

# Invesco Perpetual Enhanced Income Limited

Half-Yearly Financial Report for the Six Months to 31 March 2014

## KEY FACTS

Invesco Perpetual Enhanced Income Limited is a closed-end investment company with limited liability incorporated in Jersey. The Company's ordinary shares are listed on the London Stock Exchange.

### Investment Objective of the Company

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 Invesco Asset Management Limited (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.

Full details of the Company's Investment Policy (incorporating the Company's investment objective, investment policy and risk and investment limits) can be found on pages 9 and 10 of the Company's 2013 annual financial report.

### Performance Statistics

	AT 31 MAR 2014	AT 30 SEPT 2013	% CHANGE
<b>Capital</b>			
Shareholders' funds (£'000)	81,982	79,809	+2.7
Net asset value per ordinary share	73.7p	71.7p	+2.7
Mid-market price per ordinary share*	77.1p	67.0p	+15.1
Premium/(discount) per ordinary share	4.6%	(6.6)%	
Gross borrowing	41%	42%	
Net borrowing	33%	35%	
<b>Total Return</b>			
3 month LIBOR rate	0.5%	0.5%	0.5%
Net asset value	+6.3%	+13.1%	+17.8%
Share price*	+19.4%	+13.2%	+21.1%
<b>Revenue</b>			
Net revenue return (£'000)	2,851	3,062	6,056
Revenue return per ordinary share	2.6p	2.8p	5.5p
<b>Dividends per ordinary share:</b>			
– first interim	1.25p	1.25p	1.25p
– second interim	1.25p	1.25p	1.25p
– third interim	—	—	1.25p
– fourth interim	—	—	1.25p
<b>Total</b>	<b>2.50p</b>	<b>2.50p</b>	<b>5.00p</b>

\*Source: Thomson Reuters Datastream

## INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

### CHAIRMAN'S STATEMENT

The Company again delivered a positive capital NAV performance, returning 2.7% for the period which translates to a total return of 6.3% including the reinvestment of dividends. While this continuation of the steady recent progress is welcome, the really pleasing news concerns the share price return. The Company's shares rose 15.1% over the six months giving a total return including dividends of 19.4%. The share price moved to a premium to NAV early in the second quarter and this has been sustained since then. The premium stood at 4.6% at 31 March 2014 and this continues to be maintained at the time of writing. The re-rating of the shares is especially gratifying as it has fulfilled the hopes of the Directors that lay behind the amendment to the investment policy and associated change of name approved by shareholders in November 2013.

We are delighted to welcome a significant number of new investors to the share register over the first half of 2014. The Directors remain confident in the Managers' ability to identify attractive investments and deliver returns for shareholders but the current full valuations suggest that income will make up much the largest component of return in the short to medium term.

**Donald Adamson**

*Chairman*

## MANAGER'S REPORT

### Market Background

High yield bonds achieved a strongly positive level of total return over the six months to the end of March, compared to the wider bond market. Returns were driven by capital appreciation as well as yield, as credit spreads tightened in an investment environment distinguished by a very strong demand for income. Investment grade spreads also tightened but yields were little changed and total returns were dominated by income. Gilt yields rose, resulting in only modestly positive total returns.

According to data from Merrill Lynch, European high yield bonds returned 6.5% (in sterling terms). The aggregate yield of the market fell 106bps to 4.58%. This return compares to 2.8% for sterling investment grade corporate bonds and 0.8% for Gilts. Within investment grade, financials outperformed non-financials, but by a more modest margin than in immediately preceding periods. The Federal Reserve finally began to taper its programme of asset purchases and is set to wind it down completely over the course of 2014. The announcement (in December) of this first step towards tighter US monetary policy had been clearly flagged and came as little surprise to the market. Bonds have been supported by news on inflation and economic growth. The early months of 2014 have seen lower-than-expected inflation in the major developed economies. High yield bonds, typically the most credit-sensitive area of corporate bonds, have also benefitted from a trend of macroeconomic data that suggested strengthening recoveries in the US and the UK and the beginnings of improved growth performance in the economies of the eurozone.

The credit market has been further supported by demand for income, which has seen many new bond issues heavily over-subscribed, despite some historically low coupons. Barclays estimate total European high yield supply of £34 billion across all currencies in the six months to the end of March. According to Moody's, the European 12 month trailing high yield default rate was 2.7% at the end of March, compared to 2.1% a year ago.

### Portfolio Strategy

We hold a core of high yield corporate bonds, focused on seasoned issuers that we consider to be default-remote. In addition, we hold significant exposure to areas of the market which we believe still offer relatively attractive yield. Approximately one fifth of the portfolio is invested in bank capital, predominantly in the subordinated debt of large European banks. The valuations of these instruments have risen strongly but we think that this reflects the increased creditworthiness of a sector whose fundamentals have continued to improve. We also have holdings in hybrid capital instruments, across sectors including telecoms and utilities. We believe the subordination risk of these more junior debt instruments is attractive in the context of these companies' relatively strong balance sheets. Many of the securities we hold are in investment grade names. We continue to seek opportunities to add yield to the portfolio where we consider that the balance of reward to risk is attractive.

Over the period under review, the Company's NAV rose from 71.7p to 73.7p, an increase of 2.7%. The total return was 6.3%. The value of the portfolio rose from £79.8 million to £81.9 million. The portfolio entered the period with gross borrowing of 42%. This was little changed at 41% by the end of the period.

While we have continued to buy and sell individual positions over this period, the outline of the portfolio has remained broadly unchanged. The level of liquidity in the portfolio has increased slightly. Trading in the portfolio over this period included adding positions in HSBC 5.25% and HSBC 4.25% (bank) and ENEL 6.625% and ENEL 5% (utility). We sold our holdings in SSE 5.025% (utility) and Boparan Finance 9.875% (food).

### Outlook

The high yield bond market has continued to deliver strongly positive returns in recent quarters, despite the weaker conditions we have seen across the wider bond market. The market is now quite fully valued, in our opinion, and we see little potential for further capital appreciation from current levels. Yields and spreads are low by historical standards. We are seeking to provide an attractive level of income while focusing our portfolio on issuers that we see as default-remote and on bonds where we think the balance of reward to risk remains relatively good.

### Paul Read & Paul Causer

Portfolio Managers

23 May 2014

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk factors relating to the Company can be summarised as follows:

- Investment Policy – the adopted investment policy and process may not achieve the Company's published investment objective.
- Market Risk – a fall in the stock markets and/or a prolonged period of decline in the stock markets relative to other forms of investments will affect the performance of the portfolio, as well as the performance of individual portfolio investments.
- Investment Risk – the investment process employed by the Manager is likely to result, from time to time, in a more concentrated portfolio than those of other investment funds.
- Foreign Exchange Risk – the movement of exchange rates may have an unfavourable or favourable impact on returns as the Company holds non-sterling denominated investments and cash.
- Shares – share price is affected by market sentiment, supply and demand for the shares, dividends declared, portfolio performance as well as wider economic factors and changes in the law. The market value of, and the income derived from, the Company's ordinary shares can fluctuate and may go down as well as up.
- 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.
- High Yield Corporate Bonds – corporate bonds are subject to credit, liquidity, duration and interest rate risk. Adverse changes in the financial position of the issuer of corporate bonds or in general economic conditions may impair the ability of the issuer to make payments of principal interest or may cause the liquidation or insolvency of the issuer.
- Derivatives – the Company may enter into derivative transactions for the purpose of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes.
- Reliance on External Service Providers – failure by any service provider to carry out its obligations to the Company could have a materially detrimental impact on the operation of the Company and affect the ability of the Company to successfully pursue its investment policy.
- Regulatory – whilst compliance with rules and regulations is closely monitored, breaches could affect returns to shareholders.

A detailed explanation of these principal risks and uncertainties can be found on pages 11 to 15 of the Company's 2013 annual financial report, which is available on the Manager's website at:

[www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

In the view of the Board these principal risks and uncertainties are as much applicable to the remaining six months of the financial year as they were to the six months under review.

### GOING CONCERN

The half-yearly financial report has 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, risk management policies and capital management policies, 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.

### RELATED PARTY TRANSACTIONS WITH THE MANAGER

Note 20 of the 2013 annual financial report gives details of related party transactions and transactions with the Manager. The basis of these has not changed for the six months being reported. The 2013 annual financial report, is available on the Manager's website at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

#### in respect of the preparation of the half-yearly financial report

The Directors are responsible for preparing the half-yearly financial report using accounting policies consistent with applicable law and International Financial Reporting Standards.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the half-yearly financial report have been prepared in accordance with the International Accounting Standards 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FCA's Disclosure and Transparency Rules; and
- the interim management report includes a fair review of the information required on related party transactions.

The half-yearly financial report has not been audited or reviewed by the Company's auditor.

Signed on behalf of the Board of Directors.

### Donald Adamson

Chairman

23 May 2014

### BOND RATING ANALYSIS

AT 31 MARCH 2014

#### Standard and Poor's Ratings, investments grade is BBB– and above

The definitions of these ratings are set out on page 64 of the 2013 annual financial report.

Rating	31 MAR 2014		30 SEPT 2013	
	% OF PORTFOLIO	CUMULATIVE TOTAL %	% OF PORTFOLIO	CUMULATIVE TOTAL %
AAA	2.4	2.4	2.4	2.4
A+	—	2.4	1.7	4.1
A	—	2.4	1.6	5.7
A–	2.7	5.1	0.8	6.5
AA–	1.0	6.1	1.0	7.5
BBB+	5.2	11.3	3.6	11.1
BBB	12.9	24.2	12.0	23.1
BBB–	9.0	33.2	9.1	32.2
BB+	13.4	46.6	12.2	44.4
BB	15.6	62.2	13.7	58.1
BB–	9.4	71.6	8.9	67.0
B+	7.5	79.1	9.3	76.3
B	9.4	88.5	10.4	86.7
B–	1.4	89.9	2.4	89.1
CCC+	—	89.9	0.2	89.3
NR <sup>(1)</sup>	10.1	100.0	10.7	100.0
	100.0		100.0	

(1) Including any equities warrants and credit default swaps.

## INVESTMENT PORTFOLIO

AT 31 MARCH 2014

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

### Bonds and Equity Investments

ISSUER	ISSUE	RATING	MARKET VALUE AT £'000	% OF PORTFOLIO
<b>Euro</b>				
UniCredit International Bank	8.125% FRN Perpetual	B1/BB	2,818	2.6
Santos Finance	8.25% FRN 22 Sep 2070	NR/BBB	2,804	2.6
UPC	7.625% 15 Jan 2020	Ba3/BB	1,776	2.5
	9.5% 15 Mar 2021	B3/B	953	
Abengoa	6.25% Cnv 17 Jan 2019	NR/NR	1,479	2.2
	8.5% 31 Mar 2016	B2/B	894	
Rexam	6.75% FRN 29 Jun 2067	Ba2/BB	2,116	2.0
Commerzbank	7.75% 16 Mar 2021	Ba2/BB+	1,959	1.8
Achmea	6% 04 Apr 2043	NR/BBB	1,839	1.7
Lottomatica	8.25% FRN 03 Mar 2066	Ba2/BB	1,793	1.7
Origin Energy	7.875% 16 Jun 2071	Ba1/BB+	1,767	1.7
RWE	4.625% FRN Perpetual	Baa3/BBB-	1,694	1.6
Aviva	6.875% FRN 22 May 2038	Baa1/BBB	954	1.5
	4.7291% FRN Perpetual	Baa2/BBB	416	
	6.125% FRN 05 Jul 2043	Baa1/BBB	227	
Telecom Italia	5.25% 17 Mar 2055	Ba1/BB+	1,506	1.4
Intesa Sanpaolo	8.375% FRN Perpetual	Ba3/BB	1,441	1.3
Vougeot Bidco	FRN 18 Jul 2020	B2/B	1,337	1.3
Lloyds Banking Group – LBG Capital No.2 (ECN)	6.385% 12 May 2020	Ba1/BBB-	1,314	1.2
Wind Acquisition Finance	11.75% 15 Jul 2017	B3/B+	956	1.2
	7.375% 15 Feb 2018	Ba3/BB	349	
Telefonica Europe	7.625% Perpetual	Ba1/BB+	1,297	1.2
Volkswagen International Finance	4.625% Perpetual	Baa2/BBB	1,014	1.0
Levi Strauss	7.75% 15 May 2018	B1/BB	993	0.9
Algeco Scotsman Global Finance	9% 15 Oct 2018	B1/NR	900	0.8
Xefin	8% 01 Jun 2018	Ba3/B+	882	0.8
Iberdrola International	5.75% Perpetual	Baa3/BB+	879	0.8
BPCE	9% FRN Perpetual	Ba2/BBB-	876	0.8
Campofrio Food	8.25% 31 Oct 2016	B1/B+	863	0.8
Matterhorn Mobile	FRN 15 May 2019	B1/B+	838	0.8
Picard	FRN 01 Aug 2019	Ba3/BB-	742	0.7
Royal Bank of Scotland	FRN 14 Jun 2022	Ba2/BBB-	702	0.7
Telekom Austria	5.625% Perpetual	Ba1/BB	700	0.7
CNP Assurances	FRN Perpetual	NR/A-	644	0.6
TMF	5.599% FRN 03 Dec 2018	B1/B	628	0.6
ENEL	5% 15 Jan 2075	Ba1/BB+	598	0.6
Solvay Finance	4.199% Perpetual	Ba1/BBB-	565	0.5
Ono Finance II	11.125% 15 Jul 2019	Caa1/B-	462	0.4
Gategroup Finance	6.75% 01 Mar 2019	B1/BB-	445	0.4
ECO-BAT Finance	7.75% 15 Feb 2017	B2/B	430	0.4
Kerneos	FRN Mar 2021	NR/B+	417	0.4
KBC	8% Perpetual	Ba2/BBB-	415	0.4
Mobile Challenger Intermediate	8.75% 15 Mar 2019	NR/B-	342	0.3
Sisal	7.25% 30 Sep 2017	B1/B	340	0.3
BNP Paribas Fortis	Cnv FRN Perpetual	Ba3/BB	318	0.3
Sanitec	FRN 15 May 2018	B1/BB-	293	0.3
KM Germany	8.75% 15 Dec 2020	B2/B-	222	0.2
			47,197	44.0
<b>Sterling</b>				
Lloyds Banking Group – Lloyds Bank	7.625% 22 Apr 2025	Baa3/BBB	2,430	3.3
– LBG Capital No.2 (ECN)	7% 31 Dec Perpetual	NR/BB-	1,080	
Virgin Media Finance	7% 15 Jan 2018	Ba3/BB-	2,071	3.2
	8.875% 15 Oct 2019	B2/B	718	
	6% 15 Apr 2021	Ba3/BB-	689	
Enterprise Inns	6.5% 06 Dec 2018 (SNR)	NR/BB-	2,630	2.5
ENW Finance	5.875% 21 Jun 2021	NR/BB+	2,514	2.3
Electricite De France	6% Perpetual	A3/BBB+	1,354	2.3
	5.875% Perpetual	A3/BBB+	1,019	
ENEL	7.75% 10 Sep 2075	Ba1/BB+	1,565	2.1
	6.625% 15 Sep 2076	Ba1/BB+	784	
NGG Finance	5.625% FRN 18 Jun 2073	Baa3/BBB	2,236	2.1
Arqiva Broadcast Finance	9.5% 31 Mar 2020	B3/NR	2,230	2.1
Société Générale	8.875% FRN Perpetual	Ba2/BBB-	1,675	1.6
Aviva	6.125% Perpetual	Baa1/BBB	1,558	1.4
DFS Furniture	FRN 15 Aug 2018	B2/B	757	1.2
	7.625% 15 Aug 2018	B2/B	504	
Telefonica Europe	6.75% Perpetual	Ba1/BB+	1,145	1.1
Orange	5.875% 29 Dec 2019	Baa3/BBB-	1,139	1.1
Southern Water (Greensands)	8.5% 15 Apr 2019	NR/BB-	1,089	1.0
Thames Water	7.75% 01 Apr 2019	B1/NR	1,080	1.0
General Electric Capital	5.5% FRN 15 Sep 2066	A2/AA-	1,050	1.0
Pipe	9.5% 01 Nov 2015	B3/B	1,046	1.0
Equiniti Newco 2	FRN 15 Dec 2018	B3/B	1,018	0.9
InterGen Services	7.5% 30 Jun 2021	B1/B+	905	0.8
Scottish Widows	5.5% 16 Jun 2023	Baa2/BBB+	817	0.8

**Bonds and Equity Investments continued**

ISSUER	ISSUE	RATING	MARKET VALUE £'000	AT £'000	% OF PORTFOLIO
<b>Sterling</b>					
Pendragon	6.875% 01 May 2020	B1/B+	592		0.6
Koninklijke KPN	6.875% FRN 14 Mar 2073	Ba2/BB	588		0.5
Jaguar Land Rover	8.25% 15 Mar 2020	Ba2/BB	567		0.5
Verizon Communications	4.75% 17 Feb 2034	Baa1/BBB+	547		0.5
UniCredit International Bank	8.5925% FRN Perpetual	B1/BB	537		0.5
Gala Finance	8.875% 01 Sep 2018	B2/B+	535		0.5
AXA	6.6666% FRN Perpetual	Baa1/BBB-	531		0.5
Legal & General	6.385% FRN Perpetual	Baa2/BBB+	526		0.5
Odeon & UCI Finco	9% 01 Aug 2018	B3/B-	524		0.5
Matalan Finance	8.875% 29 Apr 2016	B1/B	513		0.5
Galaxy Bidco	FRN 15 Nov 2019	B2/B	505		0.5
Premier Farnell	89.2p Convertible Preference	NR/NR	468		0.4
Care UK Health and Social Care	9.75% 01 Aug 2017	Caa1/B	398		0.4
Standard Life	5.5% 04 Dec 2042	Baa2/BBB	365		0.3
AA Bond	9.5% 31 Jul 2043	NR/BB	339		0.3
Bupa Care Homes	11.8% 30 Jun 2014	NR/NR	254		0.2
			42,892		40.0
<b>US Dollar</b>					
General Motors	Wts 10 Jul 2019	NR/NR	3,173	}	3.2
	Wts 10 Jul 2016	NR/NR	244		
	Ord	NR/NR	19		
US Treasury	2.75% 15 Nov 2042	Aaa/AAA	2,553		2.4
Vedanta Resources	6.75% 07 Jun 2016	Ba3/BB	1,259		1.2
Catlin Insurance	7.249% FRN Perpetual	NR/BBB+	1,238		1.1
CGG Veritas	7.75% 15 May 2017	Ba3/BB-	1,217		1.1
Standard Chartered	5.7% 26 Mar 2044	A3/A-	1,175		1.1
Stora Enso	7.25% 15 Apr 2036	Ba2/BB	1,135		1.1
Société Générale	8.75% Perpetual	Ba2/BBB-	630	}	0.9
	7.875% FRN Perpetual	Ba3/BB+	349		
HSBC	4.25% 14 Mar 2024	A3/A-	383	}	0.7
	5.25% 14 Mar 2044	A3/A-	369		
CEMEX Espana	9.25% 12 May 2020	NR/B+	741		0.7
Nara Cable Funding	8.875% 01 Dec 2018 (SNR)	B1/B+	653		0.6
Aperam	7.75% 01 Apr 2018	B3/B+	630		0.6
BBVA	9% Perpetual	NR/NR	390		0.4
Rothschilds Continuation Finance	1% FRN Perpetual	NR/NR	369		0.3
Prudential	6.5% Perpetual	Baa1/A-	303		0.3
Peabody Energy	4.75% Cnv 15 Dec 2066	NR/NR	240		0.2
Motors Liquidation	Units	NR/NR	74	}	0.1
	8.375% 15 Jul 2033	NR/NR	—		
			17,144		16.0
<b>Total investments</b>			107,233		100.0

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	SIX MONTHS TO 31 MARCH 2014			SIX MONTHS TO 31 MARCH 2013			YEAR ENDED 30 SEPTEMBER	
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	2013 TOTAL £'000	
Profit on investments at fair value	—	2,806	2,806	—	9,526	9,526	10,440	
Exchange differences	—	54	54	—	(960)	(960)	(641)	
Profit/(loss) on derivative instruments – currency hedges	—	518	518	—	(1,564)	(1,564)	(1,267)	
Income								
UK bond interest	1,310	—	1,310	1,165	—	1,165	2,531	
UK dividends	13	—	13	13	—	13	27	
Overseas bond interest	2,020	—	2,020	2,295	—	2,295	4,342	
Deposit interest	2	—	2	3	—	3	5	
Investment management fee – note 2	(207)	(207)	(414)	(197)	(197)	(394)	(794)	
Performance fee – note 2	—	(992)	(992)	—	(259)	(259)	(1,072)	
Other expenses	(190)	(3)	(193)	(140)	—	(140)	(292)	
<b>Profit before finance costs and taxation</b>	2,948	2,176	5,124	3,139	6,546	9,685	13,279	
Finance costs	(72)	(72)	(144)	(66)	(66)	(132)	(272)	
<b>Profit before tax</b>	2,876	2,104	4,980	3,073	6,480	9,553	13,007	
Taxation – note 3	(25)	—	(25)	(11)	—	(11)	(25)	
<b>Profit after tax</b>	2,851	2,104	4,955	3,062	6,480	9,542	12,982	
<b>Return per ordinary share – note 4</b>	2.6p	1.9p	4.5p	2.8p	5.8p	8.6p	11.7p	

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards. The profit 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 period.

CONDENSED BALANCE SHEET			
Registered number 75059	AT 31 MARCH 2014 £'000	AT 31 MARCH 2013 £'000	AT 30 SEPTEMBER 2013 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	107,233	101,200	106,230
<b>Current assets</b>			
Other receivables	2,779	2,683	2,353
Derivative instruments – unrealised gain	84	510	802
Cash and cash equivalents	6,649	3,901	5,482
	9,512	7,094	8,637
<b>Total assets</b>	<b>116,745</b>	<b>108,294</b>	<b>114,867</b>
<b>Current liabilities</b>			
Other payables	(340)	(253)	(284)
Performance fee payable – note 2	—	—	(1,072)
Securities sold under agreements to repurchase	(33,431)	(28,631)	(33,702)
	(33,771)	(28,884)	(35,058)
<b>Provision for performance fee – note 2</b>	<b>(992)</b>	<b>(259)</b>	<b>—</b>
<b>Net assets</b>	<b>81,982</b>	<b>79,151</b>	<b>79,809</b>
<b>Issued capital and reserves attributable to equity holders</b>			
Share capital	5,565	5,565	5,565
Share premium	113,634	113,634	113,634
Capital reserve	(50,209)	(52,759)	(52,313)
Revenue reserve	12,992	12,711	12,923
<b>Shareholders' funds</b>	<b>81,982</b>	<b>79,151</b>	<b>79,809</b>
<b>Net asset value per ordinary share – note 6</b>	<b>73.7p</b>	<b>71.1p</b>	<b>71.7p</b>

CONDENSED STATEMENT OF CASH FLOW			
	SIX MONTHS ENDED 31 MARCH 2014 £'000	SIX MONTHS ENDED 31 MARCH 2013 £'000	YEAR ENDED 30 SEPTEMBER 2013 £'000
<b>Cash flow from operating activities</b>			
Profit before tax	4,980	9,553	13,007
Taxation	(25)	(11)	(25)
Adjustments for:			
Purchases of investments	(12,812)	(21,180)	(36,651)
Sales of investments	14,615	20,924	32,279
	1,803	(256)	(4,372)
(Decrease)/increase from securities sold under agreement to repurchase	(271)	859	5,930
Profit on investments	(2,806)	(9,526)	(10,440)
Exchange differences	(54)	960	641
Decrease/(increase) in derivative instruments – currency hedges	718	(614)	(906)
Finance costs	144	132	272
<b>Operating cash flows before movements in working capital</b>	<b>4,489</b>	<b>1,097</b>	<b>4,107</b>
Increase in receivables	(426)	(418)	(88)
(Decrease)/increase in payables	(60)	241	1,082
<b>Net cash flows from operating activities before and after tax</b>	<b>4,003</b>	<b>920</b>	<b>5,101</b>
<b>Cash flows from financing activities</b>			
Interest paid	(108)	(145)	(282)
Equity dividends paid – note 4	(2,782)	(2,782)	(5,564)
<b>Net cash used in financing activities</b>	<b>(2,890)</b>	<b>(2,927)</b>	<b>(5,846)</b>
Net increase/(decrease) in cash and cash equivalents	1,113	(2,007)	(745)
Exchange differences	54	(960)	(641)
Cash and cash equivalents at the beginning of the period	5,482	6,868	6,868
<b>Cash and cash equivalents at the end of the period</b>	<b>6,649</b>	<b>3,901</b>	<b>5,482</b>

CONDENSED STATEMENT OF CHANGES IN EQUITY					
	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
<b>For the six months ended 31 March 2014</b>					
At 1 October 2013	5,565	113,634	(52,313)	12,923	79,809
Total comprehensive income for the period	—	—	2,104	2,851	4,955
Dividend paid – note 5	—	—	—	(2,782)	(2,782)
<b>At 31 March 2014</b>	<b>5,565</b>	<b>113,634</b>	<b>(50,209)</b>	<b>12,992</b>	<b>81,982</b>
<b>For the six months ended 31 March 2013</b>					
At 1 October 2012	5,565	113,634	(59,239)	12,431	72,391
Total comprehensive income for the period	—	—	6,480	3,062	9,542
Dividend paid – note 5	—	—	—	(2,782)	(2,782)
<b>At 31 March 2013</b>	<b>5,565</b>	<b>113,634</b>	<b>(52,759)</b>	<b>12,711</b>	<b>79,151</b>
<b>For the year ended 30 September 2013</b>					
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 – note 5	—	—	—	(5,564)	(5,564)
<b>At 30 September 2013</b>	<b>5,565</b>	<b>113,634</b>	<b>(52,313)</b>	<b>12,923</b>	<b>79,809</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The condensed financial statements have been prepared using the same accounting policies as those adopted in the 2013 annual financial report. They have been prepared on an historical cost basis, except for the measurements 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.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) Financial Statements of Investment Trust Companies and Venture Capital Trusts' is consistent with the requirements of IFRS, the Directors have prepared the financial statements on a basis compliant with the recommendations of the SORP.

### 2. Management and Performance Fees

Investment management fees and finance costs are allocated equally to revenue and capital. The management fee rate is 1.0% per annum of net assets. A performance 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 and will equal 20% of the outperformance, adjusted for any changes in share capital in the year. The hurdle return is the average sterling 3 month LIBOR plus 1% plus any underperformance in previous years. The performance fee is allocated wholly to capital.

### 3. Taxation

The Company is subject to Jersey income tax at the rate of 0% (2013: 0%). The overseas tax charge consists of irrecoverable withholding tax.

### 4. Basis of Earnings

	SIX MONTHS TO 31 MAR 2014	SIX MONTHS TO 31 MAR 2013	YEAR TO 30 SEPT 2013
Profit after tax:			
Revenue	£2,851,000	£3,062,000	£6,056,000
Capital	£2,104,000	£6,480,000	£6,926,000
Total	£4,955,000	£9,542,000	£12,982,000
Weighted average number of shares in issued during the period	111,292,526	111,292,526	111,292,526

### 5. Dividends Paid

	SIX MONTHS TO 31 MAR 2014 £'000	SIX MONTHS TO 31 MAR 2013 £'000	YEAR TO 30 SEPT 2013 £'000
Fourth interim of 1.25p	1,391	1,391	1,391
First interim of 1.25p	1,391	1,391	1,391
Second interim of 1.25p	—	—	1,391
Third interim of 1.25p	—	—	1,391
Total paid	2,782	2,782	5,564

The first interim dividend for the quarter ended 31 December 2013 was paid on 31 January 2014 to Shareholders on the register on 10 January 2014. The second interim dividend for the quarter ended 31 March 2014 was paid on 30 April 2014 to Shareholders on the register on 11 April 2014.

### 6. Basis of Net Asset Value per Ordinary share

	AT 31 MAR 2014	AT 31 MAR 2013	AT 30 SEPT 2013
Shareholders' funds	£81,982,000	£79,151,000	£79,809,000
Ordinary shares in issue at period end	111,292,526	111,292,526	111,292,526

### 7. Status of Half-yearly Financial Report

The financial information contained in this half-yearly report, which has not been reviewed or audited, does not constitute statutory accounts as defined in Article 104 of Companies (Jersey) Law 1991. The financial information for the half years ended 31 March 2013 and 2014 have not been audited. The figures and financial information for the year ended 30 September 2013 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year.

By order of the Board  
R&H Fund Services (Jersey) Limited  
Company Secretary  
23 May 2014

## DIRECTORS AND ADVISERS

### Directors

Donald Adamson (Chairman)  
Peter Yates (Audit Committee and Management Engagement Committee Chairman)  
Michael Lombardi  
Gordon Neilly  
Clive Spears

### Investment Manager

Invesco Asset Management Limited  
Perpetual Park  
Perpetual Park Drive  
Henley-on-Thames  
Oxfordshire RG9 1HH  
☎ 020 3753 1000  
🌐 [www.invescoassetmanagement.co.uk/investmenttrusts](http://www.invescoassetmanagement.co.uk/investmenttrusts)

### 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: Number 75059

### Corporate Broker

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

### Registrar

Capita Registrars (Jersey) Limited  
12 Castle Street  
St. Helier  
Jersey JE2 3RT  
If you hold your shares directly and have any queries you should contact the registrar on:

☎ 0871 664 0300  
Calls cost 10p per minute plus network charges.  
Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).  
From outside the UK +44 208 639 3399.

Shareholders can also access their holding details via Capita's websites at:

🌐 [www.capitashareportal.com](http://www.capitashareportal.com) or [www.capitaassetservices.com](http://www.capitaassetservices.com)

Calls cost 10p per minute plus network charges.  
Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).  
From outside the UK +44 208 639 3399.

Capita provide a telephone and on-line share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.capitadeal.com](http://www.capitadeal.com) or

☎ 0871 664 0454  
Calls cost 10p per minute plus network charges.  
Lines are open from 8am to 4.30pm Monday to Friday (excluding Bank Holidays).  
From outside the UK +44 203 367 2699.

### Savings Scheme and ISA Administration

For both the Invesco Perpetual Trust Savings Scheme and ISA, contact:  
Invesco Perpetual  
P.O. Box 11150,  
Chelmsford CM99 2DLL  
☎ 0800 085 8677

### Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to assist you from 8.30am to 6pm, Monday to Friday (excluding Bank Holidays) on:

☎ 0800 085 8677  
🌐 [www.invescoassetmanagement.co.uk/investmenttrusts](http://www.invescoassetmanagement.co.uk/investmenttrusts)

Information relating to the Company can be found on the Manager's website, at [www.invescoassetmanagement.co.uk/investmenttrusts](http://www.invescoassetmanagement.co.uk/investmenttrusts). The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated into, nor do they form part of this half-yearly report.



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