

# Invesco Leveraged High Yield Fund Limited

Half-Yearly Financial Report for the Six Months to 31 March 2011

## KEY FACTS

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

### Investment Objective of the Company

The principal investment 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 ('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 leverage in its Investment Policy.

Full details of the Company's Investment Policy (incorporating the Company's investment objective) can be found on pages 15 and 16 of the Company's 2010 annual financial report.

### Performance Statistics

	AT 31 MARCH 2011	AT 30 SEPTEMBER 2010	% CHANGE
<b>Capital</b>			
Shareholders' funds (£'000)	73,297	73,369	-0.1
Net asset value per ordinary share	65.8p	65.9p	-0.2
Mid-market price per ordinary share	57.8p	62.8p	-8.0
Discount	12.2%	4.7%	
Gross gearing	55.0%	40.0%	
Net gearing	48.0%	28.0%	
<b>Total Returns</b>			
3 month LIBOR rate	0.8%	0.7%	
Net asset value (Source: Invesco)			+5.5
Share price (Source: Thomson Reuters Datastream)			-2.2

### Interim Period

	SIX MONTHS ENDED 31 MARCH		
	2011	2010	
Net revenue return (£'000)	2,933	3,405	-13.9
Revenue return per ordinary share	2.6p	3.1p	-16.1
Dividend per ordinary share†	2.5p	2.5p	

† Including dividends payable in respect of the period.

## INTERIM MANAGEMENT REPORT

### Market Background

During the six months to 31 March 2011 there were further gains from high-yield corporate bonds and subordinated bank debt. Returns from investment-grade bonds were mixed while 'core' government bonds delivered negative returns.

According to data from Merrill Lynch, European (UK & Eurozone) high-yield spreads fell 71bps to 528bps, having briefly dipped below 500bps for the first time since December 2007. High-yield bonds remained well supported with further strong inflows to the asset class. Primary issuance was strong and the quality of bonds issued increased further. Pernod, for example, issued a €1 billion six-year bond rated BB+ with a coupon of just 5%. The default rate declined further, Moody's February Default Report stated that the 12-month European high-yield default rate fell from 9.4% to 2.2% over the year. Investment-grade bonds were impacted by falls in government bonds. Although spreads on sterling BBB rated corporates narrowed by 28bps, they fell by 0.2%.

Subordinated bank debt continued to improve; sterling Tier 1 spreads narrowed by 78bps and euro Tier 1 by 114bps. Reflective of this was news that Credit Suisse saw huge demand for a 7.875% hybrid bond which ranks above equity but below existing debt. Demand totalled US\$22 billion for the US\$2 billion of notes on offer. The bonds, known as contingent capital ('CoCos'), are designed to convert into equity at a preset level of financial stress and are similar in structure to the Lloyds Enhanced Capital Notes ('ECNs') held in the portfolio. Ireland's banking stress test results were well received by credit markets. Although the Central Bank of Ireland identified that the four remaining Irish banks require a further €24 billion of capital, it also confirmed that there are no plans for any burden sharing for senior unsecured bondholders.

The outlook for UK interest rates received increased attention during the period. Although the UK's Monetary Policy Committee continued to hold UK interest rates at 0.5%, there is currently a four-way split in the voting. Andrew Sentance, who leaves the committee in May, voted for a 50bps rise in rates, Martin Weale and Spencer Dale a 25bps rise, Adam Posen wanted an additional £50 billion of asset purchases and the five other members voted for no change. The minutes highlighted that most members are still reluctant to start tightening monetary policy when there is so much uncertainty about the growth and inflation outlook.

### Portfolio Strategy

Strategy remains broadly unchanged. We continue to see some value in better quality high-yield issuers as well as in higher yielding (BBB rated) investment-grade names. High-yield remains well supported; the default rate is low and the types of issuance in the market are higher-quality, with more senior secured paper and less leverage, so the characteristics of the market are strong. Elsewhere, we continue to see value in banks and other financials. Around a quarter of the portfolio is invested in subordinated and senior debt of predominately larger northern European banks. We think that the combination of structural reform, conservative interpretations of Basel III and rising capital levels will be a powerful support for subordinated bank debt for years to come. Aggregate yields on this type of debt still offer real value even in the context of their higher volatility.

Over the period under review, the Company's NAV fell from 65.9p to 65.8p, although total return was +5.5%. The value of the portfolio rose from £93,122,000 to £106,901,000, mainly as a result of increasing the net gearing from 28% to 48% at the period end.

Whilst dividends were fully covered by earnings in the period, portfolio income received was lower for two reasons. First, the overall credit quality of the portfolio was improved, reducing income while, of course, reducing credit risk, and second, an index hedge, which is charged to the income account, has been put in place to offer a degree of protection against market shocks. Despite these activities the dividend of 5p per annum remains well covered.

The new issue market continued to provide attractive opportunities. Additions included Nalco (chemical) 6.875%, Convatec Healthcare (medical) 7.375%, Mark IV Europe (autos) 8.875%, Dong Energy (energy) 7.75%, Aperam (metal producer) 7.75% and Obrascón Huar Lain (construction) 8.75%.

Portfolio activity also saw us add to financials through increasing Unicredit 8.125% (Tier 1) and Lloyds ECNs, purchasing Santander 11.3% (Tier 1) and new issues in the Credit Suisse 7.875% bond previously mentioned and a 6.625% (lower Tier 2) bond from Barclays.

Sales saw us sell a number of positions in which the yield had dropped to less attractive levels, such as Wind (telecom), Norwegian Energy (oil), Imperial Tobacco, Tate & Lyle (food) and Rentokil (services). We also reduced the position in General Motors 8.375% and sold Heating Finance (manufacturing) 7.875%.

The net result of activity saw the number of holdings increase from 96 to 108, while high yield exposure reduced by around 6% in favour of investment grade.

### Outlook

Although returns in 2011 are likely to be based on yield and therefore more modest, there are sections of the market that have reasonably attractive spreads and improving credit profiles. Bank capital in particular remains attractive and is a key theme in all funds that we manage. The success of Credit Suisse's CoCo issuance is likely to lead to other banks issuing this type of bond and is also supportive of existing Tier 1 debt which continues to offer attractive yields and real value, even in the context of their higher volatility. Aggregate yields on sterling Tier 1 debt and European high-yield bonds are currently 8.3%, while BBB rated bonds also offer an aggregate 6.0%. As such, we believe that higher-yielding corporate bond funds can continue to perform a role of providing attractive levels of income.

While the outlook for UK interest rates has received considerable attention recently, we still believe that policy tightening will be small and gradual while potentially subject to delay should economic data weaken. Although inflation is admittedly running at double the 2% target, we still do not think that the domestic economy is sufficiently strong for inflation to become ingrained. This is due to a number of factors, such as fiscal contraction, consumer deleveraging, low wage growth, poor credit growth and high levels of mortgage debt. Accordingly, we agree with the Bank of England's view that inflation will continue to rise in the coming months before falling back sharply in 2012.

With interest rates expected to stay low for a prolonged period, high-yield bonds are still attractive as an income producing asset class.

The Company's average share price discount increased to 10% over the period to 31 March 2011 and the Board have discussed at length a number of long-term strategies to narrow the discount whilst maintaining the balance of other important factors such as the total expense ratio and the liquidity of the shares on the London Stock Exchange. The Board is therefore pleased to announce the appointment of Matrix Investment Funds as corporate brokers to the Company. The Board has discussed a number of initiatives with Matrix to promote the Company's unique characteristics to a wider audience which, in turn, should lead to increased demand for the Company shares. The Board will also take advantage of its share buy back facility where this is considered to be in the best interest of shareholders.

#### **Board of Directors**

Since the period end, the Board have appointed Clive Spears as a Non-Executive Director with effect from 18 May 2011. Clive has over 32 years relevant experience spanning corporate finance, treasury products, global custody, trust and fund administration, internal audit and compliance. Since his retirement in 2003, Clive has acted as a consultant and non-executive director both in the investment management industry and local commerce.

Allister Carey retired as a Director of the Company with effect from 18 May 2011. The Board would like to thank Allister for the valuable contribution he has made during his years of service as a Director of the Company and would like to wish him all the best for the future.

#### **Share Capital**

During the period, there were no changes to the Company's issued share capital. At 31 March 2011, the issued share capital consisted of 111,392,526 ordinary shares of 5p each.

#### **George Baird**

*Chairman*

23 May 2011

#### **Related Party**

Invesco Asset Management Limited ('IAML'), a wholly-owned subsidiary of Invesco Limited, acts as Manager to the Company. Details of IAML's services and fee arrangements are given in the 2010 annual financial report, which is available on the Manager's website at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).

#### **Principal Risks and Uncertainties**

The principal risks and uncertainties that could affect the Company's business can be divided into the following areas:

- Investment Policy (incorporating the investment objective);
- Market Movements and Portfolio Performance;
- The Ordinary Shares;
- Gearing;
- High Yield Corporate Bonds;
- Derivatives;
- Regulatory and Tax Related; and
- Reliance on Third Party Providers.

A detailed explanation of these principal risks and uncertainties can found on pages 20 to 23 of the latest published annual financial report which is available on the Manager's website.

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

#### **Going Concern**

This 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.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

##### **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 FSA'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.

#### **George Baird**

*Chairman*

23 May 2011

## INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2011

All investments are fixed interest bonds unless otherwise stated.

### Bonds and Equity Investments

The definitions of the Moody/Standard & Poor's ratings are set out on page 61 of the 2010 annual financial report.

COMPANY	COUPON %	MATURITY DATE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
<b>Euro</b>					
UPC	8.125	01 Dec 2017	B1/BB-	1,855	4.8
	7.625	15 Jan 2020	Ba3/B+	1,827	
	9.750	15 Apr 2018	B2/B-	1,425	
UBS Capital Securities	Floating 8.836	Perpetual	Baa3/BBB-	2,783	2.6
Unicredit	Floating 8.125	Perpetual	Baa3/BBB	2,630	2.5
General Motors – GMAC	7.500	21 Apr 2015	B1/B	1,862	2.1
– Motors Liquidation	8.375	05 Jul 2033	WR/NR	394	
Rexam	Floating 6.750	29 Jun 2067	Ba2/BB	2,078	1.9
Musketeer – Musketeer	9.500	15 Mar 2021	Caa1/B-	921	1.7
– Kabel	7.500	15 Mar 2019	B1/B+	899	
Lottomatica	Floating 8.250	31 Mar 2066	Ba2/BB	1,812	1.7
Santos Finance	8.250	22 Sep 2070	NR/BB	1,811	1.7
Lagardere	4.875	06 Oct 2014	NR/NR	1,789	1.7
Ziggo Finance	6.125	15 Nov 2017	Ba2/BB	1,768	1.7
Commerzbank	7.750	16 Mar 2021	Baa3/BBB-	1,766	1.7
Instituto de Credito Oficial	6.000	08 Mar 2021	Aa2/AA	1,755	1.6
Alliander Finance	Floating 4.875	Perpetual	A3/BBB+	1,752	1.6
Scottish & Southern Energy	5.025	Perpetual	Baa2/BBB	1,729	1.6
Bank of America	4.625	07 Aug 2017	A2/A	1,718	1.6
Allianz Finance	Floating 5.750	08 Jul 2041	A2/A+	1,714	1.6
RWE	4.625	Perpetual	Baa1/BBB+	1,701	1.6
Wind Acquisition	11.750	15 Jul 2017	B2/B+	1,121	1.4
	7.735	15 Feb 2018	Ba2/BB-	369	
Telecom Italia	5.250	17 Mar 2055	Baa2/BBB	1,308	1.2
Lloyds Banking -LBG Capital No 2 (ECN)	6.385	12 May 2020	Ba2/BB+	1,165	1.1
Ineos	9.250	15 May 2015	B1/B	956	0.9
ASML	5.750	13 Jun 2017	Baa2/NR	927	0.9
Reynolds	7.750	15 Oct 2016	Ba3/BB	919	0.9
Rhodia	7.000	15 May 2018	B1/BB	918	0.9
Campofrio	8.250	31 Oct 2016	B1/BB-	910	0.9
BPCE	Floating 9.000	Perpetual	Baa3/BBB-	908	0.9
Convatec Healthcare	7.375	15 Dec 2017	Ba3/B+	908	0.9
Abengoa	8.500	31 Mar 2016	Ba3/B+	888	0.8
Intesa Sanpaolo	Floating 8.375	Perpetual	Baa1/BBB+	887	0.8
Obrascon Huar Lain	8.750	15 Mar 2018	Ba2/NR	884	0.8
Levi Strauss	7.750	15 May 2018	B2/B+	882	0.8
Barclays Bank	6.625	30 Mar 2022	Baa1/A	876	0.8
Ifco Systems	10.000	30 Jun 2016	Ba3/BB-	515	0.5
ISS Financing	11.000	15 Jun 2014	NR/B	484	0.5
Ono Finance	11.125	15 Jul 2019	Caa2/CCC+	473	0.4
SPCM	8.250	15 Jun 2017	NR/BB-	471	0.4
Dong Energy	Floating 7.750	01 Jun 2021	Baa3/BB+	470	0.4
Mark IV Europe	8.875	15 Dec 2017	Ba3/BB-	468	0.4
Nalco	6.875	15 Jan 2019	Ba2/BB-	453	0.4
Codere Finance	8.250	15 Jun 2015	B2/B	451	0.4
OI European	6.750	15 Sep 2020	Ba2/BB+	449	0.4
Beverage Packaging	9.500	15 Jun 2017	Caa1/B-	401	0.4
Aviva	Floating 4.729	Perpetual	Baa1/BBB+	390	0.4
Hertz	7.875	01 Jan 2014	B2/B-	360	0.3
Fortis Bank	2.879	Perpetual	Ba3/BB	277	0.3
Novasep	9.625	15 Dec 2016	Caa2/B	142	0.1
				56,619	53.0
<b>Swiss Franc</b>					
Aguila 3	7.875	31 Jan 2018	B2/B	350	0.3
<b>Sterling</b>					
Santander – Santander	Floating 11.300	Perpetual	Baa2/A-	2,160	3.9
– Abbey National	5.750	02 Mar 2026	Aaa/AAA	2,055	
Virgin Media Finance	7.000	15 Jan 2018	Baa3/BBB-	2,121	
	8.875	15 Oct 2019	Ba2/BB-	1,111	3.0
Lloyds Banking – Lloyds TSB	7.625	22 Apr 2025	Baa2/BBB+	1,981	
– LBG Capital No 2 (ECN)	9.000	15 Dec 2019	Ba2/BB+	990	
Iron Mountain	7.250	15 Apr 2014	B1/B+	2,018	1.9
Intergen	9.500	30 Jun 2017	Ba3/BB-	1,605	1.5
Société Générale	Floating 8.875	Perpetual	Baa2/BBB+	1,534	1.4
Barclays Bank	Floating 14.000	Perpetual	Baa2/A-	1,296	1.2
Pipe	7.750	01 Nov 2015	B3/B-	1,041	1.0
Northern Rock	6.375	02 Dec 2019	Aa3/A	1,035	1.0
DFS Furniture	9.750	15 Jul 2017	B1/B	978	0.9
General Electric Capital	Floating 5.500	15 Sep 2066	Aa3/A+	924	0.9
Aviva	6.125	Perpetual	A3/BBB+	834	0.8
Taylor Wimpey	10.375	31 Dec 2015	B2/B+	554	0.5
William Hill	7.125	11 Nov 2016	Ba1/BB+	522	0.5
Siemens Financier	Floating 6.125	14 Sep 2066	A3/BBB+	515	0.5
Care UK	9.750	01 Aug 2017	B2/B+	506	0.5
Bakkavor Finance	8.250	15 Feb 2018	B2/B	465	0.4
AXA	Floating 6.666	Perpetual	Baa1/BBB	457	0.4
Novae	Floating 8.375	27 Apr 2017	Ba1/NR	449	0.4
Legal & General	Floating 6.385	Perpetual	Baa2/BBB+	443	0.4
Enterprise Inns	6.500	06 Dec 2018	NR/BB	442	0.4
Premier Farnell	89.2p	Cum Red Preference	NR/NR	412	0.4
BUPA Care Homes	11.800	30 Jun 2014	NR/NR	262	0.3

**Bonds and Equity Investments continued**

COMPANY	COUPON %	MATURITY DATE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
<b>Sterling</b>					
Skipton	Floating 10.000	12 Dec 2018	Ba2/NR	246	0.2
Cattles	7.125	05 Jul 2017	C	10	—
	6.875	17 Jan 2014	C	6	—
Chesapeake	10.375	15 Nov 2011	WR/NR	13	—
				26,985	25.2
<b>US Dollar</b>					
General Motors - General Motors	4.750	Preference	NR/NR	2,319	2.5
- Motors Liquidation	8.375	15 Jul 2033	WR/NR	371	
Lucent Technologies	6.450	15 Mar 2029	B1/B	2,143	2.0
Compagnie Générale de Géophysique Veritas	7.750	15 May 2017	Ba3/BB-	1,309	1.9
Cemex	9.500	15 May 2016	Ba3/BB-	695	
Ford Motor	9.250	15 May 2020	NR/NR	1,693	1.6
Northern Rock	7.450	16 Jul 2031	Ba3/B+	1,686	1.6
Hutchinson Whampoa	5.625	22 Jun 2017	Aaa/AAA	1,280	1.2
Expro Finance	6.000	Perpetual	Baa2/BBB	1,265	1.2
Stora Enso	8.500	15 Dec 2016	B2/B	1,237	1.2
Catlin Insurance	7.250	15 Apr 2036	Ba2/BB	1,184	1.1
American International	Floating 7.249	Perpetual	NR/BBB+	1,175	1.1
Citigroup	Floating 6.250	15 Mar 2037	Baa2/BBB	1,140	1.1
Ashtead Holdings	—	Preference	NR/NR	1,099	1.0
Société Générale	8.625	01 Aug 2015	B2/B+	976	0.9
Credit Suisse Guernsey	8.750	Perpetual	Baa2/BBB+	658	0.6
Aperam	Floating 7.875	24 Feb 2041	NR/NR	641	0.6
ING	7.7500	01 Apr 2018	B1/BB	636	0.6
Standard Chartered	Floating 5.775	Perpetual	Ba1/BB	575	0.5
Nordea Bank	9.500	Perpetual	A3/BBB+	353	0.3
Prudential	8.375	Perpetual	Baa2/A-	338	0.3
Rothschilds	6.500	Perpetual	Baa1/A-	288	0.3
	Floating 0.713	Perpetual	NR/NR	275	0.3
				23,336	21.9
<b>Total investments</b>				107,290	100.4

**Derivative Instruments – Credit Default Swaps**

COMPANY	NOMINAL EXPOSURE £	COUPON %	MATURITY DATE	AT MARKET VALUE £'000	% OF PORTFOLIO
<b>Euro</b>					
International Power	(1,767,643)	3.35	20 Dec 2012	94	0.1
International Power	(883,822)	3.70	20 Dec 2012	52	—
Markit iTraxx Europe Crossover Index	8,838,216	5.00	20 Jun 2015	(535)	(0.5)
Total derivatives	6,186,752			(389)	(0.4)
<b>Total investments and derivatives</b>				106,901	100.0

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	SIX MONTHS TO 31 MARCH 2011			SIX MONTHS TO 31 MARCH 2010			YEAR ENDED 30 SEPTEMBER 2010
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
Profit on investments at fair value	—	2,812	2,812	—	9,131	9,131	7,083
Exchange differences	—	(1,000)	(1,000)	—	659	659	798
(Losses)/profit on derivative instruments – currency hedges	—	(359)	(359)	—	30	30	1,923
Income							
UK dividends	13	—	13	13	—	13	27
UK interest	1,048	—	1,048	790	—	790	2,382
Overseas interest	2,238	—	2,238	2,990	—	2,990	5,072
Overseas dividends	55	—	55	4	—	4	65
Scrip dividends	—	—	—	13	—	13	13
Deposit interest	7	—	7	33	—	33	54
Investment management fee – note 2	(181)	(181)	(362)	(171)	(171)	(342)	(694)
Other expenses	(148)	(1)	(149)	(137)	(4)	(141)	(316)
<b>Profit before finance costs and taxation</b>	3,032	1,271	4,303	3,535	9,645	13,180	16,407
Finance costs	(99)	(99)	(198)	(130)	(130)	(260)	(512)
<b>Profit before and after tax and total comprehensive income</b>	2,933	1,172	4,105	3,405	9,515	12,920	15,895
<b>Earnings per ordinary share – note 4</b>	2.6p	0.1p	2.7p	3.1p	8.5p	11.6p	14.3p

The total column of this statement represents the Company's profit or loss, prepared in accordance with International Financial Reporting Standards. The supplementary revenue and capital columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations and the Company has no other gains or losses. No operations were acquired or discontinued in the period.

## CONDENSED BALANCE SHEET

	AT 31 MARCH 2011 £'000	AT 31 MARCH 2010 £'000	AT 30 SEPTEMBER 2010 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	106,901	104,543	93,122
<b>Current assets</b>			
Prepayments and accrued income	2,822	2,961	2,330
Cash and cash equivalents	5,160	3,146	8,684
	7,982	6,107	11,014
<b>Total assets</b>	<b>114,883</b>	<b>110,650</b>	<b>104,136</b>
<b>Current liabilities</b>			
Amounts due to brokers	—	(357)	—
Accruals	(308)	(261)	(292)
Derivative financial instruments – loss on forward currency contracts unrealised	(926)	(745)	(1,156)
Securities sold under agreements to repurchase	(40,352)	(38,893)	(29,319)
	(41,586)	(40,256)	(30,767)
<b>Net assets</b>	<b>73,297</b>	<b>70,394</b>	<b>73,369</b>
<b>Issued capital and reserves attributable to equity holders</b>			
Share capital	5,570	5,570	5,570
Share premium	113,634	113,634	113,634
Capital reserve	(57,352)	(58,209)	(58,524)
Revenue reserve	11,445	9,399	12,689
<b>Shareholders' funds</b>	<b>73,297</b>	<b>70,394</b>	<b>73,369</b>
<b>Net asset value per ordinary share – note 5</b>	<b>65.8p</b>	<b>63.2p</b>	<b>65.9p</b>

## CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS ENDED 31 MARCH 2011 £'000	SIX MONTHS ENDED 31 MARCH 2010 £'000	YEAR ENDED 30 SEPTEMBER 2010 £'000
<b>Cash flow from operating activities</b>			
Profit before tax	4,105	12,920	15,895
Scrip dividends received as income	—	(13)	—
Adjustments for:			
Purchases of investments	(36,614)	(43,444)	(65,751)
Sales of investments	25,649	31,121	62,429
	(10,965)	(12,323)	(3,322)
Increase from securities sold under agreement to repurchase	11,033	13,339	3,765
Profit on investments	(2,812)	(9,131)	(7,083)
Exchange differences	1,000	(659)	(798)
(Losses)/profit on derivative financial instruments	359	(30)	(1,923)
Finance costs	198	260	512
<b>Operating cash flows before movements in working capital</b>	<b>2,918</b>	<b>4,363</b>	<b>7,046</b>
Increase in receivables	(493)	(956)	(304)
Increase/(decrease) in payables	23	(27)	(9)
<b>Net cash flows from operating activities before and after tax</b>	<b>2,448</b>	<b>3,380</b>	<b>6,733</b>
<b>Cash flows from financing activities</b>			
Interest paid	(206)	(247)	(505)
Equity dividends paid	(4,177)	(5,570)	(5,570)
<b>Net cash flows from financing activities</b>	<b>(4,383)</b>	<b>(5,817)</b>	<b>6,075</b>
Net (decrease)/increase in cash and cash equivalents	(1,935)	(2,437)	658
Realised (losses)/profits on foreign exchange	(1,000)	659	798
Realised (losses)/profits on derivative financial instruments	(589)	(1,026)	1,278
Cash and cash equivalents at the beginning of the period	8,684	5,950	5,950
<b>Cash and cash equivalents at the end of the period</b>	<b>5,160</b>	<b>3,146</b>	<b>8,684</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 2011</b>					
At 1 October 2010	5,570	113,634	(58,524)	12,689	73,369
Total comprehensive income for the period	—	—	1,172	2,933	4,105
Dividend paid – note 3	—	—	—	(4,177)	(4,177)
<b>At 31 March 2011</b>	<b>5,570</b>	<b>113,634</b>	<b>(57,352)</b>	<b>11,445</b>	<b>73,297</b>
<b>For the six months ended 31 March 2010</b>					
At 1 October 2009	5,570	113,634	(67,724)	11,564	63,044
Total comprehensive income for the period	—	—	9,515	3,405	12,920
Dividends paid – note 3	—	—	—	(5,570)	(5,570)
<b>At 31 March 2010</b>	<b>5,570</b>	<b>113,634</b>	<b>(58,209)</b>	<b>9,399</b>	<b>70,394</b>
<b>For the year ended 30 September 2010</b>					
At 1 October 2009	5,570	113,634	(67,724)	11,564	63,044
Total comprehensive income for the period	—	—	9,200	6,695	15,895
Dividends paid – note 3	—	—	—	(5,570)	(5,570)
<b>At 30 September 2010</b>	<b>5,570</b>	<b>113,634</b>	<b>(58,524)</b>	<b>12,689</b>	<b>73,369</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 2010 annual financial report. They have been prepared on an historic 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 sought to prepare 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. 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 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.

### 3. Dividends paid

	SIX MONTHS TO 31 MAR 2011 £'000	SIX MONTHS TO 31 MAR 2010 £'000	YEAR TO 30 SEPT 2010 £'000
Second interim of 2.5p	2,785	2,785	2,785
First interim of 1.25p (2010: 2.5p)	1,392	2,785	2,785
<b>Total paid</b>	<b>4,177</b>	<b>5,570</b>	<b>5,570</b>

The first interim for the quarter ended 21 December 2010 was paid on 31 January 2011 to Shareholders on the register on 14 January 2011. The second interim of 1.25p for the quarter ended 31 March 2011 was paid on 28 April 2011 to Shareholders on the register on 15 April 2011.

### 4. Basis of Earnings

	SIX MONTHS TO 31 MAR 2011	SIX MONTHS TO 31 MAR 2010	YEAR TO 30 SEPT 2010
Profit after tax:			
Revenue	£2,933,000	£3,405,000	£6,695,000
Capital	£1,172,000	£9,515,000	£9,200,000
<b>Total</b>	<b>£4,105,000</b>	<b>£12,920,000</b>	<b>£15,895,000</b>
Number of shares in issue during the period	111,392,526	111,392,526	111,392,526

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

	AT 31 MAR 2011	AT 31 MAR 2010	AT 30 SEPT 2010
Shareholders' funds	£73,297,000	£70,394,000	£73,369,000
Ordinary shares in issue at period end	111,392,526	111,392,526	111,392,526

### 6. Movements in Share Capital

	SIX MONTHS TO 31 MAR 2011	SIX MONTHS TO 31 MAR 2010	YEAR TO 30 SEPT 2010
Number of 5p ordinary shares:			
Brought forward	111,392,526	111,392,526	111,392,526
Issued or cancelled in period	—	—	—
<b>In issue at period end</b>	<b>111,392,526</b>	<b>111,392,526</b>	<b>111,392,526</b>

### 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 2010 and 2011 have not been audited. The figures and financial information for the year ended 30 September 2010 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 2011

## DIRECTORS AND ADVISERS

### Directors

George Baird (Chairman)  
Donald Adamson (Audit Committee Chairman)  
Allister Carey (retired 18 May 2011)  
Gordon Neilly  
Clive Spears (appointed 18 May 2011)  
Hugh Ward

### Investment Manager

Invesco Asset Management Limited  
30 Finsbury Square,  
London EC2A 1AG  
☎ 020 7065 4000  
🌐 [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.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

Matrix Corporate Capital LLP  
One Vine Street,  
London W1J 0AH

### Transfer Agent

Capita Registrars  
The Registry,  
34 Beckenham Road  
Beckenham, Kent BR3 4TU  
If you hold your shares directly and have any queries you should contact the transfer agent on:

☎ 0871 664 0454  
Calls cost 10p per minute plus network extras.  
Lines are open from 8.30am to 5.30pm every working day.

The transfer agent provides shareholding registration services for existing shareholders as follows:

☎ 0870 458 4577  
🌐 [www.capitashareportal.com](http://www.capitashareportal.com) or [www.capitaregistrars.com](http://www.capitaregistrars.com)

Calls cost 10p per minute plus network extras.  
Lines are open from 8.00am to 4.30pm every working day.

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 0364  
Calls cost 10p per minute plus network extras.  
Lines are open from 8.00am to 4.30pm every working day.

### Savings Scheme and ISA Administration

For both the Invesco Perpetual Trust Savings Scheme and ISA, contact:

Invesco Perpetual  
Perpetual Park,  
Perpetual Park Drive  
Henley-on-Thames,  
Oxfordshire RG9 1HL  
☎ 0800 085 8677

### Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to assist you from 8.30am to 6pm every working day on:

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



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