Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited)

ANNUAL FINANCIAL REPORT
YEAR ENDED 30 SEPTEMBER 2013

If you have any queries about Invesco Perpetual Enhanced Income Limited
(formerly Invesco Leveraged High Yield Fund Limited)
or any of the other specialist funds managed by Invesco Perpetual,
please contact our Investor Services Team on

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Contents

The Company is a member of

aic
The Association of Investment Companies

Change of Name

Subsequent to the year end, the name of Invesco Leveraged High Yield Fund Limited (the 'Company') was changed to Invesco Perpetual Enhanced Income Limited following a shareholder vote. The reason behind this change of name is discussed in the Chairman's Statement on page 5.

Nature of the Company

The Company is a Jersey investment company whose shares are listed and traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on pages 9 and 10), with the aim of spreading investment risk and generating a return for shareholders. The Company is able to borrow, the proceeds from which can also be invested according to the investment policy with the aim of enhancing returns to shareholders. This additional investment increases the potential risk to shareholders should the value of the investments fall.

The Company has contracted with an external investment manager, Invesco Asset Management Limited (the 'Manager'), to manage its investments. Administrative functions are contracted to external service providers, the main one being with R&H Fund Services (Jersey) Limited for company secretarial and administrative services. The Company has a Board of non-executive Directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. The Company has no employees.

Investment Policy

The principal objective of the Company is to provide shareholders with a high level of income whilst seeking to maximise total return through investing in a diversified portfolio of high yielding corporate and Government bonds. The Company may also invest in equities and other instruments that Invesco Asset Management Limited considers appropriate.

The Company seeks to balance the attraction of high yield securities with the need for protection of capital and to manage volatility. The Company generally employs gearing in its Investment Policy. Full details of the Company's Investment Policy can be found on pages 9 and 10.

Change to the Investment Policy

At the same time that shareholders approved the change of name of the Company, shareholders approved a change in the Investment Policy to set a lower limit on the net borrowings of 50% of shareholders' funds. The Chairman's Statement sets out this change on page 5.

Borrowings and Repo Finance

The Company uses borrowings in its Investment Policy. The Company uses borrowings, the principal component of which is repo finance, whereby the Company participates in sale and repurchase arrangements in connection with its portfolio. Under these arrangements, the Company sells fixed interest securities and is contractually obliged to repurchase them at a fixed price on a fixed date.

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

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

Terms marked † are defined in the Glossary of Terms on page 63.

Balance sheet at 30 September	2013	2012	% CHANGE
Shareholders' funds (£'000)	79,809	72,391	+10.2
Net asset value† per ordinary share	71.7p	65.1p	+10.1
Mid-market price per ordinary share	67.0p	59.9p	+11.9
Discount† per ordinary share	6.6%	8.0%	
Gross borrowing†	42%	38%	
Net borrowing†	35%	29%	

Total Return	YEAR ENDED 30 SEPTEMBER 2013	YEAR ENDED 30 SEPTEMBER 2012
3 month LIBOR rate	+0.5%	+0.6%
Net asset value†	+17.8%	+29.1%
Share price *(Source: Thomson Reuters Datastream)*	+21.1%	+31.6%
Revenue		
Gross income (£'000)	6,905	6,879
Net revenue available for ordinary shares (£'000)	6,056	5,988
Dividends per ordinary share:		
– First interim	1.25p	1.25p
– Second interim	1.25p	1.25p
– Third interim	1.25p	1.25p
– Fourth interim	1.25p	1.25p
– Total	5.00p	5.00p
Ongoing Charges†		
– ongoing charges	1.39%	1.49%
– performance fee	1.37%	n/a
Return per Ordinary Share		
Revenue return	5.5p	5.4p
Capital return	6.2p	10.4p
Total return	11.7p	15.8p

Ten Year Historical Record

TO 30 SEPTEMBER (LAUNCHED ON 15 OCTOBER 1999)	GROSS INCOME £'000	NET REVENUE AVAILABLE FOR ORDINARY SHARES £'000	DIVIDENDS ON ORDINARY SHARES COST £'000	DIVIDENDS ON ORDINARY SHARES RATE(2) p	TOTAL ASSETS LESS CURRENT LIABILITIES(1) £'000	ORDINARY SHARES NET ASSET VALUE(2) p	ORDINARY SHARES MID-MARKET PRICE(2) p
2004	4,478	2,786	1,594	10.0	35,447	102.0	107.5
2005	2,948	2,196	2,000	10.0	43,301(3)	105.2(3)	108.0
2006	4,290	3,311	2,248	10.0	85,628	105.0	109.8
2007	8,222	6,475	4,985	10.0	146,475	101.7	102.5
2008	12,859	10,222	6,255	7.5	135,171	62.1	65.3
2009	7,378	6,406	5,570	5.0	88,598	56.6	55.0
2010	7,613	6,695	5,570	5.0	102,688	65.9	62.8
2011	7,203	6,283	5,570	5.0(4)	101,701	54.3	50.0
2012	6,879	5,988	5,565	5.0	100,163	65.1	59.9
2013	**6,905**	**6,056**	**5,564**	**5.0**	**113,511**	**71.7**	**67.0**

(1) Excludes both long-term and short-term loans and repo financing.

(2) Ordinary shares were consolidated to one ordinary share of 5p each for every five ordinary shares of 1p each on 26 April 2005. Prior period figures have been restated to take account of this.

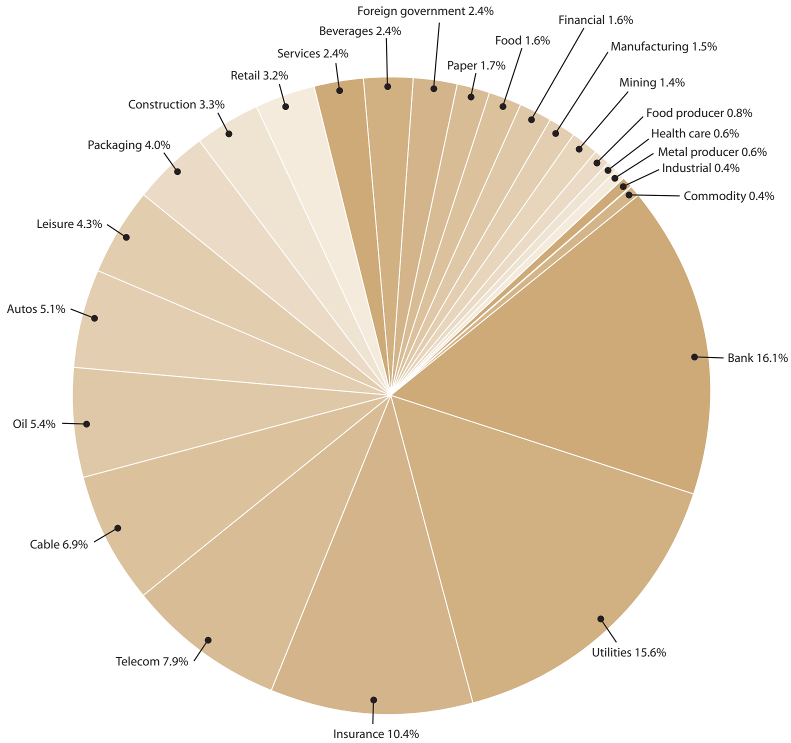
(3) Restated for International Financial Reporting Standards.

(4) Dividends are paid on a quarterly basis with effect from 1 October 2010 and are in respect of the year.

Five Year Total Return Performance

Split of Investments by Sector

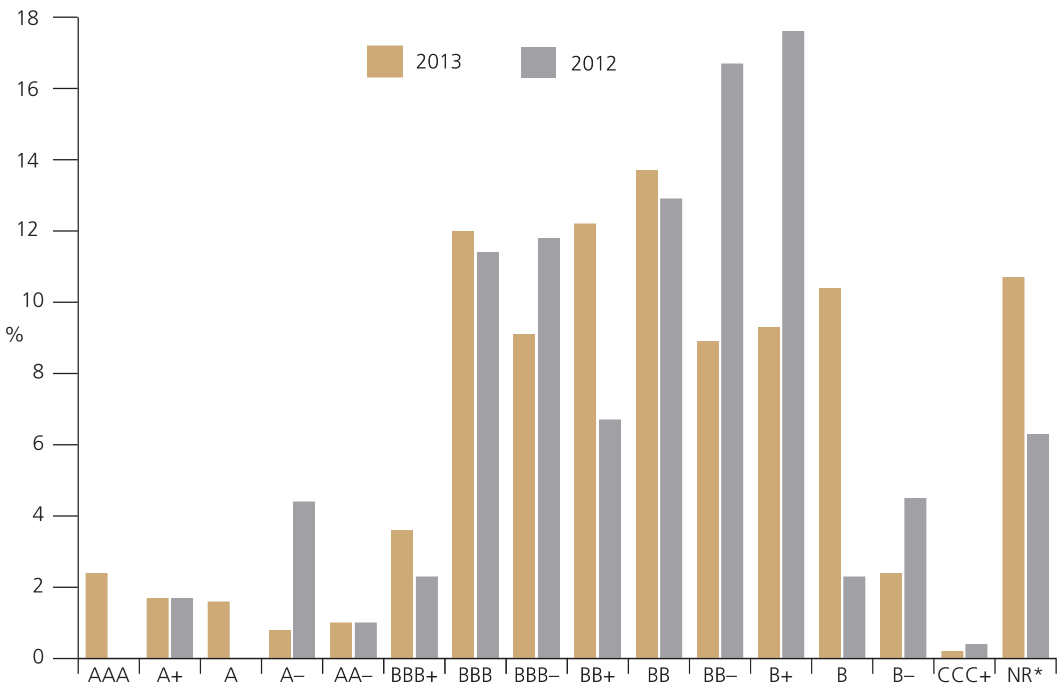
At 30 September 2013



BOND RATING ANALYSIS

AT 30 SEPTEMBER 2013

For the definitions of these ratings see the Glossary of Terms on page 63.



*includes any equities, warrants and credit default swaps.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report that the year under review has been rewarding for shareholders, even though markets were at times difficult to predict. The investment managers have again demonstrated the high conviction that characterises their investment style. Over the past three years, the portfolio has achieved a positive NAV total return of 40.3%. This compares, according to data from Merrill Lynch, to a total return for the European high yield market of 31.8%, for the sterling investment grade corporate bond market of 21.2% and for the Gilt market of 14.2%. With many of the traditional sources of income, such as bank deposits and government bonds much diminished, the company has continued to provide an attractive income stream through a well-covered dividend.

Results for the Year

Over the year to 30 September 2013, the Company's NAV per share increased by 10.1% to 71.7p. The mid-market price of the Company's ordinary shares increased by 11.9% to 67.0p at the year end. NAV total return per share increased by 17.8% after fees and expenses.

As a result of the excellent performance of the Company's NAV, a performance fee of £1,072,000 is payable to the Manager. The performance fee is equal to the net of 20% of the amount by which the total return exceeded the Hurdle return of sterling LIBOR plus 1%, less previous underperformance.

Dividend

Your Board believes that shareholders continue to value highly the Company's dividend stream and has prioritised revenue generation through investment in relatively high-yielding and secure debt positions. Market yields are at historically low levels, but even so the Company has achieved earnings per share of 5.5p (2012: 5.4p). This is 0.5p in excess of the annual cost of the dividend.

A fourth interim dividend of 1.25p per share was declared by your Board on 19 September 2013, making a total of 5p for the year (2012: 5p). The Board intends that the Company will maintain an annual dividend of not less than 5p per share, paid equally and quarterly, in the absence of unforeseen circumstances. One of the particular benefits of closed-end funds is their ability to build reserves when income allows; careful management of the Company's income over the last few years has enabled the Company to build a significant revenue reserve equivalent to two years of annual dividends.

Gearing

The ordinary shares are geared by repo financing. Net borrowing was initially reduced in the first quarter of the year, however, it was increased to a range between 30-35% for the last six months and ended the year at 35% (30 September 2012: 29%). Average net borrowings were 29.5% (2012: 34.4%) for the year. The lower level of borrowings during the year did not adversely impact income and the dividend is not dependent on a high level of gearing.

Repo financing remains a very flexible method of providing additional capital when appropriate, and the very low interest rate environment affords the investment managers an ability to achieve an attractive 'carry' on the investments. The level of borrowing is carefully monitored and managed by both the Board and the investment managers, fully cognisant of the greater capital volatility that comes with the enhancement to income.

Change of Investment Policy and Company Name

At an extraordinary general meeting held on 11 November 2013, shareholders approved the change of investment policy and name. As explained in my letter that formed part of the circular proposing the changes, the Board was keen to permit the Company to benefit from its ability to use repo financing to enhance returns, but that a lower limit of maximum net borrowings of 50% of shareholders' funds be introduced. The change to the net borrowing limit within the investment policy is clearly set out in this annual financial report on pages 9 and 10, and this was the only change to the investment policy.

At the same time the Board took the opportunity to propose the change in the Company's name to reflect the investment policy change. The new name of Invesco Perpetual Enhanced Income Limited removes the word 'leveraged', more accurately describes the fundamental importance of income and reflects the Manager's brand name of Invesco Perpetual.

CHAIRMAN'S STATEMENT
continued

Share Buy Backs

Your Directors are again seeking the authority to buy back up to 16,682,749 shares (14.99% of the Company's issued share capital as at 29 November 2013) subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2015. In association with this authority the Board is seeking shareholder approval for the renewal of the waiver of the obligation under Rule 9 of the Takeover Code that would otherwise fall on Invesco Perpetual if its shareholding increased above 30% as a result of buy backs.

It is the Board's current intention to buy back shares at a discount to NAV where the Board believes it is in shareholders' interests to do so. Your Directors are proposing that shares bought back by the Company either be cancelled or, alternatively, be held as treasury shares with a view to their resale, if appropriate, or later cancellation.

Corporate Governance

The Board continues to be committed to maintaining the highest standards of Corporate Governance and is accountable to you as shareholders for the governance of the Company's affairs. The Directors believe that, during the year under review, they have complied with the provisions of the AIC Code of Corporate Governance as endorsed by the Financial Reporting Council.

Continuation Vote

Shareholders are given the opportunity to vote on the future of the Company every five years. At the forthcoming Annual General Meeting (AGM), an ordinary resolution is being proposed that the Company shall continue as a closed-ended investment company and Directors be released from their obligation to convene an Extraordinary General Meeting within 180 days of the AGM proposing a special resolution that the Company be reorganised or reconstructed and, if this special resolution is not passed, that the Company be wound up on a voluntary basis.

The Directors recommend that shareholders vote in favour of the continuation of the Company based on a number of factors, including: the strong performance over the past five years; the sustainability of the dividend, which is supported both by income generation and by the revenue reserve; and a significant reduction in NAV volatility resulting from a more cautious approach to the use of borrowings.

Outlook

Our view is that the high yield bond market is relatively fully valued. New high yield issues are coming to the market with some of the lowest coupons we can remember. There are also some signs of lower quality issuance and of a greater proportion of issuance being for M&A and dividend financing. In these market conditions, we think that we could easily see a price correction without any change to default risk. However, there is strong demand for products with the level of income our portfolio is currently producing. This is understandable when we consider current yields on such alternatives as gilts.

Donald Adamson
Chairman
29 November 2013

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

INVESTMENT MANAGERS' REPORT

Market Background

Bond market returns were mixed over the 12 months to the end of September 2013. Supported by accommodative monetary policy, core yields reached record lows during the period while the credit rally of 2012 extended well into 2013. But in recent months, expectations of tighter US monetary policy have driven a sell-off. Yields have risen across the market and many areas have experienced negative returns. However, total returns on more credit-sensitive assets such as high yield bonds have continued to be relatively strong as they have benefitted from their higher levels of income.

According to data from Merrill Lynch, European high yield bonds had a total return for the 12 month period under review of 18.1% (in sterling terms). This return was boosted by a 4.8% fall in the value of sterling against the euro. The aggregate yield for this market fell 241 basis points (bps) to 5.64%. By comparison, sterling investment grade corporate bonds returned 4.3%, yields falling 20bps. Within investment grade, financials outperformed, returning 8.5% compared to 1.3% for non-financials. Gilts returned –3.2%.

Demand for high yield bonds has remained strong throughout the year, reflecting a wider demand for income and positive market fundamentals. The default rate has remained low. According to Moody's, the rolling 12 month European high yield rate of default was 3.3% in the third quarter of 2013, down from 3.4% in the second quarter and 3.6% in the third quarter of 2012. Supply is up strongly this year. Barclays estimates that, year-to-date to the end of September, European gross high yield bond issuance was £53.3 billion across currencies (with net issuance estimated at over £25 billion), 47% higher than at the same point last year.

In the earlier part of this period, investor sentiment was buoyed by a combination of highly supportive monetary policy and gradually improving economic data. Policymakers in the major developed economies remained committed to maintaining current very low interest rates and extending programmes of quantitative easing. US data showed rising business and consumer sentiment and a recovering housing market. Core government bond yields reached record lows in April and credit spreads tightened to low levels. This trend was broken in May when the Federal Reserve (Fed) indicated that it would begin to reduce its programme of asset purchases if economic data continued to improve in line with its expectations. The Fed remains committed to an extended period of low interest rates and in recent months the European Central Bank and the Bank of England have sought to guide down market expectations for their interest rates; however, this has had limited impact on the market, especially for longer-dated bonds. Positive economic data, for both the US and European economies, has continued to push up yields, with credit spreads broadly unchanged.

Portfolio Strategy

Our strategy is to construct a diversified portfolio of bonds from across the credit market which will provide an attractive level of income while seeking to keep default risk low. Our investments are concentrated in higher credit quality high yield bonds and in higher yielding investment grade bonds. Although yields are low by historic standards, we believe we can still find opportunities, most notably in banks and other financials, where we think aggregate yields continue to offer value. In our view, rising capital levels, ongoing structural reform and the implementation of new, more conservative banking sector regulations should be supportive of subordinated bank debt for many years. Yields on many of these bonds have fallen significantly but we believe this reflects a lower level of risk.

In our portfolio we have maintained a focus on financials and on seasoned high yield issuers that we believe to be default-remote. We have also added hybrid debt instruments over the period. We think that these securities offer attractive opportunities to receive a higher yield in return for taking subordination risk in companies which we believe have strong balance sheets. Our holdings include utilities, telecoms and insurance names.

In the year under review, the Company's NAV per share rose from 65.1p to 71.7p, with a total NAV return of 17.8%, gross of dividend. We commenced the year with net borrowing of 29% and with net assets of £72.4 million. Net borrowing increased modestly over the year to close at a level of 35%, close to the Company's highest net borrowing during the year of 38.0%, while net assets rose to £79.8 million. Funding costs remain relatively low. The dividend is 5p and is well covered by the income of the portfolio.

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2013

INVESTMENT MANAGERS' REPORT continued

Outlook

From current yields it is hard to see much potential for capital appreciation in the high yield bond market. Many bonds are trading above par. In recent quarters, we have also seen an increase in leverage and in the issuance of debt to finance acquisitions and dividend payments. However, we think that high yield debt can continue to provide a good source of relatively attractive income. The market is being supported by strong demand for income. Yields are low but they remain relatively high compared to core government bonds and the highest credit quality corporate bonds. We are focused on security selection and building a portfolio that we feel can give an attractive balance of reward to risk.

Paul Read/Paul Causer
Investment Managers
29 November 2013

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2013

BUSINESS REVIEW

Background to the Company

The Company is a Jersey based, London listed investment company which at the year end had a portfolio of investments with a market value in excess of £100 million. The Company's investment objective is shown below. The strategy the Board follows to achieve that objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are set out below and have been approved by shareholders.

The business model the Company has adopted to achieve its objective has been to contract the services of:

– Invesco Asset Management Limited (the 'Manager') to manage the portfolio in accordance with the Board's strategy; and

– R&H Fund Services (Jersey) Limited to provide company secretarial and general administration services.

The Board has oversight of the Company's service providers, and monitors them on a formal and regular basis.

The portfolio managers responsible for the day to day management of the portfolio are Paul Read and Paul Causer.

Investment Policy

As explained in the Chairman's Statement, subsequent to the year end shareholders approved a change of Investment Policy to lower the limit of maximum net borrowings to 50% of shareholders' funds. No other significant changes were made and this major change is highlighted below.

The Company's Investment Policy comprises its investment objective, investment policy and risk and investment limits and is designed so as to provide shareholders with information on the policies that the Company will follow relating to asset allocation, risk diversification and gearing, including maximum exposures.

The Manager monitors the investment portfolio on an ongoing basis to ensure adherence to the Company's Investment Policy.

Investment Objective

The Company's principal objective is to provide shareholders with a high level of income whilst seeking to maximise total return through investing in a diversified portfolio of high yielding corporate and Government bonds. The Company may also invest in equities and other instruments that the Manager considers appropriate.

The Company seeks to balance the attraction of high yield securities with the need for protection of capital and to manage volatility. The Company generally employs gearing in its Investment Policy.

Investment Policy and Risk

The investment portfolio is constructed in order to gain exposure to attractive ideas within the investment parameters of the investment portfolio and to express the Company's views on fixed interest markets. The investment process comprises three key elements which drive portfolio construction – macroeconomic analysis, credit analysis and value assessment. The Manager aims to control stock-specific risk by ensuring that the investment portfolio is appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives the Manager an understanding of the financial risks associated with any particular stock.

The Company may enter into derivative transactions (including, but not limited to, options, futures, and contracts for difference, credit derivatives and interest rate swaps) periodically for the purposes of efficient portfolio management. Derivative transactions may only be entered into if they are compatible with the Company's Investment Policy and fall within the limits determined by the Board from time to time. The Company will not enter into derivative transactions for speculative purposes.

For the purposes of efficient portfolio management, which may include the reduction of risk, reduction of cost, and the enhancement of capital or income, including transactions designed to hedge all or part of the investment portfolio, to replicate or gain synthetic exposure to a particular investment position where this can be done more effectively or efficiently through the use of derivatives than through investment in physical securities, or to transfer risk or obtain protection from a particular type of risk which might attach to portfolio investments, the Company may enter into a derivative transaction provided the maximum exposure (including any initial outlay in respect of the transaction) to which the Company is committed by virtue of the transaction, when aggregated with all other outstanding derivative positions, is covered by the Company's net assets.

The Company may enter into stock lending, repurchase and/or reverse repurchase agreements for the purposes of efficient portfolio management. The Manager may also invest in money market instruments and currencies.

The principal component of the Company's borrowings is repo financing. Under the repo financing, the Company sells fixed interest securities held by it to a counterparty for consideration that is less than such assets' market value and agrees to repurchase on a fixed date the same assets for a fixed price above the consideration received by it on the sale. The difference in these two amounts equates to the cost (effectively interest) of the repo financing.

Investment Limits

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

- investments in equities are restricted to no more than 20% of the Company's investment portfolio;
- no single investment (bond or equity) may exceed 10% of gross assets;
- no more than 5% of gross assets may be exposed to unquoted investments;
- no more than 15% of the Company's total assets will be invested in other investment companies (including investment trusts);
- (effective to 11 November 2013) gearing may be used to raise the exposure to bonds and equities and may not exceed an amount equal to twice shareholders' funds after such adjustments, exclusions and deductions as are specified in the Articles; and
- (effective from 11 November 2013) repo financing and other borrowings may be used to raise the exposure to bonds and equities. Net borrowings (comprising aggregate borrowings less cash) may not, at the time of drawdown, exceed 50% of shareholders' funds (as determined under the Company's normal accounting policies).

Gearing Policy

Under the Company's Investment Policy, borrowings may be used to raise exposure to bonds and equities and, from 11 November 2013, may not exceed 50% of shareholders' funds after such adjustments, exclusions and deductions as are specified in the Company's Articles. Gearing levels will change from time to time in accordance with the Manager's assessment of risk and reward.

From time to time, the Company arranges facilities for repo financing with counterparties. The Company manages counterparty exposure to ensure that under normal circumstances its exposure to the creditworthiness or solvency of any one counterparty does not exceed 20% of its gross assets. The Company's exposure to any one counterparty is calculated for these purposes as the difference between the aggregate amount owed by that counterparty to the Company less the aggregate amount owed by the Company to that counterparty.

The effective cost of the repo financing is allocated over the period to repurchase at a constant rate and is charged 50% to revenue and 50% to capital. Each repo financing arrangement typically has a fixed life of between one and six months. The short-term nature of the repo financing means that the effective cost of the Company's borrowings will fluctuate from time to time in accordance with the market rates of repo financing (which are closely related to interest rates).

Key Performance Indicators

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

- portfolio performance;
- net asset value (NAV);
- share price;
- premium/discount;
- dividends; and
- ongoing charges.

The Company's focus has been on absolute returns. The **portfolio performance** of the Company is commented on in both the Chairman's Statement on pages 5 and 6 and, in more detail, in the Investment Managers' Report immediately following. These also set out the **NAV** and **share price** total return performance for the year, with the NAV increasing 17.8% (2012: 29.1%) and the share price increasing 21.1% (2012: 31.6%). For a longer term view, the graph on the bottom of page 3 shows the increase in these for the five years ended 30 September 2013. As a result of significant outperformance during the year, a performance fee of £1,072,000 has arisen, as detailed on page 31.

The Board monitors the price of the Company's shares in relation to their NAV and the **premium/ discount** at which they trade. Although there is no specific target discount range, a small discount or premium is desirable. A small discount/premium implies that there is demand for the shares and that there are sufficient shares in the market to satisfy that demand. Over the year, the shares have traded at an average discount to NAV of 9.1% and at 30 September 2013, the shares traded at a discount of 6.6%.

The Board and Manager closely monitor movements in the Company's ordinary share price and dealings in the Company's ordinary shares. To enable the Board to take action to deal with any significant overhang or shortage of ordinary shares in the market, it seeks approval from shareholders every year to allow for the buy back of ordinary shares (for cancellation or to be held as treasury shares). This may assist in the management of any discount the Company may trade at, but the primary reason for buying back ordinary shares is to enhance investor value.

Any buy back of shares will be made within guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Buy backs will only be made where the Directors consider it to be in the interests of shareholders as a whole, taking into consideration the working capital and cashflow requirements of the Company.

The Board also has the power to issue new ordinary shares if it is in shareholders' interests to do so.

Dividends are a key component of the total return to shareholders, and the level of potential dividend payable and income from the portfolio is reviewed at every board meeting. The Company has paid 5p each year in respect of the five financial years to 30 September 2013. The Company will only pay dividends in respect of a year to the extent that it has profits available for that purpose.

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 **ongoing charges** which provide a guide to the effect on performance of all annual operating costs of the Company. At the year end the ongoing charges (which exclude the performance fee) had fallen from 1.49% report last year to 1.39%, and the Board considers this ratio to be acceptable.

Financial Position

As at 30 September 2013, the Company's net assets were valued at £80 million (2012: £72 million).

These comprised a portfolio of predominantly corporate and government bonds. Due to the realisable nature of the majority of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchases and sales of investments, repo financing and the income from investments against which must be set the costs of borrowing and management expenses.

As explained previously, the ordinary shares are geared by the repo financing. As at 30 September 2013, net borrowing was 35% (2012: 29%).

Future Trends

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Managers' Report on pages 7 and 8. Further details as to the risks affecting the Company are set out in the next section titled: 'Principal Risks and Uncertainties'.

Principal Risks and Uncertainties

Investment Policy (incorporating the Investment Objective)

There is no guarantee that the Company's investment objective will be achieved or provide the returns sought by shareholders. The Board has established guidelines to ensure that the investment policy that has been approved is pursued by the Manager.

Market Risk

The majority of the Company's investments are traded on the major securities markets. 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. The value of investments held within the investment portfolio is influenced by many factors including the general health of the world economy, interest rates, inflation, government policies, industry conditions, political and diplomatic events, tax laws, competition, environmental laws and by changing investor demand. In addition, there is a risk that European policy makers fail to maintain the current fragile market confidence by not implementing an effective and lasting solution to the Eurozone crisis. The Manager strives to maximise the total return from the investments held, but these investments are influenced by market conditions and the Board acknowledges the external influences on investment portfolio performance.

Investment Risk

The investment process employed by the Manager is set out in the first paragraph under Investment Policy and Risk on page 9.

Investment portfolio performance is dependent on the performance of high yield corporate bonds in the UK and elsewhere in the Company's investment universe. These stocks are particularly influenced by prevailing interest rates, government monetary policy and by demand for income. The Manager strives to maximise both capital growth and high income from the investment portfolio. The inherent risk of investment is that the stocks selected for the portfolio do not perform.

The Company is likely, from time to time, to maintain a more concentrated investment portfolio (both in terms of individual holdings and in terms of its exposure to particular industries) than those of many other investment funds. Accordingly, shareholders should be aware that the investment portfolio potentially carries a higher level of risk than a more diversified investment portfolio.

The Company is permitted from time to time to invest in other listed investment companies (including investment trusts) subject to a limit on such investment of 15% of its Total Assets. As a consequence of these investments, the Company may itself be indirectly exposed to gearing through the borrowings of these other investment companies. The Company is not currently invested in any listed investment companies (including investment trusts).

The performance of the Manager is carefully monitored by the Board, and the continuation of the Manager's mandate is reviewed each year.

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

A fuller discussion of the economic and market conditions facing the Company and the current and future performance of the investment portfolio of the Company is discussed in both the Chairman's Statement on pages 5 and 6 and the Investment Manager's Report section of this Strategic Report on pages 7 and 8.

Foreign Exchange Risk

The movement of exchange rates may have unfavourable or favourable impact on returns as the Company holds non-sterling denominated investments and cash. This risk is mitigated by the use of non-sterling denominated repo financing. The foreign currency exposure of the Company is monitored by the Manager on a daily basis and formally at Board meetings.

Shares

The market value of the ordinary shares will be affected by a number of factors, including the dividend yield from time to time of the ordinary shares, prevailing interest rates and supply and demand for those ordinary shares, along with wider economic factors and changes in the law, including tax law, and political factors. The market value of, and the income derived from, the Company's ordinary shares can fluctuate and may go down as well as up. The market value of the ordinary shares may not always reflect the NAV per ordinary share.

While it is the intention of Directors to pay dividends to shareholders on a quarterly basis, the ability to do so will largely depend on the amount of income the Company receives on its investments, the timing of such receipts and the cost of the repo financing. Any reduction in income receivable by the

Company, or increase in the cost of the repo financing, will lead to a reduction in earnings per share and therefore in the Company's ability to pay dividends. Accordingly, the amount of dividends payable by the Company may fluctuate.

Gearing Returns Using Borrowings

Borrowing levels may change from time to time in accordance with the Manager's assessment of risk and reward. As a consequence, any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to adversely affect the Company's share price). Any reduction in the number of ordinary shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's gearing, however, net borrowing may not exceed 50% of shareholders' funds.

If it were not possible to roll over any repo financing on any repurchase date on acceptable terms, the amounts then owing by the Company under the repo financing arrangement would become payable to the counterparty. Also, although the repo financing requires the counterparties to sell the assets to the Company on the repurchase date at a fixed price, if a counterparty failed to do so the Company would be left with a contractual claim against the defaulting counterparty and there is no guarantee the Company would be able to recover all or any of the value of the assets from that counterparty. In adverse market conditions, the risks of counterparty default may be greater than at other times.

There is no guarantee that it will be possible to re-finance the repo financing or any other borrowings on their maturity either at all or on terms that are acceptable to the Company.

The Company currently has arranged facilities for repo financing with three counterparties. All borrowings, including repo financing, are actively managed by the Manager and monitored by the Board. If one or more of the counterparties with which the Company enters into repo financing decided to stop accepting non-investment grade bonds as collateral for repo financing or decided otherwise to restrict the repo financing currently provided to the Company then the Company may be unable, or it may be impracticable, to continue utilising repo financing and/or to replace its current repo financing as it expires. In certain circumstances, such as a material increase in the margins payable on repo financing, it may be uneconomical for the Company to continue utilising repo financing. The counterparties may force closure of the repo financing positions in which case the Company may be forced to repay the repo financing at short notice and the Company may be forced to sell assets at short notice to repay that debt and may not be able to realise the expected market value of those assets.

High Yield Corporate Bonds

Corporate bonds are subject to credit, liquidity, duration and interest rate risks. Adverse changes in the financial position of an issuer of corporate bonds or in general economic conditions may impair the ability of the issuer to make payments of principal and interest or may cause the liquidation or insolvency of an issuer.

The majority of the Company's investment portfolio at the year end consists of non-investment grade securities. To the extent that the Company invests in non-investment grade securities, the Company may realise a higher current yield than the yield offered by investment grade securities, but investment in such securities involves a greater volatility of price and a greater risk of default by the issuers of such securities, with consequent loss of interest payment and principal. Non-investment grade securities are likely to have greater uncertainties of risk exposure to adverse conditions and will be speculative with respect to an issuer's capacity to meet interest payments and repay principal in accordance with its obligations.

A lack of liquidity in corporate bonds may make it difficult for the Company to sell those bonds at or near their purported value. This may particularly be the case if the Company is forced to sell assets quickly, for example, to repay any repo financing that becomes unexpectedly repayable or which it is not possible to rollover or in the event of a liquidation of the Company. A lack of liquidity in corporate bonds may also make it difficult or impossible to rebalance the Company's investment portfolio as and when it believes it would be advantageous to do so. To mitigate these risks, the investment manager actively monitors both the ratings and liquidity of the bond portfolio in relation to the Company's known repo financing requirements.

Derivatives

The Company may enter into derivative transactions (including options, futures, contracts for difference, credit derivatives and interest rate swaps) for the purpose of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes. Efficient portfolio management may include reduction of risk, reduction of cost and enhancement of capital or income through transactions designed to hedge all or part of the investment portfolio, to replicate or gain synthetic exposure to a particular investment position where this can be done more effectively or efficiently through the use of derivatives than through investment in physical securities or to transfer risk or obtain protection from a particular type of risk which might attach to portfolio investments.

The Company may hedge against exposure to changes in currency rates to the extent that repo financing has not offset such exposure.

Derivative instruments can be highly volatile and expose investors to a higher risk of loss. The low initial margin deposits or low initial amounts payable in relation to or to enter into some derivatives enable a higher degree of leverage than might be acquired in respect of a direct investment in the underlying asset. As a result, relatively small fluctuations in the value of the underlying asset or the subject of the derivative may result in a substantial fluctuation in the value of the derivative, either up or down. In addition, the amount of loss to the Company through holding a derivative may not be restricted to, and indeed may be many times greater than, the initial margin deposit or amount payable in respect of the derivative. Daily limits on price fluctuations and position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

Where derivatives are used for hedging, there is a risk that the returns on the derivative do not exactly correlate to the returns on the underlying investment, obligation or market sector being hedged against. If there is an imperfect correlation, the Company may be exposed to greater loss than if the derivative had not been entered into.

Trading in derivatives markets may be unregulated or subject to less regulation than other markets.

Derivative markets are historically relatively new and there are uncertainties as to how these markets will perform during periods of unusual price volatility or instability, market liquidity or credit distress, including current market circumstances. The Company could suffer substantial losses from its derivatives holdings in these or other situations.

Reliance on External Service Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is reliant upon the performance of third party service providers for its executive function. The Company's most significant contract is with the Manager, to who the responsibility for the Company's portfolio is delegated. The Company has other contractual arrangements with third parties to act as company secretary, auditor, registrar, custodian and broker. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy and expose the Company to reputational risk.

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

The Board seeks to manage these risks in a number of ways:

- The Manager monitors the performance of all third party providers in relation to agreed service standards on a regular basis, and any issues and concerns are dealt with promptly and reported to the Board. The Manager formally reviews the performance of all third party providers and reports to the Board on an annual basis.
- The Board reviews the performance of the Manager at every board meeting and otherwise as appropriate. The Board has the power to replace the Manager and reviews the management contract formally once a year.

- The day-to-day management of the portfolio is the responsibility of Paul Read and Paul Causer, who are Co-Heads of the Invesco Perpetual Fixed Interest Team. They have 18 years and 19 years' experience in fixed income markets respectively, and have been the investment managers of the Company since 2001. The Board has adopted guidelines within which the investment managers are permitted wide discretion. Any proposed variation outside these guidelines is referred to the Board and the guidelines themselves are reviewed at every board meeting.
- The risk that the investment managers might be incapacitated or otherwise unavailable is mitigated by the fact that they work closely with each other and they also work within, and are supported by, the wider Invesco Perpetual Fixed Interest team.

Regulatory

The Company is subject to various laws and regulations by virtue of its status as a Company registered under the Companies (Jersey) Law 1991, 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 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 financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's compliance and internal audit officers produce regular reports for review by the Company's Audit Committee.

The Alternative Investment Fund Manager Directive imposes obligations which may have significant consequences for the Company and may increase its compliance and regulatory costs. Failure to meet these obligations may impair the Manager's ability to manage the investments of the Company, which may materially adversely affect the Company's ability to implement its investment strategy and achieve its investment objective.

Any changes in the Company's tax status or in taxation legislation or accounting practice could affect the value of investments held by the Company, affect the Company's ability to provide returns to shareholders or alter the post-tax returns to shareholders.

Other Risks

As a result of the Company's policy of charging 50% of management fees and financing costs (including the cost of the repo financing) to capital, maintenance of its NAV requires that the Company's investment portfolio achieves capital growth equivalent to the total amount of such costs and that all other costs are covered by income. Any changes to the way in which the Company accounts for expenses, tax or tax relief as a result of changes to recommended accounting practices, accounting standards, or tax legislation could have an adverse effect on the level of profits available for the payment of dividends.

Board Diversity

The Board has noted the recommendations of the Davies Committee relating to Board diversity. The Board as a whole performs the function of a Nomination Committee and considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience amongst other factors when reviewing the composition of the Board and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. Board diversity was carefully considered when two male directors were recruited last year and will continue to be considered in the future. The Board comprises five male non-executive directors and their summary biographical details are set out on page 20. The Company has no employees.

Social and Environmental Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. The Manager considers various factors when evaluating potential investments. While an investee company's policy towards the environment and social

BUSINESS REVIEW continued

responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Manager does not necessarily decide to, or not to, make an investment on environmental and social grounds alone. The Manager applies the United Nations Principles for Responsible Investment.

Approved by the Board of Directors on 29 November 2013.

R&H Fund Services (Jersey) Limited
Company Secretary

INVESTMENT PORTFOLIO

AT 30 SEPTEMBER 2013

All investments are fixed interest bonds unless otherwise stated; floating rates notes are depicted by FRN.

The definitions of the Moody/Standard & Poor ratings below are set out on page 64.

Bonds and Equity Investments

ISSUER	ISSUE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
Euro				
UPC	7.625% 15 Jan 2020	Ba3/BB	1,799	2.6
	9.5% 15 Mar 2021	B3/B–	951	
Santos Finance	8.25% FRN 22 Sep 2070	NR/BBB	2,742	2.6
UniCredit International Bank	8.125% FRN Perpetual	Ba3/BB	2,592	2.4
Rexam	6.75% FRN 29 Jun 2067	Ba2/BB	2,086	2.0
Allianz Finance II	5.75% FRN 08 Jul 2041	A2/A+	1,858	1.7
Abengoa	6.25% Cnv 17 Jan 2019	NR/NR	980	1.7
	8.5% 31 Mar 2016	B2/B	873	
Lottomatica	8.25% FRN 03 Mar 2066	Ba2/BB	1,794	1.7
Commerzbank	7.75% 16 Mar 2021	Ba2/BB+	1,793	1.7
Origin Energy	7.875% 16 Jun 2071	Ba1/BB+	1,744	1.6
Achmea	6% 04 Apr 2043	NR/BBB	1,738	1.6
SSE	5.025% FRN Perpetual	Baa2/BBB	1,730	1.6
Alliander	4.875% FRN Perpetual	A3/A	1,723	1.6
RWE	4.625% FRN Perpetual	Baa3/BBB–	1,692	1.6
Aviva	6.875% FRN 22 May 2038	Baa1/BBB	920	1.5
	4.7291% FRN Perpetual	Baa2/BBB	417	
	6.125% FRN 05 Jul 2043	Baa1/BBB	209	
Vougeot Bidco	FRN 18 Jul 2020	B2/B	1,351	1.3
Wind Acquisition Finance	11.75% 15 Jul 2017	B3/B	980	1.2
	7.375% 15 Feb 2018	Ba3/BB–	350	
Telecom Italia	5.25% 17 Mar 2055	Baa3/BBB–	1,307	1.2
Intesa Sanpaolo	8.375% FRN Perpetual	Ba3/BB	1,293	1.2
Lloyds Banking Group – LBG Capital No.2 (ECN)	6.385% 12 May 2020	Ba1/BB+	1,289	1.2
Telefonica Europe	7.625% Perpetual	Ba1/BB+	1,192	1.1
Levi Strauss	7.75% 15 May 2018	B1/B+	1,024	1.1
Nationwide Building Society	4.125% 20 Mar 2023	Baa1/BBB	913	0.9
Xefin	8% 01 Jun 2018	Ba3/B+	895	0.9
Algeco Scotsman Global Finance	9% 15 Oct 2018	B1/NR	888	0.8
BPCE	9% FRN Perpetual	Ba2/BBB–	884	0.8
Campofrio Food	8.25% 31 Oct 2016	B1/B+	874	0.8
Matterhorn Mobile	FRN 15 May 2019	B1/B+	849	0.8
Iberdrola International	5.75% Perpetual	Baa3/BB+	839	0.8
Picard	FRN 01 Aug 2019	Ba3/BB–	748	0.7
Telekom Austria	5.625% Perpetual	Baa3/BB+	682	0.7
Royal Bank of Scotland	FRN 14 Jun 2022	Ba1/BBB–	664	0.7
TMF	5.599% FRN 03 Dec 2018	B1/B	633	0.6
CNP Assurances	FRN Perpetual	NR/A–	560	0.5
Ono Finance II	11.125% 15 Jul 2019	Caa1/B–	450	0.5
Stora Enso	5.5% 07 Mar 2019	Ba2/BB	440	0.4
KBC	8% Perpetual	Ba2/BB+	433	0.4
ECO-BAT Finance	7.75% 15 Feb 2017	B2/B	430	0.4
Gategroup Finance	6.75% 01 Mar 2019	B1/BB–	430	0.4
Mark IV Europe	8.875% 15 Dec 2017	Ba3/BB–	359	0.3
Novalis	6% 15 Jun 2018	B1/B+	347	0.3
Mobile Challenger Intermediate	8.75% 15 Mar 2019	NR/B–	337	0.3
Sisal	7.5% 30 Sep 2017	B1/B	336	0.3
Sanitec	FRN 15 May 2018	B1/B+	299	0.3
BNP Paribas Fortis	Cnv FRN Perpetual	Ba3/BB	243	0.2
KM Germany	8.75% 15 Dec 2020	B2/B–	217	0.2
Lecta	8.875% 15 May 2019	B1/B+	198	0.2
Beverage Packaging*	9.5% 15 Jun 2017	Caa2/CCC+	173	0.2
			50,548	47.6

**A subsidiary of Reynolds Group Holdings.*

INVESTMENT PORTFOLIO
continued

ISSUER	ISSUE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
Sterling				
Virgin Media Finance	7% 15 Jan 2018	Ba3/BB–	2,080	
	8.875% 15 Oct 2019	B2/B	724	3.3
	6% 15 Apr 2021	Ba3/BB–	655	
Lloyds Banking Group				
– Lloyds Bank	7.625% 22 Apr 2025	Baa3/BBB–	2,317	3.2
– LBG Capital No.2 (ECN)	9% 15 Dec 2019	Ba1/BB+	1,085	
Enterprise Inns	6.5% 06 Dec 2018 (SNR)	NR/BB–	2,562	2.4
ENW Finance	5.875% 21 Jun 2021	NR/BB+	2,485	2.3
NGG Finance	5.625% FRN 18 Jun 2073	Baa3/BBB	2,178	2.1
Arqiva Broadcast Finance	9.5% 31 Mar 2020	B3/NR	2,096	2.0
Iron Mountain	7.25% 15 Apr 2014	B1/B	2,000	1.9
Société Genérale	8.875% FRN Perpetual	Ba2/BBB–	1,594	1.5
Aviva	6.125% Perpetual	Baa1/BBB	1,484	1.4
ENEL	7.75% 10 Sep 2075	Ba1/BB+	1,440	1.4
Electricite De France	6% Perpetual	A3/BBB+	1,310	1.2
DFS Furniture	FRN 15 Aug 2018	B2/B	758	1.2
	7.625% 15 Aug 2018	B2/B	497	
Southern Water (Greensands)	8.5% 15 Apr 2019	NR/BB–	1,086	1.0
Thames Water	7.75% 01 Apr 2019	B1/NR	1,083	1.0
Pipe	9.5% 01 Nov 2015	B3/B	1,050	1.0
InterGen Services	7.5% 30 Jun 2021	B1/B+	1,031	1.0
General Electric Capital	5.5% FRN 15 Sep 2066	A2/AA–	1,018	1.0
Equiniti Newco 2	FRN 15 Dec 2018	B3/B	1,010	0.9
Scottish Widows	5.5% 16 Jun 2023	Baa2/BBB+	785	0.7
Koninklijke KPN	6.875% FRN 14 Mar 2073	Ba1/BB	581	0.5
Pendragon	6.875% 01 May 2020	B2/B+	566	0.5
Jaguar Land Rover	8.25% 15 Mar 2020	Ba2/BB	555	0.5
Boparan Finance	9.875% 30 Apr 2018	Ba3/B+	548	0.5
Gala Finance	8.875% 01 Sep 2018	B2/B+	540	0.5
Legal & General	6.385% FRN Perpetual	Baa2/BBB+	523	0.5
Matalan Finance	8.875% 29 Apr 2016	B1/B+	515	0.5
AXA	6.6666% FRN Perpetual	Baa1/BBB–	509	0.5
Odeon & UCI Finco	9% 01 Aug 2018	B3/B–	503	0.5
UniCredit International Bank	8.5925% FRN Perpetual	Ba3/BB	496	0.5
Premier Farnell	89.2p Convertible Preference	NR/NR	465	0.4
Care UK Health and Social Care	9.75% 01 Aug 2017	Caa1/B	388	0.4
Standard Life	5.5% 04 Dec 2042	Baa2/BBB	358	0.3
AA Bond	9.5% 31 Jul 2043	NR/BB	323	0.3
Bupa Care Homes	11.8% 30 Jun 2014	NR/NR	266	0.3
Skipton Building Society	10% FRN 12 Dec 2018	Ba2/NR	249	0.2
Novae	6.5% 27 Apr 2017	Baa3/NR	99	0.1
			39,812	37.5
US Dollar				
General Motors	Wts 10 Jul 2019	NR/NR	4,140	4.1
	Wts 10 Jul 2016	NR/NR	257	
US Treasury	2.75% 15 Nov 2042	Aaa/AAA	2,557	2.4
Vedanta Resources	6.75% 07 Jun 2016	Ba3/BB	1,270	1.2
CGG Veritas	7.75% 15 May 2017	Ba3/BB–	1,269	1.2
Catlin Insurance	7.249% FRN Perpetual	NR/BBB+	1,261	1.2
Stora Enso	7.25% 15 Apr 2036	Ba2/BB	1,150	1.1
CEMEX Espana	9.25% 12 May 2020	NR/B+	748	0.7
Nara Cable Funding	8.875% 01 Dec 2018 (SNR)	B1/B+	655	0.6
Société Genérale	8.75% Perpetual	Ba2/BBB–	651	0.6
Aperam	7.75% 01 Apr 2018	B3/B+	610	0.6
BBVA	9% Perpetual	NR/NR	367	0.3
Prudential	6.5% Perpetual	Baa1/A–	308	0.3
Rothschilds Continuation Finance	1% FRN Perpetual	NR/NR	284	0.3
Peabody Energy	4.75% Cnv 15 Dec 2066	NR/NR	249	0.2
Motors Liquidation	Units	NR/NR	94	0.1
	8.375% 15 Jul 2033	NR/NR	—	
			15,870	14.9
Total investments			106,230	100.0

TOP TEN INVESTMENTS

AT 30 SEPTEMBER 2013

ISSUER	ISSUE	2013 VALUE £'000	2013 AT MARKET % OF PORTFOLIO	2012 VALUE £'000	2012 AT MARKET % OF PORTFOLIO
Lloyds Banking Group – Lloyds Bank & LBG Capital	7.625% 22 Apr 2025	2,317		2,084	
	6.385% 12 May 2020	1,289	4.4	1,088	4.5
	9.000% 15 Dec 2019	1,085		1,010	
General Motors	Wts 10 Jul 2019	4,140	4.1	1,821	2.1
	Wts 10 Jul 2016	257		134	
Virgin Media Finance	7% 15 Jan 2018	2,080		2,151	
	8.875% 15 Oct 2019	724	3.3	1,122	3.5
	6% 15 Apr 2021	655		—	
UniCredit International Bank	8.125% FRN Perpetual	2,592	2.9	2,140	2.8
	8.5925% FRN Perpetual	496		414	
Aviva	6.125% Perpetual	1,484		1,190	
	6.875% FRN 22 May 2038	920	2.9	772	2.5
	4.729% FRN Perpetual	417		347	
	6.125% FRN 05 Jul 2043	209		—	
UPC	7.625% 15 Jan 2020	1,799		1,717	
	9.500% 15 Mar 2021	951	2.6	895	6.1
	8.125% 01 Dec 2017	—		1,707	
	9.750% 15 Apr 2018	—		1,273	
Santos Finance	8.250% FRN 22 Sep 2070	2,742	2.6	2,427	2.6
Enterprise Inns	6.5% 06 Dec 2018 (SNR)	2,562	2.4	1,752	1.9
US Treasury	2.75% 15 Nov 2042	2,557	2.4	—	—
ENW Finance	5.875% 21 Jun 2021	2,485	2.3	—	—

BOND RATING ANALYSIS

AT 30 SEPTEMBER 2013

(Standard and Poor Ratings, investments grade is BBB– and above)

For the definitions of these ratings see the Glossary of Terms on page 64.

RATING	2013 % OF PORTFOLIO	2013 CUMULATIVE TOTAL %	2012 % OF PORTFOLIO	2012 CUMULATIVE TOTAL %
AAA	2.4	2.4	—	—
A+	1.7	4.1	1.7	1.7
A	1.6	5.7	—	1.7
A–	0.8	6.5	4.4	6.1
AA–	1.0	7.5	1.0	7.1
BBB+	3.6	11.1	2.3	9.4
BBB	12.0	23.1	11.4	20.8
BBB–	9.1	32.2	11.8	32.6
BB+	12.2	44.4	6.7	39.3
BB	13.7	58.1	12.9	52.2
BB–	8.9	67.0	16.7	68.9
B+	9.3	76.3	17.6	86.5
B	10.4	86.7	2.3	88.8
B–	2.4	89.1	4.5	93.3
CCC+	0.2	89.3	0.4	93.7
NR (including equities, warrants and credit default swaps)	10.7	100.0	6.3	100.0
	100.0		100.0	

DIRECTORS

Donald Adamson *(Jersey resident) (Chairman)*

Mr. Adamson was appointed a Director of the Company on 10 September 1999. He has over 30 years' experience of fund management, corporate finance and private equity in Edinburgh, London and Jersey. He serves as director or chairman of a number of listed and privately-held investment companies. He was awarded an M.A. in Economics and History from University College, Oxford, carried out post-graduate research at Nuffield College, Oxford and is a member of the Chartered Institute for Securities and Investment. He is chairman of the Offshore Committee of the Association of Investment Companies.

Peter Yates *(Jersey resident) (Chairman of the Audit and Management Engagement Committees)*

Mr. Yates was appointed a Director of the Company on 1 August 2012. Mr Yates, an experienced Chartered Accountant and former President of the Jersey Society of Chartered and Certified Accountants, was previously a partner of PricewaterhouseCoopers working in the United Kingdom and Jersey for over 31 years.

Michael Lombardi *(Jersey resident)*

Mr. Lombardi was appointed a Director of the Company on 1 August 2012. After training with Dundas & Wilson in Edinburgh, Michael qualified as a lawyer in England, Hong Kong, Bermuda and Jersey. He is a senior corporate partner of the Jersey Law firm Ogier and has specialised in investment fund and structured finance transactions for over 25 years.

Gordon Neilly *(UK resident)*

Mr. Neilly was appointed a Director of the Company on 10 September 1999. He graduated from Edinburgh University in 1981, joined Thomson McLintock & Co and became a member of the Institute of Chartered Accountants of Scotland in 1984. He was finance director and business development director of Ivory & Sime plc from 1990 to 1997. He was a founding partner and chief executive of Intelli Corporate Finance, which was acquired by Canaccord Genuity in 2009. He moved to Cantor Fitzgerald Europe in 2012 as Head of Corporate Finance and is a non-executive director of Personal Assets Trust plc.

Clive Spears *(Jersey resident)*

Mr. Spears was appointed a Director of the Company on 18 May 2011. He has over 32 years' experience with the Royal Bank of Scotland Group of which the last 18 years were spent in Jersey until his retirement in 2003. His experience has spanned corporate finance, treasury products, global custody, trust and fund administration, internal audit and compliance. Since his retirement he has acted as a consultant and non-executive director both in the investment management industry and local commerce. He is an Associate Member of the Institute of Financial Services, a member of the Institute of Directors and a member of the Chartered Institute for Securities and Investment.

All Directors are independent and non-executive.

THE COMPANY'S GOVERNANCE FRAMEWORK

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management to the Manager and administration to other external service providers, such as R&H Fund Services (Jersey) Limited.

The Board

Five non-executive directors (NEDs)

Chairman Donald Adamson

Key objectives:

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

Nominations Committee Function

The Board as a whole performs this function

Key objectives:

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

Management Engagement Committee

All NEDs

Chairman Peter Yates

Key objective:

- to review the performance of the Manager.

Audit Committee

All NEDs

Chairman Peter Yates

Key objectives:

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

Remuneration Committee Function

The Board as a whole performs this function

Key objective:

- to set the remuneration policy of the Company.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Corporate Governance Statement

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.

The Board of Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited) has considered the principles and recommendations of the 2012 AIC Code of Corporate Governance (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2012 UK Corporate Governance Code (the 'UK Code'), as well as setting out additional principles and recommendations on the issues that are of specific relevance to Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited).

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as detailed in the Report and as set out below.

The UK Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and in the preamble to the UK Code, the Board considers these provisions are not relevant to the position of Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited), being an externally managed investment company with no executive employees and, in relation to the last one, in view of the Manager and R&H Fund Services (Jersey) Limited having internal audit functions. The Company has therefore not reported further in respect of these provisions.

The terms of reference for the Board and the Audit Committee are reviewed and updated periodically to bring them in line with latest best practice and to ensure compliance with the AIC Code. The Company's corporate governance procedures are considered regularly by the Board and amended as necessary.

The composition and operation of the Board and its committees are summarised on page 20.

The Company's approach to internal control and risk management is summarised on page 26.

The contractual arrangements with and assessment of the Manager are summarised on pages 30 and 31.

The Company's capital structure and voting rights are summarised on page 29.

Details of the most substantial shareholders of the Company are listed on page 30.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 23 and 24. There are no agreements between the Company and its directors concerning compensation for loss of office.

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

By order of the Board

R&H Fund Services (Jersey) Limited
Company Secretary

29 November 2013

Introduction

The Directors present their Report for the year ended 30 September 2013.

Corporate Governance

The Corporate Governance Statement on page 21 is included in this Directors' Report by reference.

Business and Status

The Company was incorporated and registered with limited liability in Jersey (number 75059) on 10 September 1999 under the Companies (Jersey) Law 1991. The Company is a closed-ended investment company and its ordinary shares are listed on the London Stock Exchange.

Invesco Asset Management Limited (IAML) is the Manager of the Company, providing investment management services. R&H Fund Services (Jersey) Limited is the corporate company secretary and provides company secretarial and general administrative services.

Life of the Company

The Articles require an ordinary resolution to approve the continuation of the Company as a closed-ended investment company, be proposed at this year's Annual General Meeting (AGM) of the Company and every five years thereafter. If any subsequent continuation resolution is not passed, the Directors shall within 180 days of such meeting convene one or more EGMs of the Company, at which a special resolution to reorganise or reconstruct the Company or to provide a cash alternative to shareholders shall be proposed. If such a special resolution is not passed, then a further EGM shall be convened requiring the Company to be wound up voluntarily.

The financial statements have been drawn up on a going concern basis as detailed in note 2(a)(iv) to the financial statements.

The Board

The Board normally consists of five non-executive Directors, all of whom are considered wholly independent of the Company's Manager and advisers.

The Board considers that the independence of Donald Adamson and Gordon Neilly, who have served on the Board for over nine years, is not compromised by their length of service but, to the contrary, is strengthened by their experience.

Chairman

The Chairman of the Company is Donald Adamson, an independent non-executive Director who has no conflicting relationships. He has been a member of the Board since 1999 and was the audit committee chairman up to 30 September 2013, when he was appointed as Chairman of the Board.

Senior Independent Director

All Directors are equally responsible under the law for the proper conduct of the Company's affairs. The Directors are also responsible for ensuring that their policies and operations are in the interests of the Company's shareholders and that the interests of the creditors and suppliers to the Company are properly considered. In view of this, the Board does not consider it appropriate to identify a senior independent director as recommended by the AIC Code. All the Directors are available to shareholders if they have concerns which contact through the normal channels of Chairman, Manager or company secretary have failed to resolve, or for which such contact is inappropriate.

Board Balance

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 20.

Board Responsibilities

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

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

A formal schedule of matters reserved for the Board detailing the responsibilities of the Board has been established. The main responsibilities include: setting the Company's objectives, policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure; setting long-term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowings; and controlling risks. The schedule of matters reserved for the Board will be available for inspection at the AGM and is otherwise available at the registered office of the Company and on the Manager's website.

The Board as a whole undertakes the responsibilities which would otherwise be assumed by a nominations committee and this is reported on under the 'Appointments, Re-election, Tenure and Nominations of Directors' section below. Likewise, the Board as a whole operates as a remuneration committee by determining the Company's remuneration policy, taking into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' remuneration section on pages 27 and 28.

Supply of Information

To enable the members of the Board to fulfil their roles, the Manager and company secretary ensure that all 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 Manager and Board have formulated an induction training programme for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors, including briefings from key members of the Manager's staff which ensure that Directors can keep up-to-date with new legislation and changing risks.

The Board meets regularly, at least four times each year, and additional meetings are arranged as necessary. Regular contact is maintained by the Manager and company secretary with the Board 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; cash management; gearing policy; revenue forecasts for the financial year; marketing and investor relations; corporate governance; and industry and other issues.

There is an agreed procedure for Directors, in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £10,000, having first consulted the Chairman.

Appointment, Re-election, Tenure and the Nomination of Directors

As permitted by the AIC Code, there is no separate nomination committee as the Board is considered too small to require one. The Directors are therefore responsible for reviewing the size and structure of the Board, and ensuring an appropriate balance of skills, experience, independence and knowledge of the Company. The Board has due regard for the benefits of diversity (including gender) in its members and seeks to ensure that its composition is sufficient for the effective direction and control of the Company. As a result Peter Yates and Michael Lombardi were appointed by the Board in 2012, and both were subsequently elected by shareholders at the Company's 2013 AGM. The Board has not set any measurable objectives in respect of this policy.

The Articles of Association require that each Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter. Peter Yates and Michael Lombardi will therefore be standing for re-election at the 2016 AGM. Clive Spears was re-elected at the Company's AGM in 2012 and will therefore stand for re-election in 2015. Having served on the Board for over nine years, Donald Adamson and Gordon Neilly will stand for re-election annually.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection on the Manager's website, at the registered office of the Company and will be available at the AGM.

Board, Committee and Directors' Performance Evaluation

The Directors recognise the importance of the AIC Code in terms of evaluating the performance of the Board as a whole, its respective Committees and individual Directors. During the year, the performance of the Board, Committees of the Board and individual Directors was assessed in terms of:

- attendance at Board and Committee Meetings;
- the independence of individual Directors;
- the ability of individual Directors to make an effective contribution to the Board and Committees of the Board due to the diversity of skills and experience each Director brings to meetings; and
- the Board's ability to effectively challenge the Manager's recommendations, suggest areas of debate and fix timetables for debates on the future strategy of the Company.

The Directors concluded that the performance evaluation process had proved successful with the Board, the Committees of the Board and the individual Directors scoring well in all areas. The Board and the Committees of the Board continued to be effective and the individual Directors continued to demonstrate commitment to their respective roles and responsibilities.

Attendance at Board and Committee Meetings

The following table sets out the attendance of individual Directors. Directors are considered to have a good attendance record at Board and Committee meetings; Gordon Neilly was unable to attend for medical reasons.

	BOARD MEETING	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE
NUMBER OF MEETINGS	5	2	1
Meetings Attended			
Donald Adamson	5	2	1
Michael Lombardi	5	2	1
Gordon Neilly	3	2	0
Clive Spears	5	2	0
Peter Yates	5	2	1

Apart from the Board, Audit and Management Engagement Committee meetings detailed above, there were a number of meetings held by a Committee of the Board to deal with ad hoc items.

Audit Committee

The Audit Committee reviews and reports to the Board on the Company's financial reporting, risk management and internal control systems and the independence and effectiveness of the auditor. All directors are members of the audit committee and the Chairman is Peter Yates. Committee members consider that collectively they are appropriately experienced to fulfil the role required. A separate risk committee has not been established.

The Audit Committee Terms of Reference are available for inspection at AGMs and can be inspected at the registered office of the Company or on the Manager's website at www.invescoperpetual.co.uk/investmenttrusts.

The terms of reference clearly define the objectives, authority and responsibilities of the Audit Committee and are reviewed on an annual basis, the last review being in November 2013. The key objectives of the Committee are to review and challenge, where necessary, the financial reporting process, the system of internal control and management of financial risks, the external and internal audit processes and the Company's process for monitoring compliance with laws and regulations.

Audit Committee Responsibilities include:

– evaluation of the effectiveness of the internal controls and risk management systems, including reports received on the operational controls of the Company's service providers and the Managers' whistleblowing arrangements;

– evaluation of reports received from the auditor with respect to the annual financial report and reports received from the Managers' internal audit and compliance departments;

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

– reporting to the Board on the appropriateness of the accounting policies and practices including critical accounting policies, any judgements and any significant issues arising during or at the year end;

– advising the Board on whether the Committee believes the annual financial report taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy;

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

– oversight of the performance of the Company's third party providers.

The Committee meets at least twice a year to review the internal financial and non-financial controls, to approve the contents of the half-yearly and annual financial reports to shareholders and to review accounting policies. Representatives of the Manager's Internal Audit and Compliance Departments attend the Committee meetings at which the annual and half-yearly financial reports are reviewed. Likewise, representatives of Deloitte LLP, the Company's auditor, attend the Committee meeting at which the draft annual financial report is reviewed and can speak to Committee members without the presence of representatives of the Manager. The audit programme and timetable are drawn up and agreed with the Company's auditor in advance of the financial year end. Items for audit focus are discussed, agreed and given particular attention during the audit process. The auditor reports to the Committee on these items, among other matters. This report is considered by the Committee and discussed with the auditor and the Manager prior to approval and signature of the annual financial report.

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

SIGNIFICANT AREA	HOW ADDRESSED
Existence and ownership of the investments, cash and repo financing positions	All investment and cash assets are regularly reconciled to custodian records by the Manager, as are positions held under repo financing which are reconciled to repo counterparties.
Accuracy of the portfolio valuation.	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors.
Correct calculation of the performance fee.	The year end performance fee calculation is prepared and reviewed by the Manager and reviewed in depth by the Committee with reference to the investment management agreement.
The allocation of management fees and finance costs between revenue and capital.	The allocation is reviewed by the Committee annually taking into account the long-term split of returns from the portfolio, both historic and projected; the objective of the Company; and yields.

All the above were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor. Only the allocation of management fees and finance costs was subjective and involved judgement by the Board. The Committee has also received a satisfactory report on the Manager's internal operations from the Manager's Compliance and Internal Audit Officers. As a result, and following a thorough review process, the Audit Committee advised the Board that the 2013 annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

Auditor

The Committee assessed the effectiveness of the external audit process through discussions with the Manager and the auditor and consideration of review points raised.

Deloitte LLP was appointed the auditor of the Company for the first time for the year ended 30 September 2007, the year in which the last tender was undertaken. The audit partner has been rotated in compliance with prevailing audit guidance and the current audit partner is in his second year for the Company. The Audit Committee has satisfied itself as to the auditor's effectiveness, objectivity, independence and the competitiveness of its fees before recommending reappointment each year. Auditor rotation will be reviewed in accordance with changes to the UK Code and AIC Code including the provision for FTSE 350 companies to put the external audit contract out to tender at least every ten years.

It is the Company's policy normally not to seek substantial non-audit services from its auditor. During the year, the auditor did not provide any non-audit services to the Company. Prior to any engagement for non-audit services, the Audit Committee would consider whether the skills and experience of the auditor make them a suitable supplier of such services and ensure that there is no threat to objectivity and independence in the conduct of the audit as a result.

The Audit Committee has considered the independence of the auditor and the objectivity of the audit process and is satisfied that Deloitte LLP has fulfilled its obligations to shareholders and as independent auditor to the Company.

A resolution proposing the re-appointment of Deloitte LLP as the Company's auditor for the year to 30 September 2014 and authorising the Directors to determine their remuneration will be put to the shareholders at the forthcoming AGM.

Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Internal Controls and Risk Management

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

Internal Audit

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

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider that this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the Company's investment objective (see page 9), risk management policies and capital management policies (see note 18 to the financial statements), the diversified portfolio, the liquidity of the securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities, including its repo financing, and ongoing expenses from its assets.

As previously explained, an ordinary resolution for the Company to continue as a closed-ended investment company is proposed at the forthcoming AGM. After making enquiries, the Directors have no reason to believe that such a resolution will not receive shareholders' approval. Accordingly the accounts do not include any adjustments which might arise from the reconstruction or liquidation of the Company.

Directors

Directors' Disclosable Interests

The beneficial interests of the Directors in the share capital of the Company are set out below:

	31 OCTOBER 2013	30 SEPTEMBER 2013	30 SEPTEMBER 2012
Ordinary Shares			
Donald Adamson	607,128	595,973	552,141
George Baird (retired 30 September 2012)	n/a	n/a	—
Michael Lombardi	100,000	100,000	100,000
Gordon Neilly	109,999	109,999	109,999
Clive Spears	—	—	—
Hugh Ward (retired 30 September 2012)	n/a	n/a	20,342
Peter Yates	100,000	100,000	100,000

Save as aforesaid, no Director had any interest, beneficial or otherwise, in the shares of the Company during the year. No connected person interests have been notified.

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

Directors' Remuneration

Remuneration Responsibilities

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

Directors' Remuneration Policy

The Board's policy is that the remuneration of Directors should be fair and reasonable – including in relation to that of other comparable investment trust companies; be sufficient to retain and motivate appointees; ensure that candidates of a high calibre are recruited to the Board; and should properly reflect time incurred and responsibility undertaken. It is intended that this policy will continue for the year ending 30 September 2014 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 currently dictated by the Company's Articles of Association is £200,000 in aggregate per annum. Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' fees are as follows:

Chairman	£22,500 per annum
Audit Committee Chairman	£19,500 per annum
Other Directors	£17,500 per annum

The same fees will apply to any new appointments.

The Company has no employees and consequently has no policy on the remuneration of employees. The Board will consider, where raised, shareholders' views on Directors' remuneration.

Chairman's Annual Statement and Report on Directors' Remuneration

For the year to 30 September 2013, the Directors were paid fees as shown above and their fees have remained at this level since 1 October 2010. No additional discretionary payments were made in the year, nor in the previous year.

Subsequent to the year end, the Board reviewed Directors' remuneration taking into consideration the increasing demands and accountability of the current corporate governance and regulatory environment and the additional workload that each Director has and will continue to experience. As a result, fees were revised with effect from 1 January 2014 as shown in the following table.

ROLE	FEE FOR 3 YEARS TO 30 SEPT 2013 (P.A.)	FEES FROM 1 JAN 2014 (P.A.)	CHANGE	ANNUALISED CHANGE (%)
Chairman	£22,500	£30,000	£7,500	9.2
Audit Committee Chairman	£19,500	£25,500	£6,000	8.6
Other Directors	£17,500	£21,500	£4,000	6.5

Directors' Remuneration for the Year

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

	2013 £	2012 £
Donald Adamson (Chairman from 30 September 2012)	22,500	19,500
George Baird (retired 30 September 2012)	—	22,500
Michael Lombardi (appointed 1 August 2012)	17,500	2,916
Gordon Neilly	17,500	17,500
Clive Spears	17,500	17,500
Hugh Ward (retired 30 September 2012)	—	17,500
Peter Yates (appointed 1 August 2012; Chairman of the Audit Committee from 30 September 2013)	19,500	2,917
Total	94,500	100,333

Conflicts of Interest

A Director must avoid a situation where he has, or can have a direct or indirect interest that conflicts, or has the potential to conflict, with the Company's interests. The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply when Directors decide whether to do so. First, only Directors who have no interest in the matter being considered are 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 can impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. Any potential conflicts of interest are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The register of potential conflicts of interest is kept at the registered office of the

Company. The Directors will advise the company secretary as soon as they become aware of any potential conflict of interest.

Directors' and Officers' Liability Insurance

The Company maintains a Directors' and Officers' Liability Insurance policy at a level which is considered appropriate for the business.

Stewardship

The Board considers that the Company has a responsibility as an investor 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. The Company's voting rights are exercised on an informed and independent basis.

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

Greenhouse Gas Emissions

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

Share Capital

Under the Articles of Association, shares may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividends, return of capital, voting or otherwise as the Company may by special resolution determine.

The Company may, by special resolution, alter its share capital in any manner permitted by the Companies (Jersey) Law 1991 (the 'Law'). Subject to the Law, the Company may also purchase, or agree to purchase in the future, any shares of any class (including redeemable shares) in its own capital in any way.

Ordinary Shares

- The Company's capital structure consisted of 111,292,526 ordinary shares at this and the previous year end.
- During the year no ordinary shares were bought back and cancelled.
- At a general meeting of the Company every shareholder has one vote on a show of hands and on a poll one vote for each ordinary share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.
- Details of the substantial shareholders in the Company are shown below.
- The Board's current powers to buy back shares are stated above and proposals for their renewal are disclosed on page 32.
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Substantial Shareholders

The Company has been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	AS AT 30 SEPTEMBER 2013 HOLDING	%
Invesco Perpetual	33,306,365	29.9
Hargreaves Landsdown, stockbrokers (ND)	4,644,191	4.2
Transact (ND)	4,439,247	4.0
GAM	4,025,388	3.6
Raymond James Investment Services	3,576,394	3.2
Barclays Stockbrokers (EO)	3,544,726	3.2
Milton Capital Partners	3,540,000	3.2
Brewin Dolphin, stockbrokers	3,399,732	3.1

Shareholder Relations

Shareholder relations are given a high priority by the Board, Manager and the Company Secretary. The prime medium by which the Company communicates with its 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 results. The information is supplemented by the daily publication of the net asset value of the Company's ordinary shares; publication of interim management statements; monthly and daily factsheets and information on the Manager's website. A presentation is made by the Manager following the business of the AGM each year. Shareholders have the opportunity to address questions to the Chairman and the Chairmen of the Committees of the Board at the AGM. All shareholders are encouraged to attend the AGM.

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

It is the intention of the Board that the annual financial reports are issued to shareholders so as to provide 20 working days' notice of the AGM. Shareholders who wish 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 detailed on page 62. The Company responds to letters from individual shareholders on a range of issues.

Shareholders can also visit the Manager's website at *www.invescoperpetual.co.uk/investmenttrusts* in order to contact the Company's Directors or Manager and to access copies of annual and half-yearly financial reports, interim management statements, shareholder circulars, stock exchange announcements, factsheets and the Company's share price. Shareholders are also able to access copies of the schedule of matters reserved for the Board; terms of reference for Board Committees; and, following any shareholder meetings, proxy voting results via the website.

The Manager

Investment Management Agreement

Invesco Asset Management Limited was appointed Manager under an agreement dated 8 October 1999. The Directors have delegated to the Manager responsibility for the day-to-day investment management activities of the Company.

The management fee rate is 1.0% per annum of net assets, payable quarterly. The management fee for the year is £794,000 (2012: £678,000). In addition, a performance related fee is payable at the end of the Company's financial year if the Company's 'Total Return' in a year exceeds the 'Hurdle Return' for the year. The Total Return is calculated as the change in NAV per share for the year multiplied by the time-weighted number of ordinary shares in issue during that period plus the aggregate of dividends declared in respect of the year. Any performance fee payable is equal to 20% of the amount by which the Total Return (including any underperformance component) exceeds the Hurdle Return. The Hurdle Return is the sterling LIBOR plus 1% per annum plus any underperformance in previous years. The agreement is terminable by one year's written notice by the Company or three months' notice if Paul Causer and/or Paul Read cease to be involved in the management of the Company's investment portfolio.

Following significant outperformance, a performance fee of £1,072,000 arose for the year (2012: no fee arose due to the underperformance of prior periods).

The Manager's Responsibilities

The Directors have delegated to the Manager the responsibility for the day-to-day investment management activities of the Company, for seeking and evaluating investment opportunities and for analysing the accounts of the investee companies. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies as determined from time-to-time by the Board. Within the guidelines specified by the Board, the Manager has discretion over the investment portfolio. The Manager also advises on borrowings.

Assessment of the Manager

The Management Engagement Committee comprises the entire Board of Directors. The Committee meets at least annually, specifically to consider the ongoing investment management, secretarial and administrative requirements of the Company. The ongoing requirements of the Company and services received are assessed with reference to key performance indicators as set out on pages 10 and 11.

Performance is reviewed by reference to the 3 month LIBOR rate. The quality and timeliness of reports to the Board is also taken into account and the overall conduct of the Company's affairs by the Manager is considered. Based on its recent review of activities, and taking into account the performance of the portfolio, the other services provided by the Manager, and the risk and governance environment in which the Company operates, the Board believes that the continuing appointment of Invesco Asset Management Limited remains in the best interests of the Company and its shareholders.

The Management Engagement Committee

The Board is considered small for the purposes of the AIC Code and all Directors are members of the Management Engagement Committee under the Chairmanship of Peter Yates. The Management Engagement Committee has written terms of reference, which clearly define its responsibilities and duties. They will be available for inspection at the AGM and can be inspected on the Manager's website and at the registered office of the Company. The 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 Invesco Asset Management Limited's responsibilities as Manager of the Company and the assessment of the Investment Manager by the Management Engagement Committee can be found above.

Alternative Investment Fund Manager (AIFM) Directive

The Board is taking independent legal advice in relation to the AIFM Directive and has decided in principle to appoint Invesco Fund Managers Limited (IFML) as the Company's AIFM, pending IFML's approval as such by the FCA. IFML is an associated company of Invesco Asset Management Limited (IAML), the current Manager, and it is expected that IAML will continue to manage the Company's investments under delegated authority from IFML.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, R&H Fund Services (Jersey) Limited. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, as well as attending on Directors at Board and shareholder meetings. The appointment and ongoing assessment and review of the Company Secretary is a matter for the Board as a whole.

Special Business at the Annual General Meeting (AGM)

Shareholders will find on page 58 the notice of the forthcoming AGM of the Company to be held on 30 January 2014. In addition to the ordinary business of the meeting, four resolutions are proposed as special business and are summarised below.

Special Resolution 5 is to renew the authority for the Company to purchase its own ordinary shares. Your Directors are seeking the authority to purchase up to 16,682,749 ordinary shares (14.99% of the Company’s issued share capital as at 29 November 2013) subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2015. These powers, if approved, will allow the Company to buy back shares at a discount to NAV. Your Directors are proposing that shares bought back by the Company either be cancelled or, alternatively, be held as treasury shares with a view to their resale, if appropriate, or later cancellation. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders.

Special Resolution 6 is to permit the Company to hold general meetings (other than annual general meetings) on 14 days’ notice. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless certain conditions are met. The first condition is that the Company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that the flexibility will be used only where the Board believed it is in the interests of shareholders as a whole.

Ordinary Resolution 7 is to approve renewal of the waiver from the Panel on Takeovers and Mergers of the obligation on the Invesco Concert Party to make a general offer for the entire issued share capital of the Company which may otherwise arise as a result of the exercise by the Company of the share buy back authority proposed to be granted by the shareholders pursuant to resolution 5. Under Rule 9 of the Takeover Code, any person who acquires an interest in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30% or more of the voting rights of a company which is subject to The Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Under Rule 37 of the Takeover Code, when a company purchases its own shares, any resulting increase in the percentage of shares carrying voting rights which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9 (although a shareholder who is neither a Director nor acting in concert with a Director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code). Under Rule 37, however, the holding of an investment manager of a company, together with the holdings of its concert parties, will be treated in the same way as a Director.

Funds under the discretionary management of Invesco Asset Management Limited, your Company’s Manager, own ordinary shares in your Company and for the purposes of the Takeover Code, these funds, together with those under the discretionary management of any other member of the Invesco Group are deemed to be acting in concert (the ‘Invesco Concert Party’). As at 29 November 2013, the Invesco Concert Party between them owned 33,306,365 ordinary shares in your Company, representing approximately 29.9% of the issued share capital.

If the Company were to utilise its proposed share buy back authority and the Invesco Concert Party’s aggregate interest in ordinary shares were to increase in excess of 30%, then in the absence of a waiver from the Panel on Takeovers and Mergers, an obligation for the Invesco Concert Party to make a general offer to all shareholders in accordance with Rule 9 of the Takeover Code would be triggered. Your Company is therefore seeking from the shareholders (other than members of the Invesco Concert Party) a renewal of the waiver of such mandatory bid obligation to the extent that it would otherwise be triggered by any buy back by the Company.

The renewal of the waiver, if approved, will expire on the earlier of the conclusion of the 2014 AGM or 15 months from the date of passing the resolution. Further details can be found in the shareholder circular to be dated on or around 6 December 2013 entitled ‘Proposed renewal of the waiver of the requirements of Rule 9 of the City Code on Takeovers and Mergers’.

Ordinary Resolution 8 is to approve the continuation of the Company as a closed-ended investment company and that Directors be released from their obligation to convene an Extraordinary General Meeting within 180 days of the AGM proposing a special resolution that the Company be reorganised or reconstructed and, if this resolution is not passed, that the Company be wound up on a voluntary basis.

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

The AGM of the Company will be held at the offices of R&H Fund Services (Jersey) Limited on 30 January 2014 at 10 a.m.

R&H Fund Services (Jersey) Limited
Company Secretary

29 November 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in respect of the Preparation of the Annual Financial Report

The Directors are responsible for ensuring that the annual financial report is prepared in accordance with applicable laws 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 International Financial Reporting Standards ('IFRSs') as adopted by the European Union. 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.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

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

- properly select and apply accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

- the financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- this annual financial report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Donald Adamson
Chairman

Signed on behalf of the Board of Directors

29 November 2013

Electronic Publication

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

REPORT OF THE INDEPENDENT AUDITOR

To the Members of Invesco Perpetual Enhanced Income Limited
(formerly Invesco Leveraged High Yield Fund Limited)

Opinion on Financial Statements of Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited)

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cashflows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern

We have reviewed the Directors' statement on page 27 that the Company is a going concern. We confirm that

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of investment portfolio and recording of resultant gains or losses	
As detailed on pages 17 to 19, the portfolio of investments is made up of listed investments which are measured at fair value and fair value is determined based on market prices. Where there is no active market, illiquid investments are valued at valuations determined by the directors using appropriate valuation techniques. Valuation involves judgements around fair value determination and has a significant impact on the net assets value (NAV) which is the most significant Key Performance Indicator (KPI) of the Company.	Our procedures included assessing the prices used for valuations using independent third party sources and where investments are traded less frequently we challenged management's assessment and governance arrangements for using such prices as the fair value. We also tested the recording of gains or losses.
Ownership of investments	
Investments are held with the custodian except securities transferred under sale and repurchase (repo) financing arrangements to the repo counterparty which are registered in the name of the counterparty until these are repurchased by the Company. Investment portfolio is the single largest asset on the balance sheet and impacts the NAV of the Company.	In order to address the risk around ownership of the Company's investments held at the year end, we confirmed the holdings to independent third party confirmations provided by the Company's custodian. Positions held under repo arrangements were verified to confirmations provided by the independent repo counterparties.

Risk	How the scope of our audit responded to the risk
The calculation of performance fees	
As detailed on pages 30 and 31, performance fees are payable to the investment manager and is equal to 20% of the amount by which the total return (including any underperformance component) exceeds the hurdle return. Calculation of performance fees is a manual process involving extraction of accurate data from the Company's records and external sources for number of years.	We reviewed management's calculation of performance fees to determine whether fees had been calculated in accordance with the terms of the investment management agreement. This included checking the accuracy of inputs used, previous year underperformance calculations and the calculation for the current year.

The Audit Committee's consideration of these risks is set out on page 25.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We determined planning materiality for the Company to be £2.3 million, which was approximately 3% of the Net Asset Value of the Company. The reason for using Net Asset Value is that this is the key performance indicator for investments in the Company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £46,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Andrew Isham, BA, FCA
for and on behalf of Deloitte LLP

Chartered Accountants and Recognized Auditor
St. Helier, Jersey, UK

29 November 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

		2013			2012		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Profit on investments at fair value	11	—	10,440	10,440	—	8,589	8,589
Exchange differences		—	(641)	(641)	—	1,751	1,751
(Loss)/profit on derivative instruments – currency hedges		—	(1,267)	(1,267)	—	1,763	1,763
Income	4	6,905	—	6,905	6,879	—	6,879
Investment management and performance fees	5	(397)	(1,469)	(1,866)	(339)	(339)	(678)
Other expenses	6	(291)	(1)	(292)	(310)	(1)	(311)
Profit before finance costs and taxation		6,217	7,062	13,279	6,230	11,763	17,993
Finance costs	7	(136)	(136)	(272)	(213)	(213)	(426)
Profit before tax		6,081	6,926	13,007	6,017	11,550	17,567
Taxation	8	(25)	—	(25)	(29)	—	(29)
Profit after tax		6,056	6,926	12,982	5,988	11,550	17,538
Return per ordinary share	9	5.5p	6.2p	11.7p	5.4p	10.4p	15.8p

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards. The profit/(loss) after tax is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 1 October 2011		5,570	113,634	(70,738)	12,010	60,476
Total comprehensive income for the year		—	—	11,550	5,988	17,538
Shares bought back and cancelled		(5)	—	(51)	—	(56)
Dividends paid	10	—	—	—	(5,567)	(5,567)
At 1 October 2012		5,565	113,634	(59,239)	12,431	72,391
Total comprehensive income for the year		—	—	6,926	6,056	12,982
Dividends paid	10	—	—	—	(5,564)	(5,564)
At 30 September 2013		5,565	113,634	(52,313)	12,923	79,809

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

AS AT 30 SEPTEMBER

	NOTES	2013 £'000	2012 £'000
Non-current assets			
Investments held at fair value through profit or loss	11	106,230	92,215
Current assets			
Other receivables	12	2,353	2,265
Derivative financial instruments – unrealised gain	14	802	—
Cash and cash equivalents		5,482	6,868
		8,637	9,133
Current liabilities			
Other payables	13	(1,356)	(1,081)
Derivative financial instruments – unrealised loss	14	—	(104)
Securities sold under agreements to repurchase		(33,702)	(27,772)
		(35,058)	(28,957)
Net current liabilities		(26,421)	(19,824)
Total net assets		79,809	72,391
Issued capital and reserves attributable to equity holders			
Share capital	15	5,565	5,565
Share premium	16	113,634	113,634
Capital reserve	16	(52,313)	(59,239)
Revenue reserve	16	12,923	12,431
Shareholders' funds		79,809	72,391
Net asset value per ordinary share	17	71.7p	65.1p

These financial statements were approved and authorised for issue by the Board of Directors on 29 November 2013.

Donald Adamson
Chairman

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2013 £'000	2012 £'000
Cash flow from operating activities			
Profit before tax		13,007	17,567
Taxation		(25)	(29)
Adjustments for:			
Purchases of investments		(36,651)	(13,137)
Sales of investments		32,279	20,605
		(4,372)	7,468
Increase/(decrease) from securities sold under agreements to repurchase		5,930	(13,453)
Profit on investments		(10,440)	(8,589)
Exchange differences		641	(1,751)
Net cash (outflow)/inflow from derivative instruments – currency hedges		(906)	440
Finance costs		272	426
Operating cash flows before movements in working capital		4,107	2,079
(Increase)/decrease in receivables		(88)	393
Increase in payables		1,082	40
Net cash flows from operating activities		5,101	2,512
Cash flows from financing activities			
Interest paid		(282)	(487)
Shares repurchased and cancelled		—	(56)
Equity dividends paid	10	(5,564)	(5,567)
Net cash used in financing activities		(5,846)	(6,110)
Net decrease in cash and cash equivalents		(745)	(3,598)
Exchange differences		(641)	1,751
Cash and cash equivalents at beginning of year		6,868	8,715
Cash and cash equivalents at end of year		5,482	6,868

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Activity

The Company is a closed-end investment company incorporated in Jersey and it operates under the Companies (Jersey) Law 1991. The Company was incorporated on 10 September 1999. The principal activity of the Company is investment in a diversified portfolio of high yielding corporate and government bonds and, to a lesser extent, equities and other instruments as appropriate to its Investment Policy.

2. Principal Accounting Policies

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

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the current year and the preceding year, unless otherwise stated. The accounts have been prepared on a going concern basis. The disclosure on going concern on page 27 in the Directors' Report forms part of the financial statements.

(a) Basis of Preparation

(i) *Accounting Standards Applied*

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Union. The standards are those endorsed by the European Union and effective at the date the financial statements were approved by the Board.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in January 2009, is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the statement of comprehensive income between items of a revenue and a capital nature is presented in accordance with the SORP.

(ii) *Adoption of New and Revised Standards*

New and revised standards and interpretations that became effective during the year had no significant impact on the amounts reported in these financial statements but may impact accounting for future transactions and arrangements.

At the date of authorising these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

- IFRS 9: Financial Instruments (effective for accounting periods starting on or after 1 January 2015).
- IFRS 10: Consolidated Financial Statements (effective for accounting periods starting on or after 1 January 2013).
- IFRS 12: Disclosure of Interests in Other Entities (effective for accounting periods starting on or after 1 January 2013).
- IFRS 13: Fair Value Measurement (effective for accounting periods starting on or after 1 January 2013).
- IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures for offsetting financial assets and financial liabilities (effective 1 January 2013).
- IAS 32 Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective 1 January 2014).
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015).
- Amendments to IFRS10, IFRS 12 and IAS 27 (October 2012) – Investment Entities (effective for accounting periods starting on or after 1 January 2014).

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Principal Accounting Policies (continued)

(a) Basis of Preparation (continued)

The Directors do not expect the adoption of above standards and interpretations (or any other standards and interpretations which are in issue but not effective) will have a material impact on the financial statements of the Company in future periods.

(iii) *Critical Accounting Estimates and Judgements*

The preparation of the financial statements requires the Company to make estimations where uncertainty exists. It also requires the Company to exercise judgement in the process of applying the accounting policies. The critical accounting estimates and areas involving a higher degree of judgement or complexity comprise the fair value of derivatives and other financial instruments.

The Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted on an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rated.

Where there is no active market, illiquid/unlisted investments are valued at valuations determined by the Directors at fair value based on remunerations from Invesco's Pricing Committee, which in turn is guided by the International Private Equity and Venture Capital Valuation Guidelines, using valuation techniques such as earnings multiples recent arm's length transactions and net assets.

(iv) *Going Concern*

The Company's Articles of Association and the passing of an initial continuation resolution in 2009 require the Board at every fifth subsequent Annual General Meeting (AGM) to procure an ordinary resolution that the Company shall continue as a closed-ended investment company. The Board intends to propose the necessary resolution at the AGM in 2014 and thus seek release from any obligation to reorganise or wind up the Company. Therefore the financial statements have been drawn up on the going concern basis and, accordingly, the accounts do not include any adjustments which might arise from the reconstruction or liquidation of the Company.

(b) Foreign Currency

(i) *Functional and Presentation Currency*

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

(ii) *Transactions and Balances*

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

(c) Financial Instruments

(i) *Recognition of Financial Assets and Financial Liabilities*

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

(ii) *Derecognition of Financial Assets*

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

(iii) *Derecognition of Financial Liabilities*

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

(iv) *Trade Date Accounting*

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

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

Financial assets

The Company's investments are classified as held at fair value through profit or loss.

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

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

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using effective interest method less any impairment.

Financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period.

(d) Hedging and Derivatives

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

Any profits and losses on the closure or revaluation of futures contracts positions are recognised as capital in the statement of comprehensive income.

Derivative instruments are valued at fair value in the balance sheet.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity date of three months or less.

(f) Securities Sold Under Agreements to Repurchase ('repo financing')

The Company participates in repo financing arrangements in connection with its investment portfolio. Under these arrangements, the Company sells fixed interest securities but is contractually obliged to repurchase them at a fixed price on a fixed date. Securities which are the subject of repo financing arrangements are included in investments in the balance sheet at their fair value and the associated liability is recognised at amortised cost, being the capital amounts owing under the repo financing arrangements. The difference between sale and repurchase prices for such transactions is reflected in the statement of comprehensive income over the lives of the transactions, within interest payable which is allocated equally between capital and revenue. This accounting has been adopted because the repurchase price results in a lender's return for the transferee as the Company has retained substantially all the risks and rewards of ownership of the asset.

NOTES TO THE FINANCIAL STATEMENTS
continued

2. Principal Accounting Policies (continued)

(g) Revenue Recognition

Interest income arises from cash and cash equivalents and fixed income securities and is recognised in the statement of comprehensive income using the effective interest method. Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. Where the Company elects to receive dividends in the form of additional shares rather than cash, the equivalent to the cash dividend is recognised as income in revenue and any excess in value of the shares received over this is recognised in capital.

(h) Expenses and Finance Costs

All expenses and finance costs are accounted for on an accruals basis and are recognised in the statement of comprehensive income. The base investment management fee and finance costs are allocated equally to capital and revenue. This is in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio. The performance fee is allocated wholly to capital as it arises from capital returns on the investment portfolio. All other expenses, except for custodian dealing costs, are charged through revenue in the statement of comprehensive income.

(i) Tax

Overseas interest and dividends are shown gross of withholding tax and the corresponding irrecoverable tax is shown as a charge in the statement of comprehensive income.

3. Segmental Reporting

No segmental reporting is provided as the Directors are of the opinion that the Company is engaged in a single segment of business of investing in debt, and, to a significantly lesser extent equity securities.

4. Income

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

	2013 £'000	2012 £'000
Income from investments		
UK bond interest	2,531	2,143
Overseas bond interest	4,342	4,667
	6,873	6,810
UK dividends	27	27
Overseas dividends	—	29
	6,900	6,866
Other income		
Deposit interest	5	13
Total income	6,905	6,879

5. Investment Management and Performance Fees

This note shows the fees paid to the Manager. These are made up of the base management fee payable per annum and a performance fee calculated annually.

	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000
Investment management fee	397	397	794	339	339	678
Performance fee	—	1,072	1,072	—	—	—
	397	1,469	1,866	339	339	678

Details of the investment management agreement are disclosed in the Directors' Report. At the year end the management fee accrued was £202,000 (2012: £181,000). A performance fee of £1,072,000 is accrued at the year end (2012: no performance fee arose since previous years' underperformance had not been fully recovered).

6. Other Expenses

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

	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000
General expenses – note (i)	171	1	172	186	1	187
Directors' fees – note (ii)	95	—	95	100	—	100
Auditor's remuneration:						
– for audit of the financial statements	25	—	25	24	—	24
	291	1	292	310	1	311

(i) General expenses include amounts due to R&H Fund Services (Jersey) Limited who act as Administrator and Company Secretary to the Company under an agreement dated 8 October 1999. This agreement is terminable by not less than three months' written notice subject to earlier termination as provided for therein. The fee is calculated at the rate of £11,000 (2012: £11,000) per annum for Company Secretarial services and £22,000 (2012: £21,000) per annum for Administration Services. In addition, custodian dealing costs of £1,000 (2012: £1,000) are charged wholly to capital.

(ii) The maximum Directors' fees authorised by the Articles of Association are £200,000 per annum.

7. Finance Costs

Finance costs arise on any borrowing that the Company has, with the main borrowing being in the form of repo financing (see note 2(f)).

	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000
Interest due under repo financing	136	136	272	213	213	426

NOTES TO THE FINANCIAL STATEMENTS
continued

8. Taxation

As a Jersey investment company no tax is payable on capital gains and, as the Company principally invests in assets which do not result in a revenue tax, the only overseas tax arises on the few assets domiciled in countries with which Jersey has no double-taxation treaty, e.g. Italy and Portugal.

	2013 £'000	2012 £'000
Overseas taxation	25	29

The Company is subject to Jersey income tax at the rate of 0% (2012: 0%). The overseas tax charge consists of irrecoverable withholding tax.

9. Return per Share

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

The basic revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation and on 111,292,526 (2012: 111,342,253) ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

10. Dividends

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

	2013		2012	
	PENCE	£'000	PENCE	£'000
Dividends paid and recognised in the year:				
Fourth interim for 2012/2011	1.25	1,391	1.25	1,393
First interim for 2013/2012	1.25	1,391	1.25	1,392
Second interim for 2013/2012	1.25	1,391	1.25	1,391
Third interim for 2013/2012	1.25	1,391	1.25	1,391
	5.00	5,564	5.00	5,567

Set out below are the dividends that have been declared in respect of the financial years ended 30 September:

	2013		2012	
	PENCE	£'000	PENCE	£'000
Dividends in respect of the year:				
First interim	1.25	1,391	1.25	1,392
Second interim	1.25	1,391	1.25	1,391
Third interim	1.25	1,391	1.25	1,391
Fourth interim	1.25	1,391	1.25	1,391
	5.00	5,564	5.00	5,565

The fourth interim dividend for 2013 was paid on 31 October 2013 to shareholders on the register on 11 October 2013.

11. Investments Held at Fair Value Through Profit and Loss

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

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

(a) Analysis of investments:

	2013 £'000	2012 £'000
Investments listed on a recognised investment exchange	106,230	92,215

(b) Analysis of investment profits/(losses):

	2013 UK LISTED £'000	2013 OVERSEAS LISTED £'000	2013 TOTAL £'000	2012 UK LISTED £'000	2012 OVERSEAS LISTED £'000	2012 TOTAL £'000
Opening valuation	28,289	63,926	92,215	25,001	65,296	90,297
Movements in the year:						
Purchases at cost	16,218	19,636	35,854	4,106	9,828	13,934
Sales – proceeds	(7,192)	(25,087)	(32,279)	(4,572)	(16,033)	(20,605)
– net realised profit/(loss)	504	1,395	1,899	(3)	(297)	(300)
Movement in investment holding profit in the year	1,993	6,548	8,541	3,757	5,132	8,889
Closing valuation	39,812	66,418	106,230	28,289	63,926	92,215
Closing book cost	35,637	60,848	96,485	26,107	64,904	91,011
Closing investment holding profit/(loss)	4,175	5,570	9,745	2,182	(978)	1,204
Closing valuation	39,812	66,418	106,230	28,289	63,926	92,215
Realised profit/(loss) in the year	504	1,395	1,899	(3)	(297)	(300)
Movement in investment holding profit in the year	1,993	6,548	8,541	3,757	5,132	8,889
Total profit in the year	2,497	7,943	10,440	3,754	4,835	8,589

(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 account of the Company. Securities transferred under repo financing arrangements are registered in the name of the counterparty until these are repurchased by the Company, when these are re-registered in the name of the Company.

(d) Securities under agreements to repurchase had a market value of £48,799,000 (2012: £44,023,000).

(e) The transaction costs on investments amount to £nil on purchases and £nil for sales (2012: £4,000 on purchases and £nil for sales).

12. Other Receivables

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

	2013 £'000	2012 £'000
Prepayments and accrued income	2,353	2,265
	2,353	2,265

13. Other Payables

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

	2013 £'000	2012 £'000
Amounts due to brokers	—	797
Accruals	284	284
Performance fee	1,072	—
	1,356	1,081

14. Derivative Financial Instruments

Derivative financial instruments are financial instruments that derive their value from the performance of another item, such as an asset or exchange rates. They are used to manage the risk associated with fluctuations in the value of certain assets and liabilities. In accordance with Board approved policies, the Company can use derivatives to manage its exposure to fluctuations in foreign exchange rates.

Derivative financial instruments comprise forward currency contracts.

	2013 £'000	2012 £'000
Forward currency contracts – profit/(loss) unrealised	802	(104)

15. Share Capital

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

	2013 £'000	2012 £'000
Authorised:		
200,000,000 ordinary shares of 5p each (2012: 200,000,000 shares)	10,000	10,000
Allotted, called-up and fully paid:		
111,292,526 ordinary shares of 5p each (2012: 111,292,526 shares)	5,565	5,565

During the year no ordinary shares were bought back.

16. Reserves

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

The share premium arises from the excess of consideration received on the issue of shares over the nominal 5p value and is non-distributable.

The capital reserve includes investment holding gains and losses, being the difference between cost and market value at the balance sheet date, as well as realised profits and losses of disposals of investments and share buy backs. It, and the revenue reserve, are distributable whenever a surplus is held.

17. Net Asset Value per Share

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

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

	NET ASSET VALUE PER ORDINARY SHARE		NET ASSETS ATTRIBUTABLE	
	2013 PENCE	2012 PENCE	2013 £'000	2012 £'000
Ordinary shares	71.7	65.1	79,809	72,391

Net asset value per ordinary share is based on net assets at the year end and on 111,292,526 (2012: 111,292,526) ordinary shares, being the number of ordinary shares in issue at the year end.

18. Financial Instruments

Financial instruments comprise the Company's investment portfolio and derivative financial instruments (for the latter see note 14) as well as its cash, borrowings (i.e. securities sold under agreements to repurchase, otherwise known as 'repo financing'), other receivables and other payables.

The Company's financial instruments comprise its investment portfolio (as shown on pages 17 and 18), cash, securities sold under agreements to repurchase (repo financing), derivative financial instruments, other receivables and other payables that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 2 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 2 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

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

> ***Market risk*** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:
>
> > *Currency risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;
> >
> > *Interest rate risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and
> >
> > *Other price risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.
>
> ***Liquidity risk*** – arising from any difficulty in meeting obligations associated with financial liabilities.
>
> ***Credit risk*** – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

18. Financial Instruments (continued)

Risk Management Policies and Procedures

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

Investments include, but are not restricted to, corporate bonds, government bonds, preference shares, loan stocks and equities for the long-term so as to comply with its Investment Policy (incorporating the Company's investment objective). In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. The risks applicable to the Company and the policies the Company uses to manage these risks for the two years under review follow.

Market Risk

The Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the portfolio on an ongoing basis. Risk management is an integral part of the investment management process. The Manager controls risk by ensuring that the Company's investment portfolio is appropriately diversified. In-depth and continual analysis of market and stock fundamentals give the Manager the best possible understanding of the risks associated with a particular stock.

As more fully described in the Directors' Report on pages 13 and 14, high-yield corporate bonds are subject to a variety of risks. A majority of the Company's investments are in non-investment grade securities and so adverse changes in the financial position of an issuer of corporate bonds or in the general economy may affect both the principal and the interest.

(a) *Currency Risk*

The sterling value of the Company's assets, liabilities and income which are denominated in currencies other than sterling will be affected by movements in exchange rates.

Management of the currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board on a regular basis. The Company uses both forward currency contracts and repo financing to mitigate currency movements that would affect the investment portfolio and cash. In addition, the Company can use non-sterling credit default swaps ('CDSs') to mitigate or increase currency risk depending on whether the Company has sold or bought the CDSs.

Repo financing is matched to the currency of the underlying assets, which minimises currency risk on the movement of exchange rates affecting the underlying investments. Non-sterling investments that are not pledged under repo financing can be hedged using forward currency contracts.

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

Currency exposure

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

	2013		2012	
	EURO £'000	US DOLLAR £'000	EURO £'000	US DOLLAR £'000
Investments at fair value through profit or loss that are monetary items (fixed and floating interest)	50,548	11,473	50,720	10,413
Cash at bank	1,378	1,469	1,555	1,675
Other receivables (due from brokers, dividends receivable and accrued income)	1,190	254	1,246	269
Other payables (due to brokers and accruals)	(8)	—	(813)	(2)
Securities sold under agreement to repurchase	(22,642)	(2,055)	(19,042)	(3,527)
Forward currency contracts	(28,455)	(2,288)	(29,504)	—
Foreign currency exposure on net monetary items	2,011	8,853	4,162	8,828
Investments at fair value through profit or loss that are equities/warrants	—	4,397	—	2,793
Total net foreign currency exposure	2,011	13,250	4,162	11,621

The above amounts are not representative of the exposure to risk during the two years reported because the levels of monetary foreign currency exposure change significantly throughout each year.

Currency sensitivity

The following tables illustrate the sensitivity of the profit after taxation for the year with respect to the Company's monetary financial assets and liabilities and each of the exchange rates for £ to euro and £ to US dollar based on the following:

	2013	2012
£/Euro	±2.7%	±3.2%
£/US dollar	±2.5%	±1.5%

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

If sterling had strengthened by the changes in exchange rates shown in the table above, this would have had the following effect:

	2013		2012	
	EURO £'000	US DOLLAR £'000	EURO £'000	US DOLLAR £'000
Income statement – loss after taxation				
Revenue return	(94)	(19)	(118)	(13)
Capital return	(52)	(331)	(92)	(167)
Total loss after taxation for the year	(146)	(350)	(210)	(180)

If sterling had weakened against the euro or dollar to this extent, the effect would have been the exact opposite.

18. Financial Instruments (continued)

Market Risk (continued)

(a) *Currency Risk (continued)*

Currency sensitivity (continued)

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

(b) *Interest Rate Risk*

Interest rate movements may affect:
– the fair value of the investments in fixed interest rate securities;
– the level of income receivable on cash deposits; and
– the interest payable on variable rate borrowings.

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowings using repo financing. The Board reviews on a regular basis the investment portfolio and borrowings. This encompasses the valuation of fixed interest, floating rate securities and gearing levels. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the custodian, Bank of New York Mellon.

Interest rate exposure

At 30 September the exposure of financial assets and financial liabilities to interest rate risk is shown by reference to:

– floating interest rates (giving cash flow interest rate risk) – when the interest rate is due to be reset; and

– fixed interest rates (giving fair value interest rate risk) – when the financial instrument is due for repayment.

	2013			2012		
	WITHIN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000	WITHIN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Exposure to floating interest rates:						
Investments at fair value through profit or loss	—	35,749	35,749	—	29,835	29,835
Cash at bank	5,482	—	5,482	6,868	—	6,868
	5,482	35,749	41,231	6,868	29,835	36,703
Exposure to fixed interest rates:						
Investments at fair value through profit or loss	2,267	63,352	65,619	—	59,160	59,160
Securities sold under agreements to repurchase	(33,702)	—	(33,702)	(27,772)	—	(27,772)
	(31,435)	63,352	31,917	(27,772)	59,160	31,388
Net exposure to interest rates	(25,953)	99,101	73,148	(20,904)	88,995	68,091

The nominal interest rates on the investments at fair value through profit or loss are shown in the portfolio statement on pages 17 and 18. The weighted average effective interest rate on these investments is 7.0% (2012: 7.4%).

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year to a 1.0% increase in interest rates in regard to the Company's monetary financial assets and financial liabilities. This level of change is considered to be reasonably possible based on the observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2013 INCREASE IN RATE £'000	2012 INCREASE IN RATE £'000
Income statement – profit/(loss) after taxation		
Revenue return	55	69
Capital return	(4,673)	(3,827)
Total profit/(loss) after taxation for the year	(4,618)	(3,758)
Effect on net asset value	(4.1)p	(3.4)p

The effect would have been the exact opposite if interest rates had decreased by the same amount.

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

(c) *Other Price Risk*

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

Management of other price risk

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

The Company's portfolio is the result of the Manager's investment process and the result is not correlated with the market in which the Company invests, with the value of the portfolio moving as a result of the performance of the company shares held in the portfolio. The Company can hedge part of its portfolio denominated in foreign currency by using repo financing arrangements in the same foreign currency. It can also hold derivative positions in options and futures to hedge movements in the stocks in which the Company's portfolio has an exposure.

The Company's exposure to other changes in market prices at 30 September on its quoted equity investments and fixed interest investments was as follows:

	2013 £'000	2012 £'000
Fixed asset investments at fair value through profit or loss		
– Bonds	101,368	88,995
– Equity	465	1,265
– Warrants	4,397	1,955
Cash and cash equivalents	5,482	6,868
	111,712	99,083

Concentration of exposure to other price risks

The Company's investment portfolio on pages 17 and 18 is not concentrated to any single country of domicile, however, it is recognised that an investment's country of domicile or listing does not necessarily equate to its exposure to the economic conditions in that country.

18. Financial Instruments (continued)

Market Risk (continued)

(c) ***Other Price Risk(continued)***

Other price risk sensitivity

At the year end, the Company held equity and warrant investments of £4,862,000 (2012: £3,220,000). The effect of a 10% increase or decrease in the fair values (including equity exposure through derivatives) on the profit after taxation for the year is £486,000 (2012: £322,000). This level of change is considered to be reasonably possible based on the observation of current market conditions. The sensitivity analysis is based on the Company's equities and equity exposure through derivatives at the balance sheet date with all other variables held constant.

Liquidity Risk

This is the risk that the Company will encounter in realising assets or raising/replacing repo financing to meet financial commitments. A lack of liquidity in corporate bonds may make it difficult for the Company to sell its bonds at or near their purported value compounding the liquidity pressure caused by the requirement to roll repo financing at repo maturity dates.

Management of Liquidity Risk

The Manager, as part of the ongoing management of the Company, ascertains the Company's cash requirements taking account of the asset purchases and sales, income receivable from investments, running expenses and dividend payments as well as the ongoing borrowing requirements of the Company arising from repo financing. The Manager reviews the repo financing of the Company on a daily basis, with a view to new repo agreements ending at a quarter end, and rolling of existing repo agreements on a quarterly time basis. If any shortfalls could not be met by repo financing, the Manager could potentially realise the more liquid corporate bonds in the portfolio, taking into account the effect of this on performance as well as the objectives of the Company.

Further details can be found in the 'Gearing Policy' section on page 10 in the Directors' Report, which also discusses the risks arising from repo financing and gearing of the investment portfolio.

Liquidity Risk Exposure

The contractual maturities of the financial liabilities at 30 September, based on the earliest date on which payment can be required, was as follows:

	2013			2012		
	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	TOTAL £'000	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	TOTAL £'000
Current liabilities						
Other payables	1,356	—	1,356	1,081	—	1,081
Derivative financial instruments – currency hedges	—	—	—	104	—	104
Securities sold under agreement to repurchase	33,702	—	33,702	27,772	—	27,772
	35,058	—	35,058	28,957	—	28,957

Credit Risk

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. This risk is mitigated by using only approved counterparties. The Company can enter into CDSs which enable the buyers of each CDS to receive credit protection, whereas the seller of each CDS guarantees the creditworthiness of the product. The risk of default is transferred from the holder of the security, to the seller of each CDS.

The portfolio may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The Board reviews the custodian's annual control report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £10 million with any one depositary, with only approved depositories being used.

Management of and Exposure to Credit Risk

The Company's principal credit risk is the risk of default on the non-investment grade debt. Where the Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account to minimise the risk to the Company of default. Investments in bonds are across a variety of industrial sectors and geographical markets, to avoid concentration of credit risk. Transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account to minimise default risk. Details of the Company's investments, including their credit ratings, are shown on pages 17 and 18.

The Company's other main credit risk arises from the repo financing arrangements whereby, if a counterparty failed to sell the required assets to the Company on the repurchase date, the Company would be left with the claim against the defaulting counterparty for the stock and, if applicable, any margin held by the counterparty and not returned. The Company has managed this risk by only dealing with good quality counterparties whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount with any one counterparty.

Credit risk for equity investments is minimised as the Company only uses approved counterparties.

Credit Risk Exposure

The Company's exposure to credit risk is on securities pledged under repo financing that are held with three other counterparties, Barclays (A2/A), Citibank (A3/A) and Credit Suisse (A1/A). At the balance sheet date the credit exposure on these securities was £15.1 million (2012: £16.2 million), being the difference in the market value of securities pledged of £48.8 million (2012: £44.0 million) and the amounts borrowed of £33.7 million (2012: £27.8 million) under repo financing. At the year end, there was no impairment in the market value of the investments held or pledged under repo financing.

Fair Values of Financial Assets and Financial Liabilities

The financial assets are either carried at their fair value (investments and derivatives), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income and cash and cash equivalents). The carrying value of total gains and losses on investments, represent the total carrying amount of gains and losses on financial assets designated by the Company as financial assets at fair value through profit and loss.

The financial liabilities are carried at amortised cost except for derivatives (including CDSs) which are carried at fair value. At this and the previous year end, the Company had no exposure to CDSs.

Classification Under Fair Value Hierarchy

Nearly all of the Company's portfolio of investments are in the Level 2 category as defined in IFRS 7 'Financial Instruments: Disclosures'. The three levels set out in IFRS 7 follow:

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

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

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

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

The valuation techniques used by the Company are explained in the accounting policies note. There were no transfers in the year between any of the levels.

18. Financial Instruments (continued)

Credit Risk (continued)

Classification Under Fair Value Hierarchy (continued)

Normally, investment company investments would be valued using stock market active prices with investments disclosed as Level 1, and this is the case for the quoted equity investments that the Company holds. However, a majority of the investments are non-equity investments that are priced using Bloomberg, which in turn is based on broker quotes or pricing models. These investments are disclosed as Level 2 – recognising that the fair values of these investments are not as visible as quoted equity investments and their higher inherent pricing risk. However, this does not mean that the fair values shown in the portfolio valuation are not achievable at point of sale. There are no Level 3 investments.

	2013			2012		
	LEVEL 1 £'000	LEVEL 2 £'000	TOTAL £'000	LEVEL 1 £'000	LEVEL 2 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss						
Debt securities	—	101,368	101,368	—	88,995	88,995
Equities	465	—	465	1,265	—	1,265
Warrants	4,397	—	4,397	1,955	—	1,955
Derivative financial instruments:						
– currency hedges	—	802	802	—	—	—
Total for financial assets	4,862	102,170	107,032	3,220	88,995	92,215
Financial liabilities designated at fair value thorough profit or loss						
Derivative financial instruments:						
– currency hedges	—	—	—	—	(104)	(104)
Total for financial liabilities	—	—	—	—	(104)	(104)

Maturity Analysis of Contractual Liability Cash Flows

The financial liabilities of the Company comprise securities sold under agreement to repurchase which are all repayable within three months of the balance sheet date totalling £33,702,000, together with interest thereon of £49,000. Other liabilities may include forward currency contracts, credit default swaps, amounts due to brokers and accruals. All are paid under contractual terms. Forward currency contracts in place at the balance sheet date were all due within three months. Any amounts due to brokers, are usually payable on the purchase date of the investment plus three business days.

Capital Management

The Company's total capital employed at 30 September 2013 was £113,511,000 (2012: £100,163,000) comprising repo financing of £33,702,000 (2012: £27,772,000) and equity share capital and other reserves of £79,809,000 (2012: £72,391,000).

The Company's total capital employed is managed to achieve the Company's objective and investment policy as set out on page 9.

The main risks to the Company's investments are shown in the Business Review under the 'Principal Risks and Uncertainties' section on pages 11 to 15. These also explain that the Company is able to gear its portfolio by borrowing in the form of repo financing and that gearing will amplify the effect on equity of changes in the value of the portfolio. At the balance sheet date, net borrowing was 35% (2012: 29%). The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

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

The Company is subject to externally imposed capital requirements with respect to the repo financing and the availability of the overdraft facility, by the terms imposed thereon. The Board regularly monitors, and has complied with, the externally imposed capital requirements and is unchanged from the prior year.

19. Contingent Liabilities

Contingent liabilities that the Company will or has given would be disclosed in this note if any existed.

There were no material outstanding contingent liabilities as at 30 September 2013 (2012: nil).

20. Related Party Transactions and Transactions with the Manager

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company.

Under International Financial Reporting Standards, the Company has identified no related parties and there have been no related party transactions during the year. Invesco Asset Management Limited (IAML), a wholly owned subsidiary of Invesco Limited, acts as Manager to the Company. Details of the investment management agreement are disclosed in the Directors’ Report. Management and performance fees payable to IAML are shown in note 5.

THIS NOTICE OF ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited), please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting (AGM) of Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited) (the 'Company') will be held at 10 a.m. on 30 January 2014 at R&H Fund Services (Jersey) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, for the following purposes:

Ordinary Business

1. To receive the Directors' Report and Financial Statements for the year ended 30 September 2013.
2. To re-elect Mr. Donald Adamson a Director of the Company.
3. To re-elect Mr. Gordon Neilly a Director of the Company.
4. To re-appoint the Auditor, Deloitte LLP, and authorise the Directors to determine their remuneration.

Special Business

To consider and if thought fit, to pass the following resolutions of which resolutions 5 and 6 will be proposed as special resolutions and resolutions 7 and 8 will be proposed as an ordinary resolutions:

5. THAT, pursuant to Article 12.4 of the Company's Articles of Association and Article 57 of the Companies (Jersey) Law 1991 as amended (the 'Law'), the Company be generally and unconditionally authorised:

    (a) to make one or more market purchases of ordinary shares of 5p in the capital of the Company ('ordinary shares') provided that:

    (i) the maximum aggregate number of ordinary shares authorised to be purchased is 16,682,749;

    (ii) the minimum price which may be paid for an ordinary share is 5p;

    (iii) the maximum price, exclusive of any expenses, which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and

    (iv) the authority hereby conferred shall expire on the earlier of the conclusion of the next AGM of the Company held after the passing of this resolution or 15 months from the date of the passing of this resolution whichever is the earlier.

    (b) pursuant to Article 58A of the Law, to hold, if the Directors so resolve, as treasury shares any ordinary shares purchased pursuant to the authority conferred in paragraph (a) above.

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

7. THAT, the waiver granted by the Panel on Takeovers and Mergers of the obligations which may otherwise arise, pursuant to Rule 9 of the City Code on Takeovers and Mergers, for the Concert Party (as defined in the circular to shareholders of the Company to be dated on or around 6 December 2013 (the 'Circular')) to make a general offer to the shareholders of the Company for all of the issued ordinary shares in the capital of the Company as a result of the purchase by the Company of up to 16,682,749 ordinary shares in the Company pursuant to the authority granted by the passing of resolution 5 above, as more fully described in the Circular, be and is hereby approved, with such waiver to expire on the earlier of the conclusion of the AGM of the Company in 2015 or 15 months from the date of passing this resolution.

Note to Resolution 7

In order to comply with the Takeover Code, this resolution will be taken on a poll and each of the members of the Concert Party has undertaken not to vote on the resolution. Further explanatory details of this resolution can be found in the Directors' Report on page 32.

8. THAT, in accordance with Article 83.1 of the Articles of Association of the Company and passing of the Initial Continuation Resolution in 2009, the Directors of the Company procure that the Company shall continue as a closed-ended investment company.

Dated 29th November 2013
By order of the Board

R&H Fund Services (Jersey) Limited
Company Secretary

Notes:

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

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

   - via Capita Asset Services website www.capitashareportal.com; or
   - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars (Jersey) Limited, Victoria Chambers, Liberation Square, 1/3 Esplanade, St. Helier, Jersey JE4 0FF; 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 10 a.m. on 28 January 2014.

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

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies through CREST should be communicated to the appointee through other means. 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 Euroclear UK & Ireland Limited 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 the practical limitations of the CREST system and timings.

NOTICE OF ANNUAL GENERAL MEETING

continued

3. A person entered on the Register of Members at close of business 48 hours before the time of the AGM ('a member') is entitled to attend and vote at the AGM 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 AGM. If the AGM is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Members 48 hours before the time fixed for the adjourned meeting.
4. The schedule of matters for the Board and the terms of Reference of the Audit and Management Engagement Committees will be available at the AGM for at least 15 minutes prior to and during the AGM.
5. A copy of the Articles of Association is available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the AGM and will also be available at the AGM for at least 15 minutes prior to and during the AGM.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation of the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
8. You may not use any electronic address (any address or number used for the purposes of sending or receiving documents or information by electronic means) 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.
9. As at 29 November 2013 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 111,292,526 ordinary shares of 5p each carrying one vote each.
10. A copy of the Notice as well as various other documents relating to the Company can be found at *www.invescoperpetual.co.uk/investmenttrusts*

SHAREHOLDER INFORMATION

The shares of Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited) are quoted on the London Stock Exchange.

Net Asset Value (NAV) Publication

The NAV is published daily in the Financial Times and Daily Telegraph and is calculated as at the close of business each day and notified to the London Stock Exchange the next business day. It can also be found on the Manager's website.

Share Price Listings

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

In addition, share price information can be found under the ticker IPE.

Savings Plan and ISA

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

Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited) is also a member of the Invesco Perpetual Investment Trust ISA and Savings Scheme. Shares in this Company can be purchased and sold via these two schemes.

Invesco Perpetual Investment Trust Savings Scheme

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

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to £11,520 in shares of Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited) in the current tax year. Investors can also choose to make lump sum investments from £500, or regular investments from £20 per month.

For queries relating to both the Invesco Perpetual Investment Trust Savings Scheme and ISA, please contact:
Invesco Perpetual
PO Box 11150
Chelmsford
CM99 2DL
☎ 0800 085 8677.

Manager's Website

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

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

Financial Calendar

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

Announcements

Half-yearly results	May
Annual results	November/December
Interim Management Statements	January and July
Year End	30 September
Dividends Payable	January, April, July and October
Annual General Meeting	January

Location of Annual General Meeting
To be held at 10 a.m. on 30 January 2014 at R&H Fund Services (Jersey) Limited, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW.

ADVISERS AND PRINCIPAL EXTERNAL SERVICE PROVIDERS

Manager

Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited) is managed by Invesco Asset Management Limited. Day-to-day management is the responsibility of Paul Read and Paul Causer, who have been involved in the Company's management since 2001 and are members of the UK Fixed Income team.

Invesco Asset Management Limited
30 Finsbury Square
London EC2A 1AG
☎ 020 7065 4000

Company Secretary, Administrator and Registered Office

R&H Fund Services (Jersey) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Company Secretarial Contact: Hilary Jones
☎ 01534 825323
Registered in Jersey No. 75059

Registrars

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT
☎ 0871 664 0300

Shareholders holding shares directly and not through a savings scheme or ISA and have queries relating to their shareholding, should contact Capita on the above number.

Calls cost 10p per minute plus network charges.
☎ +44 (0)20 8639 3399 (from outside the UK).
Lines are open 9am to 5.30pm Monday to Friday (excluding UK bank holidays).

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

Capita provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or by ringing ☎ 0871 664 0454
Calls cost 10p per minute plus network charges.
☎ +44 (0)20 3367 2699 (from outside the UK).
Lines are open 8am to 4.30pm Monday to Friday (excluding UK bank holidays).

Dividend Re-investment Plan

Capita also manage a Dividend Re-investment Plan for the Company.

Shareholders wishing to re-invest their dividends should contact the Registrars.

Custodian

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

Auditor

Deloitte LLP
Lord Coutanche House
PO Box 403
66-68 Esplanade
St Helier
Jersey JE4 8WA

Corporate Broker

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Invesco Perpetual Investor Services

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

The Association of Investment Companies

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

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

GLOSSARY OF TERMS

Net Asset Value (NAV)

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

Discount/Premium

A description of the situation when the share price is lower or higher 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.

Borrowing

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

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

Gross Borrowing

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

Net Borrowing

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

Total Assets

The aggregate gross value of the assets of the Company less the current liabilities (but, for this purpose, excluding repo financing or any other amounts borrowed for investment purposes from current liabilities).

Ongoing Charges

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

Credit ratings

The definitions for the credit ratings shown in the financial statements are as follows:

Moody's Ratings

Investment grade

Aaa: judged to be of the highest quality, with minimal credit risk.

Aa1, Aa2, Aa3: judged to be of high quality and are subject to very low credit risk.

A1, A2, A3: considered upper-medium grade and are subject to low credit risk.

Baa1, Baa2, Baa3: subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Speculative grade (Non-investment grade)

Ba1, Ba2, Ba3: judged to have speculative elements and are subject to substantial credit risk.

B1, B2, B3: considered speculative and are subject to high credit risk.

Caa1, Caa2, Caa3: judged to be of poor standing and are subject to very high credit risk.

Ca: highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C: lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

WR: withdrawn rating.

P: provisional.

Standard & Poor Ratings

Investment Grade

AAA: the best quality borrowers, reliable and stable (many of them governments).

AA: quality borrowers, a bit higher risk than AAA.

A: economic situation can affect finance.

BBB: medium class borrowers, which are satisfactory at the moment.

Non-Investment Grade

BB: more prone to changes in the economy.

B: financial situation varies noticeably.

CCC: currently vulnerable and dependent on favourable economic conditions to meet commitments.

CC: highly vulnerable, very speculative.

C: highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations.

CI: past due on interest.

R: under regulatory supervision due to the company's financial situation.

SD: has selectively defaulted on some obligations.

D: has defaulted on obligations and S&P believes that the company will generally default on most or all obligations.

NR: not rated

Invesco Perpetual

The Manager of Invesco Perpetual Enhanced Income Limited (formerly Invesco Leveraged High Yield Fund Limited) 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 Conduct Authority.

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

Invesco is one of the largest independent global investment management firms, with funds under management of $763.9 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 2013*

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

City Merchants High Yield Trust Limited

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

Invesco Income Growth Trust plc

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

Invesco Perpetual Enhanced Income Limited (formerly 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 uses repo financing to enhance returns.

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio

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

Invesco Perpetual Select Trust plc – UK Equity Portfolio

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

Invesco Property Income Trust Limited

The Company is a closed-ended investment company with limited liability incorporated in Jersey. The objective is to repay its bank borrowings and other liabilities on or before 28 September 2014 and, having met these obligations, to provide a return for shareholders. The Company holds a diversified portfolio of European commercial properties and 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 has debenture stocks in issue.

Perpetual Income and Growth Investment Trust plc

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

The Edinburgh Investment Trust plc

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

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

The Company has two debenture stocks in issue.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

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

Investing Internationally

Invesco Asia Trust plc

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

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

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

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

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

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

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

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

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

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

Linkway Financial Printers
Typeset & Printed in London (UK) 16232