensuring that the Company complies with all legal and regulatory requirements and officiating at Board meetings and shareholders' meetings. The Manager additionally maintains complete and accurate records of the Company's investment transactions and portfolio and all monetary transactions from which the Manager prepares annual and half-yearly financial statements on behalf of the Company and various statistical reports and information throughout the year.

Day-to-day management of the portfolio is the responsibility of Ian Carstairs, who has worked at Invesco Perpetual for 16 years and is a Global Partner of the Invesco Group.

Assessment of the Manager

The Board meets regularly to monitor and review the performance of the Manager with a view to the achievement of agreed objectives. The Management Engagement Committee meets annually, specifically to consider the ongoing investment management, company secretarial and administrative requirements of the Company. The Management Engagement Committee considers the performance of the Manager across a broad spectrum of activities. Investment performance and the Company's profile in the split capital investment trust sector are considered with reference to appropriate comparators. Certain aspects of company secretarial and administrative services are assessed with reference to key performance indicators. The Management Engagement Committee, based on its review of activities, believes that the continuing appointment of the Manager remains in the best interests of shareholders as a whole.

Report of the Audit Committee

The work of the Audit Committee is described on page 32. The Audit Committee, after having reviewed the Financial Statements with the Auditors and the Manager, recommended that they should be approved by the Board, and signed by the Chairman on the Board's behalf.

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. The necessary disclosure has been made in accordance with the provisions of section 234ZA of the Companies Act 1985.

Independent Auditors

Details of the audit fee are shown in note 4 to the Financial Statements. A resolution to re-appoint Deloitte LLP as the Company's Auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Creditor Payment Policy

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

Annual and Separate General Meetings

Shareholders will find on pages 51 to 53 the notices of the forthcoming Annual and Separate General Meetings of the Company to be held on 28 January 2009, explanations of the special business of which can be found in the Chairman's Statement on page 5.

By order of the Board
Invesco Asset Management Limited
Company Secretary
30 Finsbury Square
London EC2A lAG
23 December 2008

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 OCTOBER 2008

The Board presents this Directors' Remuneration Report ('this Report') which has been prepared under the requirements of Schedule 7A of the Companies Act 1985 and in accordance with the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority. An Ordinary Resolution for the approval of this Report will be put to shareholders at the Annual General Meeting ('AGM').

The Company's Auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The Auditors' opinion is included in their Independent Auditors Report on pages 36 and 37.

Remuneration Responsibilities

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

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

During the year, the Board has reviewed the Directors' Remuneration taking into consideration increasing demands and accountability of the current regulatory and corporate governance environment, and the additional workload that each Director has and will continue to experience. The Board have concluded that the current level of Directors' remuneration continues to be appropriate for the time being.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be reviewed regularly in order to ensure that it is fair and reasonable in relation to the time commitment and responsibilities of the Directors and the remuneration of Directors of other comparable investment trusts. It is intended that this policy will continue for the year ending 31 October 2009 and subsequent years.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum dictated by the Company's Articles of Association is £150,000 in aggregate per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

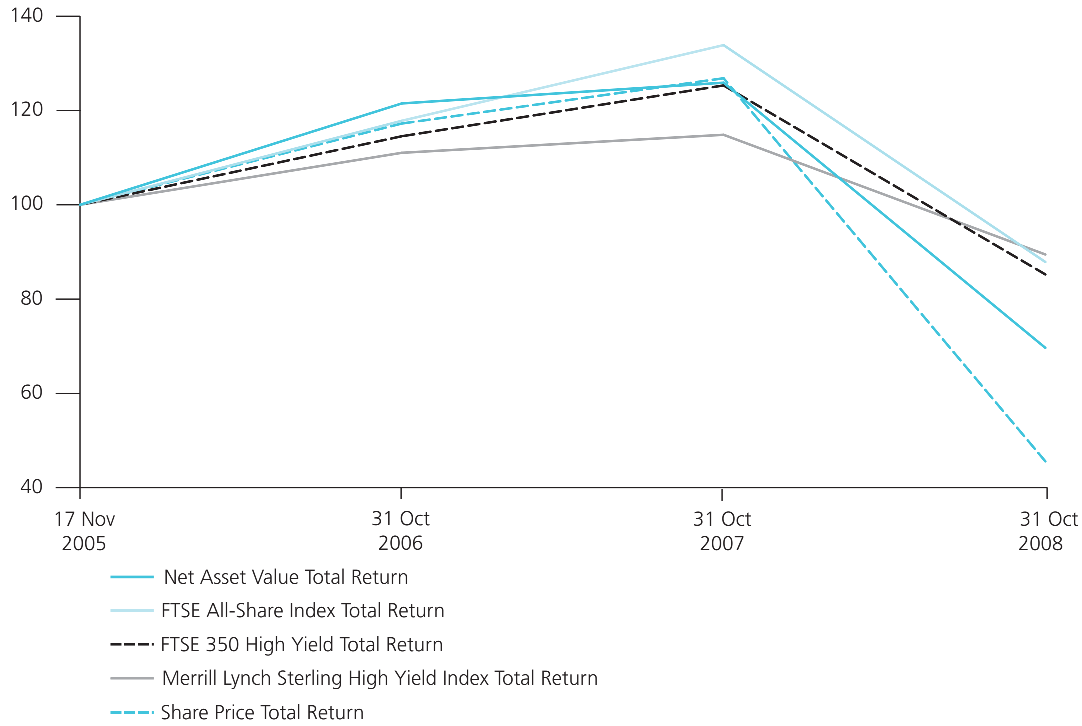
Directors' Service Contracts

All Directors have letters of appointment which are available for inspection at the AGM, on the Company's website and at the Registered Office of the Company. Under the Articles of Association of the Company, the terms of the Directors' appointment provide that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

The Company's Performance

The graph on the next page plots the total return net asset value and total return share price to Ordinary Shareholders since launch on 17 November 2005 compared to the total return of the FTSE All-Share Index, the FTSE 350 High Yield Index and the Merrill Lynch Sterling High Yield Index. These indices are considered the comparitors adopted by the Company for performance measurement purposes. Figures have been rebased to 100 at 17 November 2005.

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 OCTOBER 2008
continued



Directors' Emoluments (audited)

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

	2008 £	2007 £
The Rt. Hon. the Lord Naseby (Chairman of the Board)	25,000	20,810
Professor James MacLeod (Chairman of the Audit Committee)	20,000	13,340
William Erasmus	18,000	15,483
Timothy Congdon CBE (resigned 4 June 2008)	10,723	15,483
Howell Harris Hughes CBE	18,000	15,483
Total	91,723	80,599

No amount was payable to a third party in respect of making available the services of a Director.

The Company maintains a policy of indemnity insurance on behalf of the Directors.

Approval

This Report was approved by the Board of Directors on 23 December 2008.

Professor James MacLeod
Signed on behalf of the Board of Directors

CORPORATE GOVERNANCE STATEMENT

Directors' Statement of Compliance with the revised Association of Investment Companies' Code of Corporate Governance ('the AIC Code') and the AIC's Corporate Governance Guide for Investment Companies ('the AIC Guide')*

The Principles

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

In February 2007, the Financial Reporting Council confirmed that AIC member companies which report against the AIC Code and which follow the AIC Guide meet their obligations in relation to the 2006 Combined Code on Corporate Governance and paragraph 9.8.6 of the Listing Rules. This statement describes how the principles of the AIC Code and Guide have been complied with in the affairs of the Company. Any reference to the AIC Code in this statement includes references to the AIC Guide.

During the year under review, the schedule of matters reserved for the Board and the terms of reference for the respective Committees of the Board were reviewed and updated to ensure they are in line with both the AIC Code and latest practice. The Company's Corporate Governance procedures were considered by the Board and amended as necessary.

The Directors believe that, throughout the period under review, they have complied with the provisions of the AIC Code and Guide and, therefore, part one of the provisions of the Combined Code. The Company has also complied with the Turnbull guidance throughout the year under review and up to the date of signing the accounts.

Directors

Independence

The Board consists of four Directors, all of whom are non-executive and three of whom are considered wholly independent of the Company's Manager. Professor MacLeod is also a Director of Invesco Perpetual AiM VCT plc, a venture capital trust managed by Invesco Asset Management Limited ('IAML'), and is therefore not considered independent under the UK Listing Rules. The Directors do not consider that this directorship compromises Professor MacLeod's impartiality in carrying out his duties and responsibilities as Chairman of the Audit Committee and as a Director of the Board. Professor MacLeod will retire annually at the Company's AGM and offer himself for re-election.

All Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, they are responsible for ensuring that their policies and operations are in the best interests of all the Company's shareholders and that the best interests of the creditors and suppliers to the Company are properly considered.

The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 14.

Chairman

The Chairman is The Rt. Hon. the Lord Naseby, a non-executive Director who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer. Following this year's performance appraisal, the Board has confirmed that the Chairman's performance continues to be effective.

Senior Independent Director

Mr Harris Hughes is the Senior Independent Director, and is available to shareholders if they have concerns which contact through the normal channels of Chairman, Company Secretary or Manager have failed to resolve or for which such contact is inappropriate.

Supply of Information

The Manager and Company Secretary ensure that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are regularly provided throughout their terms in office with all necessary information on industry and regulatory matters.

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 and the Board members between formal meetings.

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

Board Responsibilities

The Directors are equally responsible under United Kingdom law for the proper conduct of the Company's affairs.

The Directors have a duty to promote the success of the Company. To this end the Board directs and supervises its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters detailing the responsibilities of the Board has been established. The schedule of matters, which is reviewed annually to ensure compliance with latest best practice and the AIC Code, will be available at the Annual General Meeting ('AGM'), on the Company's website and at the Company's Registered Office.

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 net asset value disclosures.

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

There is an agreed procedure for a Director, in the furtherance of his duties, to take legal advice at the Company's expense up to an initial cost of £5,000, having first consulted the Chairman.

The Manager's Responsibilities

The Manager is responsible for the day-to-day investment management decisions of the Company and for the provision of Company Secretarial and Administration services. A statement of the Manager's responsibilities is shown on page 25 of the Report of the Directors.

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

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, IAML, which is responsible for ensuring that the Board and Committee procedures are followed and that all applicable regulations are observed. The Company Secretary is also responsible for ensuring the timely delivery of information and reports to the Board and that the statutory obligations of the Company are met. Finally, the Company Secretary is responsible for advising the Board on all matters of corporate governance.

The Management Engagement Committee

As the Board is considered small for the purposes of the AIC Code, all the Directors are members of the Management Engagement Committee under the chairmanship of Mr Erasmus. The Management Engagement Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference are reviewed annually to ensure compliance with latest best practice and the AIC Code. They will be available for inspection at the AGM, can be inspected at the Registered Office and are also available via the Company's website. The Management Engagement Committee meets annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager.

A statement of IAML's responsibilities as Manager, Company Secretary and Administrator of the Company and the assessment of the Manager by the Management Engagement Committee can be found on pages 24 and 26.

Appointment, Re-election, Tenure and the Nomination Committee

As the Board is considered small for the purposes of the Code, all Directors are members of the Nomination Committee under the Chairmanship of The Rt. Hon the Lord Naseby. The main responsibilities of the Nomination Committee are to review the size, structure and skills of the Board and to make recommendations to the Board with regard to any changes considered necessary or new appointments. The Nomination committee has written terms of reference, which are reviewed annually and clearly define its responsibilities and duties. The terms of reference for the Nomination Committee are available for inspection at the AGM and at the Registered Office address of the Company and are also available via the Company's website.

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

The Articles of Association require that a Director shall retire and be subject to election at the first AGM after appointment and at least every three years thereafter. No Director serves a term of more than three years before re-election. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders, in which case a long-serving Director will stand for annual re-election at the Company's AGM. The Articles of Association provide that the Directors may, by notice in writing, remove any Director from the Board without compensation.

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.

Mr Harris Hughes and Professor MacLeod are standing for re-election at the AGM. The Board confirms that the performance of these Directors continues to be effective and demonstrates commitment to their respective roles. The Board therefore recommends to shareholders their support for resolutions 3 and 4 relating to Directors seeking re-election.

Board Committee and Directors' Performance Appraisal

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Committees of the Board and individual Directors.

The performance of the Board, the Committees of the Board and individual Directors have been assessed during the period in terms of:

- attendance at Board and Committee meetings;
- the independence of Directors;
- the ability of Directors to make effective contributions to the Board and Committees through the range and diversity of skills and experience each Director brings to his role; and
- the Board's ability to challenge the Manager's recommendations, suggest areas of debate and fix timetables for debates on the future strategy of the Company.

The Board again opted to conduct performance evaluation through in-depth discussion between the Directors and the Chairman, and used the findings and feedback as the basis for a review of performance during the year. It was concluded that the performance evaluation process has been successful, with the Directors scoring satisfactorily in all areas. The Directors are confident in their ability to continue to make effective contributions and to demonstrate commitment to their roles.

Attendance at Board and Committee Meetings

All the Directors are considered to have a good attendance record at Board and Committee Meetings of the Company. The following table sets out the number of meetings held during the year and the attendance record of each Director or member of each.

Number and Type of Meeting:

Attendance Record	FIVE BOARD MEETINGS	TWO AUDIT COMMITTEE MEETINGS	ONE MANAGEMENT ENGAGEMENT COMMITTEE MEETING
The Rt. Hon the Lord Naseby	5	2	1
Timothy Congdon (resigned 4 June 2008)	3	2	1
William Erasmus	5	2	1
Howell Harris Hughes	5	2	1
Professor James MacLeod	4	2	1

In addition to the above meetings, four meetings of a Committee of the Board have taken place to discuss various *ad hoc* matters. Each of these meetings has been attended by at least two Directors.

Strategy Board Meeting

The Board holds a biennial specific strategy session separate from the normal Board Meetings. The Board discusses matters such as the original prospectus objectives, their continuing relevance and whether the Investment Policy of the Company continues to be appropriate and enjoys sufficient investor support. The next strategy session is due to take place in 2010 or earlier if circumstances require.

Directors' Induction and Training

On appointment to the Board, Directors are fully briefed as to their responsibilities and are kept informed throughout their terms in office of industry and regulatory developments. The Manager and the Board have formulated a programme of induction training for newly appointed Directors, which includes briefings from key members of the Manager. The Board is continually updated with any changes to corporate governance processes, the Listing Rules and other regulatory issues as well as being notified of relevant external training courses available to them.

Directors' Remuneration

Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 27 and 28.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 35. The Independent Auditors' Report appears on pages 36 and 37.

Audit Committee

As the Board is considered small for the purposes of the AIC Code, the Audit Committee comprises the whole Board under the chairmanship of Professor MacLeod. Professor Macleod is a Chartered Accountant, whom the Board consider has the required recent and relevant financial experience to carry out the role of Audit Committee Chairman. Audit Committee members consider that, collectively, they are appropriately experienced to fulfil the role required. The Audit Committee has written terms of reference, which are reviewed annually and clearly define its responsibilities and duties. The terms of reference of the Audit Committee will be available for inspection at the AGM and the Registered Office of the Company. They are also available via the Company's website.

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

The Audit Committee meets at least twice annually, to review the internal financial and non-financial controls; to approve the contents of the draft annual and half-yearly financial reports to shareholders; and to review the accounting policies. In addition, the Audit Committee reviews the Auditors' independence; objectivity and effectiveness; the quality of the services of the service providers to the Company; and together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk-management processes. At each meeting, representatives of the Manager's internal audit and compliance teams are present. Representatives of Deloitte LLP, the Company's Auditors, attend the Audit Committee meeting at which the draft annual financial report is reviewed and are given the opportunity, should they so wish, to speak to Audit Committee members without the presence of representatives of the Manager.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Audit Committee has also received a satisfactory report on the Manager's internal operations from the Manager's Compliance and Internal Audit Officers. The Audit Committee is pleased to report that, as a result of this year's review, no weaknesses were found in the financial reporting process.

The Audit Committee reviewed its effectiveness during the year as part of the Board, Committee and Director's performance appraisal process, a report on which is shown on page 31.

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

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are responsible for maintaining sound systems of internal financial and non-financial controls to safeguard shareholders' investments and the Company's assets.

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal control is designed to manage rather than eliminate risk of failure to adhere to the Company's Investment Policy. This system can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from their review. There are no significant failings or weaknesses that have occurred throughout the year ended 31 October 2008 and up to the date of this annual financial report.

As stated above, the Board meets regularly, at least four times a year, and reviews financial reports and performance against revenue forecasts and stock market indices. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the internal audit and compliance departments of the Manager. Formal reports are also produced on the internal controls and procedures in place for custodial, investment management, company secretarial and administrative activities, and these are reviewed annually by the Board.

Internal Audit Function

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

Auditors' Non-audit Services

The Company's Auditors also provide taxation services to the Company. The cost of providing these services is stated in note 4 to the Financial Statements. In the opinion of the Audit Committee, the Auditors' role in providing taxation and other advisory services to the Company does not compromise their objectivity or independence in carrying out their audit function.

Normally, it is the Company's policy not to seek substantial non-audit services from its Auditors. The scope for any non-audit services is reviewed by the Audit Committee and approved prior to the Auditors' engagement. In particular, the Audit Committee considers whether the skills and experience of the Auditors make them a suitable supplier of the non-audit service and whether there are any safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the Auditors.

Relations with Shareholders

Relations with shareholders are given high priority by both the Board and the Manager. The prime media by which the Company communicates with shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the publication of interim management statements; the weekly calculation and publication via the Stock Exchange of the NAV of the Company's Ordinary and ZDP Shares; and by a monthly fact sheet. At each AGM, a presentation is made by the Manager following the business of the Meeting and shareholders have the opportunity to communicate directly with the whole Board. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the Annual Financial Report for the year ended 31 October 2008 and 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 otherwise in writing to the Company Secretary at the address given on page 15. At other times, the Company responds to letters from shareholders on a range of issues.

Shareholders can also visit the Company's website at *www.invescoperpetual.co.uk/investmenttrusts* in order to access copies of the annual and half-yearly financial reports; interim management statements; shareholder circulars; Company factsheets; Stock Exchange announcements; and ISA and Saving Scheme literature. Shareholders can access various Company reviews and information such as an overview of UK equities and the Company's share price. Shareholders are also able to access copies of the schedule of matters reserved for the Board, the terms of reference for Committees of the Board, and, following any shareholders' general meetings, proxy voting results.

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

Institutional Voting

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of corporate governance are maintained in the companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. Your Company's voting rights are exercised on an informed and independent basis and are not simply passed back to the company concerned for discretionary voting by its chairman.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to apply the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF THE ANNUAL FINANCIAL REPORT

The Directors are responsible for preparing the Annual Financial Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 and 2006, where appropriate. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Financial Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Financial Report includes information required by the Listing Rules of the Financial Services Authority.

Professor James MacLeod
Signed on behalf of the Board of Directors
23 December 2008

Electronic Publication

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

INDEPENDENT AUDITORS' REPORT
to the Members of Invesco Perpetual Recovery Trust 2011 plc

We have audited the financial statements of Invesco Perpetual Recovery Trust 2011 plc ('the Company') for the year ended 31 October 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with s235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Financial Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Financial Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Financial Report.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 October 2008 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
23 December 2008

INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2008

	NOTES	2008 REVENUE £'000	2008 CAPITAL £'000	2008 TOTAL £'000	2007 REVENUE £'000	2007 CAPITAL £'000	2007 TOTAL £'000
(Losses)/gains on investments held at fair value through profit or loss	9	–	(19,356)	(19,356)	–	1,162	1,162
Losses on foreign currency revaluation		–	–	–	–	(3)	(3)
Income	2	2,175	–	2,175	1,804	–	1,804
Investment management fees	3	(115)	793	678	(180)	(361)	(541)
Other expenses	4	(276)	–	(276)	(259)	–	(259)
Net return before finance costs and taxation		1,784	(18,563)	(16,779)	1,365	798	2,163
Interest payable and similar charges							
Finance cost on Zero Dividend Preference Shares	5	–	(1,322)	(1,322)	–	(1,243)	(1,243)
Dividends on Ordinary Shares	6	(1,236)	–	(1,236)	(866)	–	(866)
Return on ordinary activities before taxation		548	(19,885)	(19,337)	499	(445)	54
Tax on ordinary activities	7	–	–	–	–	–	–
Return on ordinary activities after tax for the financial year		548	(19,885)	(19,337)	499	(445)	54
Return per Ordinary Share – basic	8	11.1p	(123.9)p	(112.8)p	8.5p	(2.8)p	5.7p
Return per Zero Dividend Preference Shares	8	–	6.7p	6.7p	–	6.3p	6.3p

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 both prepared under guidance published by the Association of Investment Companies. All items in the above statements derive from continuing operations and the Company has no other gains or losses and therefore no statement of total recognised gains and losses is presented. No operations were acquired or discontinued in the period.

The accompanying notes are an integral part of this statement

BALANCE SHEET
AS AT 31 OCTOBER

	NOTES	2008 £'000	2007 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	24,614	44,378
Current assets			
Debtors	10	415	149
Cash at bank		988	111
		1,403	260
Creditors: amounts falling due within one year	11	(338)	(151)
Net current assets		1,065	109
Total assets less current liabilities		25,679	44,487
Creditors: amounts falling due after more than one year (excluding net assets attributable to Ordinary Shareholders)			
Zero Dividend Preference Shares	12	(23,298)	(21,976)
Provisions for liabilities and charges	13	–	(793)
Net assets attributable to Ordinary Shareholders		2,381	21,718
Net assets attributable to Ordinary Shareholders are represented by:			
Ordinary share capital	14	160	160
Share premium account	15	15,563	15,563
Other reserves			
Capital reserve – realised	15	3,503	5,010
Capital reserve – unrealised	15	(18,224)	154
Revenue reserve	15	1,379	831
		2,381	21,718
Net asset value per share:			
Ordinary Shares – basic	16	14.8p	135.4p
Zero Dividend Preference Shares	16	118.8p	112.1p

These financial statements were approved and authorised for issue by the Board of Directors on 23 December 2008.

Professor James MacLeod
Signed on behalf of the Board of Directors

The accompanying notes are an integral part of this statement

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2008

	NOTES	2008 £'000	2007 £'000
Net cash inflow from operating activities	17(a)	1,744	1,255
Capital expenditure and financial investment	17(b)	425	(815)
Dividends paid to Ordinary Shareholders		(1,236)	(866)
Net cash inflow/(outflow) before management of liquid resources and financing		933	(426)
Management of liquid resources	17(b)	(873)	373
Movement in cash		60	(53)
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase/(decrease) in cash		60	(53)
Change in cashflow from movement in liquid resources		873	(373)
Change in net funds/(debt) resulting from cash flows	17(c)	933	(426)
Translation differences		–	(3)
Movement in net funds/(debt) in the year		933	(429)
Net funds at beginning of year		55	484
Net funds at end of year		988	55

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER

1. Accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice ('SORP') "Financial Statements of Investment Trust Companies", issued by the Association of Investment Companies in December 2005.

In accordance with Financial Reporting Standard (FRS) 25: "Financial Instruments: Disclosure and Presentation", the provisions of the Company's Articles of Association in connection with the life of the Company mean that the Ordinary Shares and reserves are classified as liabilities. Consequently, dividends are included within finance costs. It should be noted that these classifications are purely presentational and this does not affect the rights and obligations of the Ordinary Shareholders.

During the year the Company adopted FRS 29 "Financial Instruments: Disclosure". The impact of this adoption has been to expand disclosures provided in the financial statements (see note 20). This has not affected the Company's reported results or financial position.

(b) Investments

Investments are recognised on the date they are traded and classified as fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increase in fair value, dividends or interest, listed equities and fixed interest securities are designated as held at fair value through profit or loss on initial recognition and at subsequent reporting dates at fair value, which is the bid price. Any gains or losses (including any currency movements), whether realised or unrealised, arising on revaluation are taken through the income statement and shown in capital reserves.

(c) Income

All dividends are taken into account on the date investments are marked ex-dividend. Other income from investments, including deposit interest, is taken into account on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis and are recognised in the income statement. The basic investment management fee is allocated wholly to revenue, whereas any performance or uplift fee is allocated to capital in accordance with the Board's expected long-term split of returns.

(e) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate method. Interest on any bank borrowing is charged 100% through revenue in the income statement and finance costs in respect of the Zero Dividend Preference Shares are charged 100% through capital.

(f) Dividends

Dividends are recognised in the period in which they are paid to, or approved by, shareholders.

As the Ordinary Shares are classified as liabilities, the dividends payable on the Ordinary Shares are accounted for under finance costs (see note 1(a)).

(g) Taxation

The accounting policies on taxation are described in note 7.

(h) Financial Instruments

Financial assets and liabilities are recognised on the Company's balance sheet 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. Financial assets and liabilities are treated as disposed of when the Company settles its obligations relating to the instrument.

(i) Zero Dividend Preference Shares

Zero Dividend Preference Shares are treated as a liability of the Company.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Income

	2008 £'000	2007 £'000
Income from listed investments		
UK dividends	2,076	1,590
Unfranked investment income – interest	56	–
Other income		
Deposit interest	43	214
Total income	2,175	1,804

3. Investment Management fees

	2008 REVENUE £'000	2008 CAPITAL £'000	2008 TOTAL £'000	2007 REVENUE £'000	2007 CAPITAL £'000	2007 TOTAL £'000
Investment management fee	115	–	115	159	–	159
Performance related fee	–	(793)	(793)	–	425	425
VAT thereon	–	–	–	21	(64)	(43)
	115	(793)	(678)	180	361	541

Invesco Asset Management Limited provides investment company secretarial and administrative services to the Company under an agreement dated 14 October 2005. Details of the investment management agreement are shown on page 25 of the Report of the Directors. At 31 October 2008 £23,000 (2007: £39,000) was owed in respect of the management fee. The performance fees are based on the performance of the Company since inception. At the year end no performance fees were accrued.

4. Other Expenses

	2008 £'000	2007 £'000
Administration fee (see below)	61	61
Directors' emoluments	92	81
Fees payable to the Company's auditor:		
– for the audit of the financial statements	19	17
– for other services: tax compliance	3	3
Other expenses	101	97
	276	259

The Manager is also paid a separate fixed fee of £50,000 per annum (plus VAT) for company secretarial and administrative services which is subject to annual adjustment in line with the UK Retail Price Index. During the year the Company paid £61,000 for these services.

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

5. Finance Cost on Zero Dividend Preference Shares

	2008 CAPITAL £'000	2007 CAPITAL £'000
Increase in the calculated value of the Zero Dividend Preference Shares	1,322	1,243

6. Dividends on Ordinary Shares

	2008		2007	
	pence	£'000	pence	£'000
Final paid in respect of previous period	3.20	513	1.35	216
First interim paid	1.50	241	1.35	217
Second interim paid	1.50	241	1.35	216
Third interim paid	1.50	241	1.35	217
	7.70	1,236	5.40	866

As the Articles of Association provided for the winding up of the Company on 27 October 2011 unless shareholders resolve otherwise, Ordinary Shareholders' funds are classified as liabilities. As a result, any dividends payable are accounted for as finance costs.

We set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2008		2007	
	pence	£'000	pence	£'000
First interim paid	1.50	241	1.35	217
Second interim paid	1.50	241	1.35	216
Third interim paid	1.50	241	1.35	217
Proposed final	1.50	241	1.50	240
	6.00	964	5.55	890
Special dividend payable	3.30	529	1.70	273
	9.30	1,493	7.25	1,163

The proposed final dividend is subject to approval by Ordinary Shareholders at the AGM. The final and special dividends have not been included as liabilities in these financial statements.

7. Tax on Ordinary Activities

(a) There is no liability to corporate tax as expenses exceed taxable income.

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

On 31 October 2008 the Company had unused expenses of £880,000 (2007: £1,381,000) which may be carried forward and set against future taxable income. However, as the Company is unlikely to have sufficient taxable income in future a deferred tax asset in respect of these expenses has not been recognised. The Company had no deferred tax liability at the balance sheet date.

(c) Factors affecting tax charge for the year

	2008 £'000	2007 £'000
Revenue return on ordinary activities before taxation	1,784	1,365
Reconciliation of current tax charge		
Theoretical tax at UK corporation tax rate of 29% (2007: 30%)	517	410
Effects of:		
– UK dividends which are not taxable	(602)	(477)
– Expenses written back/(charged) to capital for which a deduction is claimed	230	(109)
– Expenses (utilised against)/in excess of taxable income	(145)	176
	–	–

8. Return per Share

The return per Ordinary Share is based on 16,044,750 Ordinary Shares, being the number of shares in issue throughout the year and on the following figures:

	2008 REVENUE RETURN £'000	2008 CAPITAL RETURN £'000	2008 TOTAL RETURN £'000	2007 REVENUE RETURN £'000	2007 CAPITAL RETURN £'000	2007 TOTAL RETURN £'000
Return on ordinary activities after tax for the financial year	548	(19,885)	(19,337)	499	(445)	54
Dividends paid to Ordinary Shareholders	1,236	–	1,236	866	–	866
Return attributable to Ordinary Shareholders	1,784	(19,885)	(18,101)	1,365	(445)	920
Return per Ordinary Share – basic	11.1p	(123.9)p	(112.8)p	8.5p	(2.8)p	5.7p

Dividends paid to Ordinary Shareholders are those paid in the year ending 31 October.

Capital return on Zero Dividend Preference Shares is the increase in the year of the calculated value of these shares as shown in the income statement of £1,322,000 (2007: £1,243,000) and on 19,610,250 Zero Dividend Preference Shares in issue.

9. Fixed Asset Investments

(a) Analysis of investments by listing status

	2008 £'000	2007 £'000
Investments listed on a recognised stock exchange	24,614	44,378

(b)

	2008 £'000	2007 £'000
Opening valuation	44,378	42,297
Movements in the year:		
Purchases at cost	11,280	15,323
Sales – proceeds	(11,688)	(14,404)
– realised (losses)/gains on sales	(185)	5,030
Movement in unrealised appreciation	(19,171)	(3,868)
Closing valuation	24,614	44,378
Closing book cost	42,838	43,431
Closing unrealised (depreciation)/appreciation	(18,224)	947
Closing valuation	24,614	44,378
Realised (losses)/gains based on historical cost	(185)	5,030
Movement in unrealised appreciation in the year	(19,171)	(3,868)
(Losses)/gains on investments	(19,356)	1,162
Realised (losses)/gains on sale	(185)	5,030
Amounts recognised as unrealised in previous year	(717)	(2,741)
Realised (losses)/gains based on carrying value in the previous year	(902)	2,289
Movement in unrealised appreciation in year	(19,171)	(3,868)
Less: amounts recognised in previous year	717	2,741
Net movement in unrealised depreciation	(18,454)	(1,127)
(Losses)/gains on investments	(19,356)	1,162

(c) Registration of investments

The investments of the Company are registered in the name of the Company or in the name of nominees and held to the order of the Company.

(d) Transaction costs

Transaction costs included in gains and losses on investments amount to £51,000 (2007: £103,000) on purchases and £24,000 (2007: £25,000) on sales.

10. Debtors

	2008 £'000	2007 £'000
Amounts due from brokers	227	–
Prepayments and accrued income	188	149
	415	149

11. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Overdraft	–	56
Amounts due to brokers	244	–
Accruals and deferred income	94	95
	338	151

12. Zero Dividend Preference Shares

	2008 £'000	2007 £'000
Authorised:		
55,000,000 Zero Dividend Preference Shares of 1p each	550	550
Allotted, called-up and fully paid		
19,610,250 Zero Dividend Preference Shares of 1p each	196	196
Premium on issue of Zero Dividend Preference Shares	19,414	19,414
	19,610	19,610
Provision for increase in Zero Dividend Preference Shares	3,688	2,366
	23,298	21,976

The Zero Dividend Preference Shares ('ZDP Shares') are designed to provide pre-determined capital growth from their issue price of 100p to a final capital entitlement of 141.4p on 27 October 2011, by which time the Company is due to be wound up. However, there is no guarantee that this would be achieved. Their initial capital entitlement of 100p will increase by 0.016% per day, compounded daily. This is equivalent to a redemption yield of 6% per annum based on their issue price. No dividends are payable on the ZDP Shares.

13. Provisions for Liabilities and Charges

	2008 £'000	2007 £'000
Performance-related fee:		
Opening provision	793	432
(Write back)/charge in the year	(793)	361
Closing provision	–	793

14. Ordinary Share Capital

	2008 £'000	2007 £'000
Authorised:		
45,000,000 Ordinary Shares of 1p each	450	450
Allotted, called-up and fully paid:		
16,044,750 Ordinary Shares of 1p each	160	160

As explained in note 1(a) the Ordinary Shares are classified as liabilities.

15. Reconciliation of Movements in Ordinary Share Capital and Reserves

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL RESERVE – REALISED £'000	CAPITAL RESERVE – UNREALISED £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 October 2007	160	15,563	5,010	154	831	21,718
Net loss on realisation of investments	–	–	(902)	–	–	(902)
Net movement in unrealised appreciation	–	–	–	(18,454)	–	(18,454)
Reversal of performance fee	–	–	–	793	–	793
Transfer on disposal of investments	–	–	717	(717)	–	–
Finance costs of ZDP Shares	–	–	(1,322)	–	–	(1,322)
Revenue return for the year	–	–	–	–	548	548
At 31 October 2008	160	15,563	3,503	(18,224)	1,379	2,381

The capital reserve – unrealised records changes in the fair value of investments. In accordance with guidance issued by the Institute of Chartered Accountants in England and Wales, as the Company's investments are readily convertible into cash, these revaluation gains and losses are deemed to be realised. Under the terms of the Company's Articles of Association, sums standing to the credit of the capital reserves, both realised and unrealised, are not distributable.

16. Net Asset Value

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

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2008 pence	2007 pence	2008 £'000	2007 £'000
Ordinary Shares – basic	14.8	135.4	2,381	21,718
ZDP Shares	118.8	112.1	23,298	21,976

Basic net asset value per Ordinary Share is based on the net assets attributable at the year end and on 16,044,750 Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

Net asset value per ZDP Share is based on the net assets attributable at the year end and on 19,610,250 ZDP Shares being the number of ZDP Shares in issue at the year end.

17. Notes to the Cash Flow Statement

(a) Reconciliation of total return to net cash flow from operating activities

	2008 £'000	2007 £'000
Total return before finance costs and taxation	(16,779)	2,163
Adjustment for losses/(gains) on investments	19,356	(1,162)
(Decrease)/increase in performance fee provision	(793)	361
Increase in debtors	(39)	(90)
Decrease in creditors	(1)	(20)
Exchange difference	–	3
Net cash inflow from operating activities	1,744	1,255

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

	2008 £'000	2007 £'000
Capital expenditure and financial investment		
Purchase of investments	(11,036)	(15,887)
Sale of investments	11,461	15,072
Net cash inflow/(outflow)	425	(815)

	2008 £'000	2007 £'000
Management of liquid resources		
Cash recalled from/(placed on) short-term deposit	(873)	373
Net cash movement	(873)	373

(c) Analysis of net funds/(debt)

	1 NOVEMBER 2007 £'000	CASH FLOW £'000	31 OCTOBER 2008 £'000
(Overdraft)/cash at bank	(56)	60	4
Cash placed on short-term deposit	111	873	984
Net funds	55	933	988

18. Contingencies, Guarantees and Financial Commitments

Following a decision by the European Court of Justice, HM Revenue and Customs have accepted that management fees are, and always have been, exempt from Value Added Tax. The Board is in negotiations with the Manager to recover the VAT on management fees already paid, but as the amount recoverable is uncertain and is not material, no asset has been recognised in these financial statements.

There were no other contingencies, guarantees or financial commitments of the Company at the year end (2007: £nil).

19. Related-party Transactions

Invesco Asset Management Limited, a wholly-owned subsidiary of Invesco Ltd, acts as Manager and Company Secretary to the Company. Details of Invesco Asset Management Limited's services and fees are given in note 3 to the financial statements on page 42. Full details of Directors' interests are set out in the Report of the Directors.

20. Risk management and financial assets and liabilities

Financial instruments

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

Risk management policies and procedures

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

As an investment trust the Company invests in equities and other investments for the long-term so as to comply with its Investment Policy. In pursuing its Investment Policy, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividend. Those related to financial instruments include market risk, liquidity risk and credit risk.

The main risk that the Company faces arising from its financial instruments is market risk – this risk is reviewed in detail below. Since the Company invests in quoted investments traded on recognised stock exchanges, liquidity risk and credit risk are significantly mitigated. Liquidity risk is minimised as the Company's investments comprise a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has sold. This risk is minimised by using only approved counterparties.

Market risk

The fair value of, or the future cash flows from, a financial instrument may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The currency risk is minimal as the Company's financial instruments are, with one minor exception, denominated in sterling. For the remaining two components of market risk, the Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed in the Board Responsibilities on page 30. No derivative or hedging instruments are utilised to manage market risk. The ZDP Shares provide gearing which is used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

Interest rate risk

Interest rate movements will affect the level of income receivable on cash deposits and on interest payable on variable rate borrowings. Cash balances are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian, JPMorgan Chase.

The Company has an uncommitted bank overdraft facility of the sterling equivalent of US$4 million, which it uses for settlement purposes. Use of this facility has been minimal over the last two years and at the year end no amounts were drawn down (2007: none).

The Company has debt comprising 19,610,250 ZDP Shares as disclosed in note 12; the redemption rate is fixed. Details of this accretion is shown in note 5, although the capital entitlement on winding up will depend on the Company's performance and whether it has sufficient net assets.

In addition, the Company can invest up to 25% of its gross assets in fixed income securities. At the year end the level of fixed interest exposure in the portfolio was 6.1% (2007: 0.2%).

The Company has fair value exposure to fixed interest rate securities at year end of £1 million (2007: nil) and cash flow exposure to net interest bearing assets of £1.5 million (2007: £0.1 million). The Directors estimate that a 1% change in interest rates applied to these balances would increase or decrease reported revenue profit before tax by £15,000 (2007: £1,000) and increase or decrease reported capital profit before tax by £80,000 (2007: nil).

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.

The Directors manage the market price risks inherent in the investment portfolio by meeting regularly to monitor on a formal basis the Manager's compliance with the Company's Investment Policy and to review investment performance. The Company does not have a benchmark, the Company's portfolio is the result of the Manager's investment process and is not correlated with the market in which the Company invests.

If the value of the portfolio fell by 20% at the balance sheet date, the profit after tax for the year would decrease by £5 million (2007: £8.8 million). Conversely, if the value of the portfolio rose by 20%, the profit after tax would have increased by £5 million (2007: £8.8 million). The effect on the Ordinary and ZDP Shareholders as a result of movements in the portfolio is substantially different. Any reduction in the value of the portfolio that resulted in the value of the Company's total assets less current liabilities being less than the calculated value of the ZDP Shares would result in there being no capital value due to the Ordinary Shareholders and would increase the future capital returns required to meet the intended capital entitlements of the ZDP Shares. Conversely, any increase in the value of the portfolio above the calculated value of the ZDP Shares will be directly attributable to the Ordinary Shareholders only. The Chairman's Statement shows the projected net asset value of both the ordinary and ZDP Shares on the wind-up date of October 2011 based on various levels of future capital returns.

Values of financial assets and financial liabilities
Financial assets and financial liabilities are carried in the balance sheet at their fair values (investments), or at a reasonable approximation of fair values (amounts due from brokers, dividends receivable, accrued income, due to brokers, accruals and cash at bank) or at amortised cost (ZDP Shares).

The fair value of the financial assets and liabilities, except for the ZDP Shares, is represented by their carrying value in the balance sheet. The fair value of the ZDP Shares is shown below:

	BOOK VALUE		FAIR VALUE	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
ZDP Shares	23,298	21,976	18,630	22,120

Incorporating the fair value of the ZDP Shares in the Company's balance sheet would result in the increase of the net asset value per ordinary share to 43.9p (2007: decrease to 134.5p).

Capital management
The Company's capital is disclosed in the balance sheet and is managed on a basis consistent with its investment objective and policies, as disclosed in the Report of the Directors' on page 26. The principal risks and their management are discussed above.

21. Post Balance Sheet Events
The latest published net asset value (17 December 2008) of the Ordinary Share is 10.41p, based on a calculated ZDP share value of 119.70p.

THIS NOTICE OF SEPARATE 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 Zero Dividend Preference Shares in Invesco Perpetual Recovery Trust 2011 plc, please forward this document and the accompanying Form of Appointment of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE OF SEPARATE GENERAL MEETING OF ZERO DIVIDEND PREFERENCE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Separate General Meeting of the holders of the Zero Dividend Preference Shares ('ZDP Shares') in Invesco Perpetual Recovery Trust 2011 plc ('the Company') will be held at 30 Finsbury Square, London EC2A 1AG at 11.50 a.m. on 28 January 2009 for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution.

Ordinary Resolution

1. THAT the following be approved and adopted as the Company's Investment Policy:

Investment Policy

This Investment Policy will only be subject to material change with the consent of both classes of shareholders in general meeting.

Objectives

The Company's principal objectives are to meet the capital entitlements of the ZDP Shares and to provide capital growth, a high dividend income and the potential for growth in dividends for Ordinary Shares. The Company is geared to the extent of its ZDP Shares and it has no other fixed borrowings.

Investment Policy and Risk

The Company will invest principally in the quoted equity and fixed income securities of UK companies across all market sectors which are considered to offer recovery prospects and which may also provide regular income returns. It is intended that at least 75% of the invested portfolio will be invested in equities and the remainder, if any, in fixed income securities (including convertibles or similar securities) unless market conditions should change significantly.

It is the view of the Directors and the Manager that there are opportunities to invest in recovery securities which have been adversely affected by market sentiment and are believed to offer recovery prospects.

The Manager will manage the portfolio with the aim of reducing the effects of the risk of individual securities held through diversification across stock market sectors.

The Company will not incur borrowings (other than utilising short-term overdraft facilities from time to time) or any other charges which rank ahead of the ZDP Shares.

Investment Approach

The Manager will determine stock allocation and selection with a view to achieving the objectives of the Company and to meeting the individual returns expected for both classes of shares. In order to select stocks appropriate for the Company's portfolio, the Manager will use a combination of analytical accounting tools, credit analysis and fundamental analyses, together with market price based valuation information. Due to the nature of the securities in which the Company invests, there is no appropriate single benchmark against which the Company's investment performance will be measured.

The Company intends to remain substantially invested until its Winding-up Date.

Investment Limits

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

- no single investment may exceed 15% of gross assets;
- the Company will not invest more than 15% in other listed investment companies;
- the Company will not invest in other split capital investment trusts; and
- the Company will not invest more than 25% of its gross assets in fixed income securities.

Dated this 23 December 2008

By order of the Board

Invesco Asset Management Limited
Company Secretary

NOTICE OF SEPARATE GENERAL MEETING OF ZERO DIVIDEND PREFERENCE SHAREHOLDERS

continued

Notes

1. Only holders of ZDP Shares are entitled to attend and vote at this Separate General Meeting.
2. A ZDP Shareholder entitled to attend and vote at the Separate General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his stead. More than one proxy may be appointed provided that each proxy is appointed to exercise rights attached to a different share or shares. A proxy need not be a ZDP Shareholder of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
   - via Capita Registrar's website at *www.capitashareportal.com*;
   - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars (Proxies), PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case to be received by the Company not less than 48 hours before the time of the meeting.
3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
4. A form of appointment of proxy is enclosed. Appointment of a proxy does not prevent a ZDP Shareholder from attending and voting at this meeting.
   To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Capita Registrars (Proxies), PO Box 25, The Registry, Beckenham, Kent BR3 4BR, by not later than 11.50 a.m. on 26 January 2009.
5. A person entered on the Register of Members at close of business on 26 January 2009 ('a ZDP Shareholder') 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.
6. In order to facilitate voting by corporate representatives at the Separate General Meeting, arrangements will be put in place at the meeting so that (i) if a corporate ZDP Shareholder has appointed the Chairman of the meeting as its corporate representative for that ZDP Shareholder at the meeting then on a poll the corporate representative will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate ZDP Shareholder attends the meeting but the corporate ZDP Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representative will give voting directions to that designated corporate representative. Corporate ZDP Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – http://www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

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 ZDP 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 ZDP Shareholder as to the exercise of voting rights. The statement of the above rights of the ZDP 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 ZDP Shareholders of the Company.
8. 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.

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 Zero Dividend Preference Shares and/or Ordinary Shares in Invesco Perpetual Recovery Trust 2011 plc, please forward this document and the accompanying Form of Appointment 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 HEREBY GIVEN that the Annual General Meeting ('AGM') of Invesco Perpetual Recovery Trust 2011 plc ('the Company') will be held at 30 Finsbury Square, London EC2A 1AG, on 28 January 2008 at 12 noon for the following purposes:

Ordinary Business

1. To receive the Directors' Report and Financial Statements for the year ended 31 October 2008.
2. To approve the Directors' Remuneration Report for the year ended 31 October 2008.
3. To re-elect Mr Howell Harris Hughes a Director of the Company.
4. To re-elect Professor James MacLeod a Director of the Company.
5. To approve the payment of a final dividend.
6. To re-appoint Deloitte LLP as Auditors and authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 7 will be proposed as an ordinary resolution and resolution 8 and 9 will be proposed as a special resolutions:

Ordinary Resolution

7. THAT the following be approved and adopted as the Company's Investment Policy:

Investment Policy

This Investment Policy will only be subject to material change with the consent of both classes of shareholders in general meeting.

Objectives

The Company's principal objectives are to meet the capital entitlements of the Zero Dividend Preference ('ZDP Shares') Shares and to provide capital growth, a high dividend income and the potential for growth in dividends for Ordinary Shares. The Company is geared to the extent of its ZDP Shares and it has no other fixed borrowings.

Investment Policy and Risk

The Company will invest principally in the quoted equity and fixed income securities of UK companies across all market sectors which are considered to offer recovery prospects and which may also provide regular income returns. It is intended that at least 75% of the invested portfolio will be invested in equities and the remainder, if any, in fixed income securities (including convertibles or similar securities) unless market conditions should change significantly.

It is the view of the Directors and the Manager that there are opportunities to invest in recovery securities which have been adversely affected by market sentiment and are believed to offer recovery prospects.

The Manager will manage the portfolio with the aim of reducing the effects of the risk of individual securities held through diversification across stock market sectors.

The Company will not incur borrowings (other than utilising short-term overdraft facilities from time to time) or any other charges which rank ahead of the ZDP Shares.

Investment Approach

The Manager will determine stock allocation and selection with a view to achieving the objectives of the Company and to meeting the individual returns expected for both classes of shares. In order to select stocks appropriate for the Company's portfolio, the Manager will use a combination of analytical accounting tools, credit analysis and fundamental analyses, together with market price based valuation information. Due to the nature of the securities in which the Company invests, there is no appropriate single benchmark against which the Company's investment performance will be measured.

The Company intends to remain substantially invested until its Winding-up Date.

Investment Limits

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

– no single investment may exceed 15% of gross assets;
– the Company will not invest more than 15% in other listed investment companies;
– the Company will not invest in other split capital investment trusts; and
– the Company will not invest more than 25% of its gross assets in fixed income securities.

Special Resolutions

8. THAT the Articles of Association produced to the Meeting and initialled by the Chairman for the purpose of identification as New Articles be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.
9. THAT the period of notice required for general meetings of the Company (other than AGMs) shall be not less than 14 clear days' notice.

Explanatory Notes to Resolution 8

Adoption of New Articles of Association

It is proposed in resolution 8 to adopt new articles of association (the New Articles) in order to update the Company's current articles of association (the Current Articles) primarily to take account of changes in company law brought about by the Companies Act 2006 ('the 2006 Act').

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature have not been explained. The New Articles showing all of the changes to the Current Articles are available for inspection at the AGM and at the Registered Office of the Company from 22 December 2008 until the close of the AGM on 28 January 2009.

1. **Articles which replicate statutory provisions**

   Provisions in the Current Articles which replicate provisions contained in the 2006 Act are in the main amended to bring them into line with the Act. Examples include provisions on the variation of class rights and the period of notice required to convene general meetings.

2. **Form of resolution**

   The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended, as the concept of extraordinary resolutions has not been retained under the 2006 Act.

   The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

3. **Variation of class rights**

   The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the 2006 Act. The relevant provisions have therefore been amended in the New Articles.

4. **Convening general meetings**

   The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to the provisions in the 2006 Act. In particular, an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

5. **Chairman's casting vote**

   The new articles give the chairman of any meeting of the company a casting vote if otherwise there would be an equality of votes cast.

6. **Votes of members**

   Under the 2006 Act, proxies are entitled to vote on a show of hands and to speak at meetings. Multiple proxies may be appointed but the votes that they cast cannot exceed the votes attached to the shares they represent.

7. **Directors' indemnities and loans to fund expenditure**

   The 2006 Act has widened the powers of a company to indemnify, and to meet costs incurred by a director in court proceedings.

8. **Conflicts of interest**

   The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The New Articles should contain provisions relating to confidential information, attendance at Board Meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Explanatory Notes to Resolution 8

Notice period for general meetings

This resolution will be decided on a poll (unless passed earlier on a show of hands without any vote being cast against). This resolution is required in contemplation of the EU Shareholder Rights Directive. It is expected that when this directive is brought into force, it will increase the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. To ensure that the Company's general meetings (other than AGMs) may be held on 14 days' notice, a shareholder resolution reducing the period of notice to not less than 14 days must have been passed at the immediately preceding AGM.

Since at the time of printing this notice, it is not known whether any alleviating transitional provision will be included in the legislation implementing the EU Shareholder Rights Directive, it is prudent to include this resolution in this year's AGM.

Dated this 23 December 2008

By order of the Board

Invesco Asset Management Limited
Company Secretary

Notes

1. Only holders of Ordinary Shares are entitled to attend and vote at this AGM. Holders of ZDP Shares are entitled to attend, however, they are not entitled to vote at this meeting.
2. An Ordinary Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. More than one proxy may be appointed provided that each proxy is appointed to exercise rights attached to a different share or shares. A proxy need not be an Ordinary Shareholder of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
   - via Capita Registrar's website at *www.capitashareportal.com*;
   - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars (Proxies), PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case to be received by the Company not less than 48 hours before the time of the meeting.
3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
4. A form of appointment of proxy is enclosed. Appointment of a proxy does not prevent an Ordinary Shareholder from attending and voting at this meeting. To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Capita Registrars (Proxies), PO Box 25, The Registry, Beckenham, Kent BR3 4BR, by not later than 12 noon on 26 January 2009.
5. A person entered on the Register of Members at close of business on 26 January 2009 ('an Ordinary Shareholder') 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.
6. A copy of the Current Articles and the New Articles are available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the AGM and will also be available at the AGM for at least 15 minutes prior and during the Meeting.
7. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the meeting so that (i) if a corporate Ordinary Shareholder has appointed the Chairman of the meeting as its corporate representative for that Ordinary Shareholder at the meeting then on a poll the corporate representative will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate ZDP Shareholder attends the meeting but the corporate Ordinary Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representative will give voting directions to that designated corporate representative. Corporate Ordinary Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – http://www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

8. 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 'Nominate Person') may have a right, under an agreement between him/her and the Ordinary 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 Ordinary Shareholder as to the exercise of voting rights. The statement of the above rights of the Ordinary 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 Ordinary Shareholders of the Company.
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.

GLOSSARY OF TERMS

Calculated Value

The finance cost of the Zero Dividend Preference Shares (ZDP Shares) is calculated using the effective interest rate method. This method ensures that the interest rate shown in the finance costs exactly discounts the future cash payments over the life of the Zero Dividend Preference Shares.

Discount/Premium

A description of the situation when the share price is lower than the NAV per share. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually 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 and the percentage is commonly shown prefixed with a minus sign.

Ordinary Share discount/premium with prior charges deducted at calculated value

This reflects the Ordinary Share NAV as shown on the balance sheet, with the liability of the ZDP Shares (the prior charges) calculated using the effective interest rate method. The share price is unchanged.

Ordinary Share discount/premium with prior charges deducted at market value

This reflects the Ordinary Share NAV with the liability of the ZDP Shares (the prior charges) based on the market value of the ZDP Shares. The share price is unchanged. In normal market circumstances the market and calculated values of the ZDP Shares will be relatively close. However where the ZDP Share market value is below the calculated value, the resulting discount with prior charges at market value can be potentially misleading and should be used with caution.

Gearing

The term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company's investments is rising but reduce the return when values are declining. A gearing level of 100 or 0% indicates there is no gearing.

Asset Gearing

Asset gearing reflects the amount of loans actively invested in assets and not held in cash. It is calculated by dividing fixed asset investments by Shareholders' funds.

Actual Gearing

Actual gearing reflects the amount of loans already arranged and in use by the Company. This is the gearing figure published by the Association of Investment Companies. It is calculated by dividing the aggregate of Shareholders' funds and all drawndown loans by Shareholders' funds.

Gross Assets

The gross worth of the Company's assets. It is arrived at by totalling the value of the Company's listed investments at bid-market prices and cash and other net current assets.

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 eg money owed to other people. The NAV is also described as 'Shareholders' funds'. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply for the shares.

Total Expense Ratio

The total expenses excluding interest incurred by the Company, including those charged to capital, as a percentage of average total assets less current liabilities.

Winding-up Date

The date specified in the Articles of Association for winding-up the Company.

Zero Dividend Preference Share

This is a preference share having no rights to income but an entitlement to capital repayment at a predetermined value, usually on the Company's winding-up.

The Manager of Invesco Perpetual Recovery Trust 2011 plc is Invesco Asset Management Limited.

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

Invesco Perpetual is one of the largest independent global investment management firms, with funds under management of $357.6 billion.*

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

**Funds under Management as at 31 October 2008.*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust plc
Aims to generate a high level of income from a variety of fixed income instruments combined with a degree of security. The company is geared by bank debt.

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

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

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

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio
Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio
Portfolio aims to generate long-term capital and income growth with real growth in dividends from investment, primarily in the UK equity market. The portfolio is geared by bank debt.

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

Keystone Investment Trust plc
Aims to provide shareholders with long-term growth of capital mainly from UK investments. The company is geared by way of debenture stocks.

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

The Edinburgh Investment Trust plc
Invests in UK securities with long term objective of achieving:

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

Investing in Smaller Companies

Invesco English and International Trust plc
Invests mainly in UK-quoted and unquoted smaller companies, AIM stocks and in US smaller companies. It pursues a relatively risk-averse stock selection strategy holding a well-diversified portfolio and seeks to invest in companies offering particular value. The company has adopted a flexible gearing policy and a quarterly redemption/creation mechanism.

Invesco Perpetual UK Smaller Companies Investment Trust plc
Aims to achieve long-term total returns for the company's shareholders from investment in a broad cross-section of small to medium size UK-quoted companies. The company may gear by bank debt.

Investing Internationally

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

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

Investing for Absolute Returns

Invesco Perpetual European Absolute Return Trust plc
Aims to achieve absolute total returns through investment principally in equity, fixed interest and cash securities within continental Europe (ex. UK). Seeks to achieve returns in excess of Sterling LIBOR.

Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio
Aims to achieve absolute return of 3-month Sterling LIBOR plus 6% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc
- UK Equity Share Portfolio
- Global Equity Share Portfolio
- Managed Liquidity Share Portfolio
- Hedge Fund Share Portfolio

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

Other

Invesco Perpetual AiM VCT plc
The company was launched in August 2004. Its objective is to provide a tax-free dividend return to shareholders invested at launch primarily through the realisation of capital gains from a portfolio of investments in AIM Qualifying Companies while maintaining the capital value of shares.

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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