Invesco Leveraged High Yield Fund Limited

ANNUAL FINANCIAL REPORT
YEAR ENDED 30 SEPTEMBER 2011

Invesco Leveraged High Yield Fund Limited

Annual Financial Report 2011

If you have any queries about 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

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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 (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 can be found on pages 15 and 16.

Share Capital

As at 30 September 2011, the issued share capital consisted of 111,392,526 ordinary shares of 5p each.

Dividend Re-investment Plan

Capita Registrars manage a Dividend Re-investment Plan for the Company. Shareholders wishing to re-invest their dividends should contact Capita Registrars whose contact details can be found on page 13.

ISA Eligibility

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

Repo Financing

The Company participates in sale and repurchase (repo financing) 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.

Glossary of Terms

There is a glossary of terms on pages 60 and 61 which defines some of the more technical terms used in the annual financial report.

The Company is a member of

aic

The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

Terms marked † are defined in the Glossary of Terms on page 60.

Balance sheet at 30 September	2011	2010	% CHANGE
Shareholders' funds (£'000)	60,476	73,369	–17.6
Net asset value† per ordinary share	54.3p	65.9p	–17.6
Mid-market price per ordinary share	50.0p	62.8p	–20.4
Discount† per ordinary share	7.9%	4.7%	
Gross gearing†	68%	40%	
Net gearing†	54%	28%	

Total Return	YEAR ENDED 30 SEPTEMBER 2011	YEAR ENDED 30 SEPTEMBER 2010	
3 month LIBOR rate	1.0%	0.7%	
Net asset value†			–8.1
Share price			–11.7
Revenue			
Gross income (£'000)	7,203	7,613	
Net revenue available for ordinary shares (£'000)	6,283	6,695	
Dividends per ordinary share:			
– First interim	1.25p	2.50p	
– Second interim	1.25p	2.50p	
– Third interim	1.25p	—	
– Fourth interim	1.25p	—	
– Total	5.00p	5.00p	
Total Expense Ratio†			
– excluding performance fee	1.4%	1.5%	
– including performance fee	1.4%	1.5%	
Return per Ordinary Share			
Revenue return	5.6p	6.0p	
Capital return	(10.9)p	8.3p	
Total return	(5.3)p	14.3p	

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
2002(3)	6,080	2,707	2,474	23.75	53,532	47.0	62.5
2003	6,216	3,927	1,594	10.00	63,200	107.5	85.0
2004	4,478	2,786	1,594	10.00	35,447	102.0	107.5
2005	2,948	2,196	2,000	10.00	43,301(4)	105.2(4)	108.0
2006	4,290	3,311	2,248	10.00	85,628	105.0	109.8
2007	8,222	6,475	4,985	10.00	146,475	101.7	102.5
2008	12,859	10,222	6,255	7.50	135,171	62.1	65.3
2009	7,378	6,406	5,570	5.00	88,598	56.6	55.0
2010	7,613	6,695	5,570	5.00	102,688	65.9	62.8
2011	**7,203**	**6,283**	**5,570**	**5.00(5)**	**101,701**	**54.3**	**50.0**

(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.

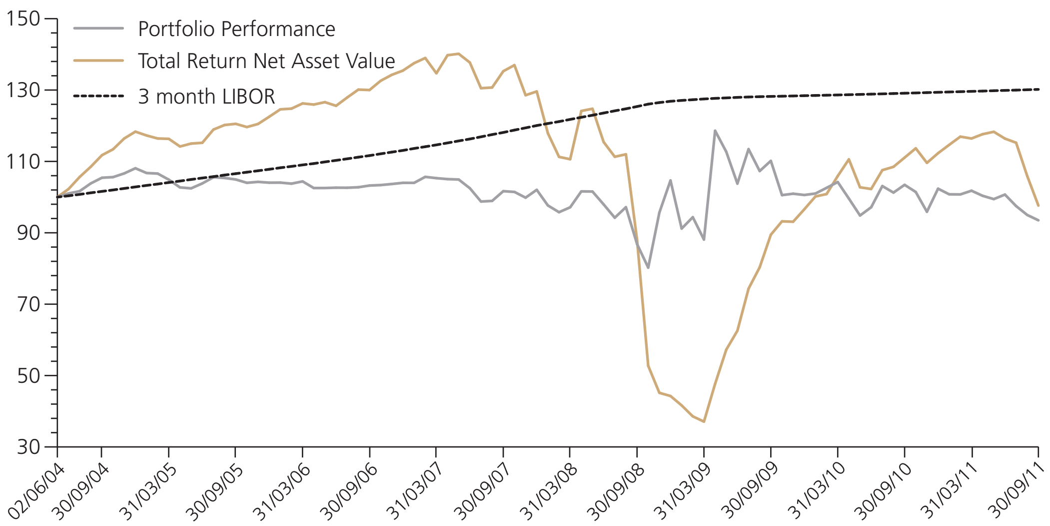
(3) The figures for 2002 onwards reflect the change to charge 50% of management fees and finance costs to revenue from 1 April 2002. Previously these were charged 100% to revenue.

(4) Restated for International Financial Reporting Standards.

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

Portfolio Performance Compared to 3 Months LIBOR and Total Return Net Asset Value

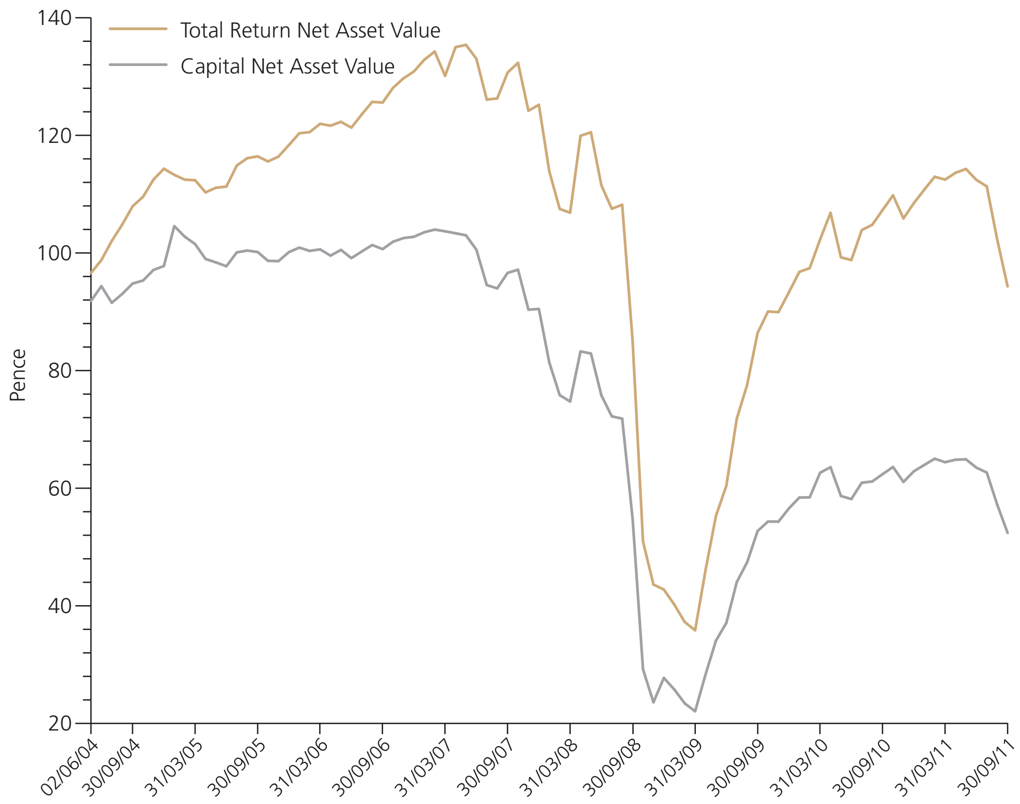
All figures rebased to 100 at 2 June 2004 (change of financial structure)



FINANCIAL INFORMATION AND PERFORMANCE STATISTICS
continued

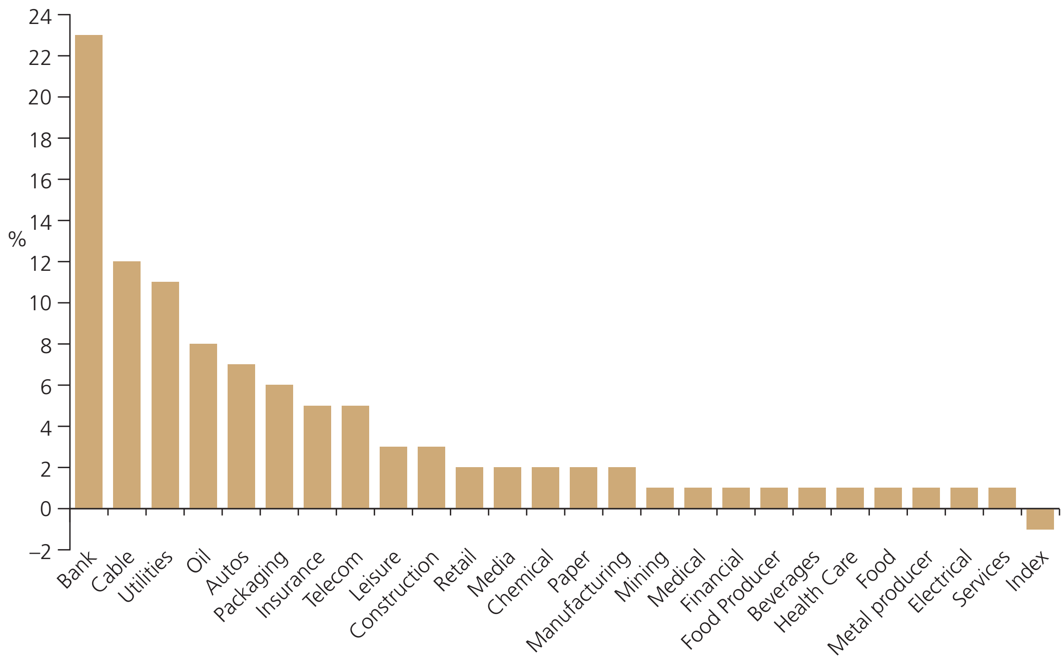
Total Return vs Capital Return

For the period 2 June 2004 to 30 September 2011



Split of Investments by Sector

At 30 September 2011



CHAIRMAN'S STATEMENT

Introduction

In the period from October 2010 to July 2011 both the share price and the NAV of the Company exhibited low volatility and the Company continued to pay a well-covered quarterly dividend of 1.25p. Sentiment, however, took a sharp and decisive nose-dive during the summer months leading to a significant decline in the net asset value (NAV) and share price.

Results for the year

Against this background, the Company's net asset value ('NAV') per share declined by 17.6% to 54.3p. The market price of the Company's ordinary shares fell by 20.4% to 50p at the year end. NAV total return per share fell 8.1% after fees and expenses.

Dividend

Despite the harsh economic backdrop, default rates are running at historic low levels and the bonds we invest in continue to pay their coupons. Consequently, the Company has adequate head-room to pay shareholders the current dividend rate of 5 pence per annum. The Board declared a 4th interim dividend of 1.25 pence per share, making a total of 5 pence for the year (2010: 5 pence). The Board intends that in the absence of unforeseen circumstances the Company will maintain an annual dividend of not less than 5 pence per share, paid in equal quarterly instalments. One of the unique benefits of closed-end funds is their ability to smooth dividend payments through the use of the revenue reserve when required. The Company has built significant revenue reserves equivalent to 2 years of annual dividends. The fund continues to produce earnings per share (5.6 pence per share) in excess of the annual cost of the dividend and the Board and Manager expect this situation to continue for the foreseeable future.

Share Buy Backs

Your Directors are again seeking the authority to buy back up to 16,697,739 shares (14.99% of the Company's issued share capital as at 28 November 2011) subject to the restrictions referred to in the notice of the AGM.

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.

Gearing

The Company's level of net gearing has been raised throughout the year, standing at 54% as at the end of September. The Company continues to benefit from the very low interest rate environment through the use of low cost repo financing which affords the Manager an ability to achieve an attractive 'carry' on the investments.

The Board

There were changes to the Board this year. Clive Spears was appointed as a Director of the Company from 18 May 2011. His biography is included on page 12 of this report detailing his years of experience spanning many areas of finance.

The Board would also like to acknowledge a debt of gratitude to Allister Carey, who retired from the Board this year. The Board and shareholders have been well served by his involvement with the Company since its launch in 1999 and we wish him well for the future.

Looking ahead, Hugh Ward has indicated his intention to stand down from the Board at the end of the next financial year. The Board is undertaking a detailed review of its governance requirements and future structure with a view to enhance further its expertise and experience over the coming year.

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.

Outlook

The situation in the Eurozone seems likely to loom large for the foreseeable future as World leaders’ battle to find a solution for the most indebted nations without crippling their own fragile economies. Coupled with US elections a year from now, politics will continue to influence sentiment with heightened volatility likely to remain a feature of most asset classes, including high yield bonds. These conditions present both risks and opportunities for managers prepared to back their long-term convictions. One such area of focus for the Investment Managers is the European financial sector where current yields offer attractive risk/returns attributes. The Board of Invesco Leveraged High Yield Fund continues to believe it has the right team in place to take advantage of these opportunities as they arise.

George Baird
Chairman
1 December 2011

INVESTMENT MANAGER'S REPORT

Market Background

The 12 month period to the end of September 2011 saw two distinct phases of investor sentiment in the corporate bond market. In the last months of 2010 and the first few months of this year, hopes for economic recovery and rising inflation encouraged investment in corporate debt, narrowing yield spreads over government bonds and leading to outperformance for more credit-intensive investments such as high yield. This has been more than reversed in the last few months by a strong move towards core government bonds and other more interest rate-sensitive investments and away from credit risk. As a result, over the whole period, euro corporate debt provided negative returns, with high yield bonds underperforming.

According to data from Merrill Lynch, European high yield bonds suffered a negative total return for the 12 months of 7.5% (in sterling terms). The aggregate yield for the sector rose 369 basis points (bps) to 11.57% and the spread over government bonds widened 391bps to 990bps. Euro BBB corporate bonds returned a negative 3.9%, the aggregate yield rising 187bps to 5.98%. By comparison, the German 10 year Bund yield was 39bps lower at 1.89%. These 12 month movements somewhat disguise the reality of very abrupt mark-to-market re-pricing of many of our portfolio's holdings in thin trading conditions in Q3 2011.

High yield issuance remained strong in Europe for much of the year as companies were attracted by low interest rates and high demand. However, issuance slowed right down as market volatility picked up in May and June. Almost no deals have come to the market since. These slower conditions have not been accompanied by rising defaults. In fact, default rates have continued to move lower. According to Moody's, the global high yield default rate fell to 1.8% in Q3 2011, down from 2.3% in Q2 and from 4.0% in Q3 2010.

The financials sector, bank debt in particular, has had volatile returns through this period. Financials tend to be sensitive to the outlook for economic growth but other, industry-specific, factors were even more important. On the one hand, bank balance sheets have got stronger and the regulatory environment that is emerging from the Basel III recommendations should be positive to bank debt for years to come. These positive factors helped the sector to outperform the general credit market for periods of the last year. On the other hand, banks (and other financials) have direct exposure to the sovereign bonds at the centre of the Eurozone crisis. The market's assessment of contagion risk has been the biggest driver of performance. Increasing fears about Spanish and Italian sovereign debts sparked a severe sell off in the third quarter of 2011. The euro tier one subordinated bank debt sector ended the 12 month period with a negative total return of 18.8% (in sterling terms), its yield 931bps higher at 17.1% and its spread over government bonds up 897bps. The total return in Q3 2011 was a negative 25.0%

Economic indicators have been generally disappointing over recent months. In the UK, high levels of unemployment and low wage growth are continuing to depress consumption. After strong growth in the first quarter of 2011, activity was slower in the Eurozone in the second quarter and forward-looking business and consumer sentiment suggests continuing weakness. A further shadow is cast over the economic outlook by the Eurozone debt crisis. Ireland and Portugal joined Greece in receipt of support packages from the Eurozone authorities and the International Monetary Fund in November and April respectively. Some progress was made in July with the agreement by the heads of governments of enhanced powers for the European Financial Stability Facility and a further package of debt relief for these three members (including an agreed haircut for private sector holders of Greek bonds). But the ratification process has been slow and has revealed political disagreements between and within states. Meanwhile, Greece's worsening economic plight and increasing borrowing costs for the governments of Spain and Italy have prompted the European Central Bank to intervene in the bond market and pushed policymakers to consider the need for a much larger package to finally re-establish confidence in the European bond market and financial sector.

Portfolio Strategy

Our main investment themes in credit markets remain in place. We continue to see value in banks and financials, where we favour both subordinated and senior debt of predominately larger northern European banks. Current yields offer real value, even in the context of their higher volatility. After the recent sell-off we now see more opportunities across the lower end of investment grade and in better quality high yield. That sell-off has been significant. In Q3 2011 the average euro subordinated financial price fell from 100 to 83 and the average European high yield bond price fell from 96 to 85. This has led to disappointing returns but we have not changed our long-term strategy.

Over the year under review, the Company's NAV fell from 65.9p to 54.3p, with the fall concentrated in the final three months. We commenced the year with net gearing of 28% with net assets of £73 million. Net gearing at the end of the year increased to 54%, while net assets fell to £60 million. Funding costs remain very reasonable, consistently below 2%. This means we have an attractive carry on our investments. The dividend, at 5p, is well covered.

Over the earlier part of the period, we added a number of new issues where we found yields attractive. These included Dong Energy 7.75% (utilities), Nalco 6.875% (chemical), Thames Water 7.75% (utilities) and Aperam 7.75% (metal producer). Sales included Tate & Lyle 6.75% (food producer) and Lucent 6.45% (telecom equipment). During the summer, with spreads widening and markets volatile, we added positions including Intesa Sanpaola 8.375% (bank), Odeon 9% (leisure) and Sappi Papier 6.625% (paper). We have topped up favoured names and added names at a discount to issue price. Sales have included Cemex 9.25% (industrial), Ford 7.45% (autos) and Abbey National (Santander) 5.75% (bank).

Outlook

The higher volatility we have seen in the corporate bond market is unlikely to abate until there is some resolution of the Eurozone debt crisis. At time of writing, a further major package of support is expected from the European authorities and this may provide some stability. Away from the crisis, the fundamentals of the corporate sector remain strong in most cases. Progress has been made in improving corporate finances since the credit crisis of 2007-9 and levels of cash on balance sheets have grown, giving companies some protection from volatility in the corporate bond market. Indeed this improvement in the corporate sector contrasts positively with government and household balance sheets. At current yields, we think that there are many opportunities to put capital to work and we are doing so in a disciplined manner. While we do not expect interest rates to rise quickly from these low levels, neither do we think that yields on core government bonds represent a good real rate of return over the medium to longer term. The high yield market appears to us to offer a good balance of reward to risk and to offer the opportunity to capture attractive levels of income.

Paul Read/Paul Causer
Investment Managers
1 December 2011

INVESTMENT PORTFOLIO

AT 30 SEPTEMBER 2011

All investments are fixed interest bonds unless otherwise stated.

The definitions of the Moody/Standard & Poor ratings below are set out on page 61.

Bonds and Equity Investments

COMPANY	COUPON %	MATURITY DATE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
Euro					
UPC	8.125	01 Dec 2017	B1/BB–	1,720	
	7.625	15 Jan 2020	Ba3/B+	1,600	5.1
	9.750	15 Apr 2018	B2/B–	1,236	
Ally Financial	7.500	21 Apr 2015	B1/B+	3,099	3.4
UBS Capital Securities	Floating 8.836	Perpetual	Baa3/BBB–	2,398	2.7
Santos Finance	Floating 8.250	22 Sep 2070	NR/BB	2,289	2.5
Telecom Italia	5.250	17 Mar 2055	Baa2/BBB	1,128	2.1
	7.750	24 Jan 2033	Baa2/BBB	817	
Rexam	Floating 6.750	29 Jun 2067	Ba2/BB	1,823	2.0
Lagardere	4.875	06 Oct 2014	NR/NR	1,732	1.9
Alliander Finance	Floating 4.875	Perpetual	A3/A–	1,698	1.9
Unicredit	Floating 8.125	Perpetual	Baa3/BBB	1,694	1.9
Ziggo Finance	6.125	15 Nov 2017	Ba1/BB	1,676	1.9
Kabel	7.500	15 Mar 2019	B1/B+	831	1.8
Musketeer	9.500	15 Mar 2021	Caa1/B–	775	
SSE	5.025	Perpetual	Baa2/BBB	1,599	1.8
RWE	Floating 4.625	Perpetual	Baa2/BBB	1,584	1.8
Origin	Floating 7.875	16 Jun 2071	Baa3/BB	1,533	1.7
Bank of America	4.625	07 Aug 2017	Baa1/A	1,501	1.7
Allianz Finance	Floating 5.750	08 Jul 2041	A2/A+	1,357	1.5
Lottomatica	Floating 8.250	31 Mar 2066	Ba2/BB	1,326	1.5
Commerzbank	7.750	16 Mar 2021	Baa3/BBB–	1,325	1.5
Wind Acquisitions	11.750	15 Jul 2017	B2/BB–	774	1.2
	7.375	15 Feb 2018	Ba2/BB	289	
Intesa Sanpaola	Floating 8.375	Perpetual	Baa2/BBB	864	1.0
Levi Strauss	7.750	15 May 2018	B2/B+	861	1.0
Lloyds Banking – LBG Capital No 2 (ECN)	6.385	12 May 2020	Ba2/BB+	851	0.9
Ineos	9.250	15 May 2015	Ba3/B	826	0.9
Reynolds	8.750	15 Oct 2016	Ba3/BB–	822	0.9
Campofrio	7.750	31 Oct 2016	Ba3/BB–	799	0.9
Abengoa	8.500	31 Mar 2016	Ba3/B+	793	0.9
Convatec	7.375	15 Dec 2017	Ba3/B+	776	0.9
Xefin	8.000	01 Jun 2018	Ba3/B+	747	0.8
BPCE	Floating 9.000	Perpetual	Baa3/BBB+	669	0.7
Rexel	7.000	17 Dec 2018	Ba3/BB–	565	0.6
Nalco	6.875	15 Jan 2019	Ba2/BB–	467	0.5
Zinc Capital	8.875	15 May 2018	B2/B+	454	0.5
ISS Financing	11.000	15 Jun 2014	NR/B	442	0.5
Dong Energy	Floating 7.750	01 Jun 2021	Baa3/BB+	438	0.5
Mark IV Europe	8.875	15 Dec 2017	Ba3/BB–	424	0.5
SPCM	8.250	15 Jun 2017	NR/BB	414	0.4
OI European	6.750	15 Sep 2020	Ba2/BB+	398	0.4
Codere Finance	8.250	15 Jun 2015	B2/B	381	0.4
Fiat Finance	6.375	01 Apr 2016	Ba3/BB	362	0.4
Sappi Papier	6.625	15 Apr 2018	Ba2/BB	348	0.4
Hertz	7.875	01 Jan 2014	B2/B–	334	0.4
Aviva	Floating 4.729	Perpetual	Baa1/BBB+	299	0.3
Ono Finance	11.125	15 Jul 2019	Caa1/CCC+	280	0.3
Beverage Packaging	9.500	15 Jun 2017	Caa1/B–	258	0.3
Fortis	3.531	Perpetual	Ba3/BB	139	0.2
Novasep	0.000	15 Dec 2016	Ca/D	99	0.1
				49,914	55.5
Swiss Franc					
Aguila 3	7.875	31 Jan 2018	B2/B	322	0.3
Sterling					
Virgin Media Finance	7.000	15 Jan 2018	Baa3/BBB–	2,083	3.5
	8.875	15 Oct 2019	Ba2/BB–	1,042	
Lloyds Banking – Lloyds TSB	7.625	22 Apr 2025	Baa2/BBB+	1,598	2.6
– LBG Capital No 2 (ECN)	9.000	15 Dec 2019	Ba2/BB+	765	
Iron Mountain	7.250	15 Apr 2014	B1/B+	1,995	2.2
Santander	Floating 11.300	Perpetual	Baa2/A–	1,867	2.1
Intergen	9.500	30 Jun 2017	Ba3/BB–	1,515	1.7
Barclays	Floating 14.000	Perpetual	Baa2/A–	1,055	1.2

INVESTMENT PORTFOLIO
continued

COMPANY	COUPON %	MATURITY DATE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
Northern Rock	6.375	02 Dec 2019	Aa3/A	1,028	1.1
Thames Water	7.750	01 Apr 2019	B1/NR	936	1.0
Société Générale	Floating 8.875	Perpetual	Baa2/BBB+	904	1.0
Southern Water	8.500	15 Apr 2019	NR/BB–	903	1.0
Pipe	9.500	01 Nov 2015	B3/B–	885	1.0
DFS Furniture	9.750	15 Jul 2017	B1/B	857	0.9
General Electric Capital	Floating 5.500	15 Sep 2066	Aa3/A+	822	0.9
Enterprise Inns	6.500	06 Dec 2018	NR/BB	720	0.8
Aviva	6.125	Perpetual	A3/BBB+	663	0.7
Taylor Wimpey	10.375	31 Dec 2015	B2/B+	525	0.6
William Hill	7.125	11 Nov 2016	Ba1/BB+	497	0.6
Novae	Floating 8.375	27 Apr 2017	Ba1/NR	445	0.5
Odeon & UCI Finco	9.000	01 Aug 2018	B3/B	440	0.5
EDP Finance	8.625	04 Jan 2024	Baa3/BBB	433	0.5
Care UK	9.750	01 Aug 2017	B2/B+	421	0.5
Matalan	8.875	29 Apr 2016	Ba2/BB	413	0.4
Premier Farnell	89.2p	Cum Red Pref	NR/NR	405	0.4
Legal & General	Floating 6.385	Perpetual	Baa2/BBB+	367	0.4
Bakkavor	8.250	15 Feb 2018	B2/B	343	0.4
AXA	Floating 6.667	Perpetual	Baa1/BBB	308	0.3
Bupa Care Homes	11.800	30 Jun 2014	Deb 1st Mg	273	0.3
Boparan	9.875	30 Apr 2018	Ba3/B+	234	0.3
Skipton	Floating 10.000	12 Dec 2018	Ba2/NR	227	0.3
Cattles	6.875	17 Jan 2014	C	13	—
	7.125	05 Jul 2017	C	6	
Chesapeake	10.375	15 Nov 2011	WR/NR	13	—
				25,001	27.7
US Dollar					
General Motors	4.750	Preference	NR/NR	1,740	
	USD 2.375	Equity	Equity	220	
		10 Jul 2016	Warrant	116	2.3
		10 Jul 2019	Warrant	80	
General Motors (Escrow)		15 Jul 2033	NR/NR	10	
Compagnie Générale de	7.750	15 May 2017	Ba3/BB–	1,261	2.1
Géophysique Veritas	9.500	15 May 2016	Ba3/BB–	656	
Northern Rock	5.625	22 Jun 2017	Aaa/AAA	1,351	1.5
Hutchison Whampoa	6.000	Perpetual	Baa2/BBB	1,223	1.4
Expro Finance	8.500	15 Dec 2016	B2/B–	1,139	1.3
Catlin Insurance	Floating 7.249	Perpetual	NR/BBB+	1,101	1.2
Vedanta Resources	6.750	07 Jun 2016	Ba2/BB	1,088	1.2
Stora Enso	7.250	15 Apr 2036	Ba2/BB	1,075	1.2
Citigroup		Preference	NR/NR	726	0.8
Aperam	7.750	01 Apr 2018	B1/BB	566	0.6
Chrysler	8.000	15 Jun 2019	B2/B	506	0.6
Cemex	9.250	12 May 2020	NR/NR	490	0.5
Société Générale	8.750	Perpetual	Baa2/BBB+	486	0.5
ING	Floating 5.775	Perpetual	Ba1/BBB–	469	0.5
Standard Chartered	Floating 9.500	Perpetual	A3/BBB+	332	0.4
Nordea	Floating 8.375	Perpetual	Baa2/A–	326	0.3
Prudential	6.500	Perpetual	Baa1/A–	269	0.3
Rothschilds	Floating 0.813	Perpetual	NR/NR	267	0.3
				15,497	17.0
Total investments				90,734	100.5

Derivative Instruments – Credit Default Swaps

COMPANY	NOTIONAL EXPOSURE £'000	COUPON %	MATURITY DATE	AT MARKET VALUE £'000	% OF PORTFOLIO
Euro					
International Power	(1,721,689)	3.35	20 Dec 2012	54	0.1
International Power	(860,844)	3.70	20 Dec 2012	30	—
Markit iTraxx Europe Crossover Index	(4,304,222)	5.00	20 Jun 2016	(521)	(0.6)
Total derivatives	(6,886,755)			(437)	(0.5)
Total investments and derivatives				90,297	100.0

TOP TEN INVESTMENTS

All investments are fixed interest bonds unless otherwise stated.

COMPANY	COUPON %	MATURITY DATE	2011 AT MARKET VALUE £'000	2011 % OF PORTFOLIO	2010 AT MARKET VALUE £'000	2010 % OF PORTFOLIO
UPC	8.125	01 Dec 2017	1,720		1,818	
	7.625	15 Jan 2020	1,600	5.1	1,805	5.4
	9.750	15 Apr 2018	1,236		1,393	
Lloyds TSB & LBG Capital	7.625	22 Apr 2025	1,598		2,125	
	6.385	12 May 2020	851	3.5	379	3.7
	9.000	15 Dec 2019	765		—	
	7.869	25 Aug 2020	—		941	
Virgin Media Finance	7.000	15 Jan 2018	2,083	3.5	2,130	3.5
	8.875	15 Oct 2019	1,042		1,123	
Ally Financial	7.500	21 Apr 2015	3,099	3.4	1,778	2.5
	6.625	17 Dec 2010	—		594	
UBS Capital Securities	Floating 8.836	Perpetual	2,398	2.7	2,698	2.9
Northern Rock	5.625	22 Jun 2017	1,351	2.6	1,343	2.5
	6.375	02 Dec 2019	1,028		1,025	
Santos Finance	Floating 8.250	22 Sep 2070	2,289	2.5	—	0.9
	8.250	22 Sep 2017	—		877	
General Motors						
– General Motors	4.750	Preference	1,740		—	
– General Motors	USD 2.375	Equity	220		—	
– General Motors (warrants)		10 Jul 2016	116		—	
– General Motors (warrants)		10 Jul 2019	80	2.4	—	1.5
– General Motors (Escrow)		15 Jul 2033	10		—	
– Motors Liquidation	8.375	05 Jul 2033	—		940	
– Motors Liquidation	8.375	15 Jul 2033	—		423	
Iron Mountain	7.250	15 Apr 2014	1,995	2.2	1,975	2.1
Telecom Italia	5.250	17 Mar 2055	1,128	2.1	—	—
	7.750	24 Jan 2033	817		—	

DIRECTORS

George Baird, *(Jersey resident) (Chairman of the Board)*

Mr. Baird was appointed a Director of the Company on 15 October 1999. He graduated from Dundee University in 1971, joined Arthur Young McLelland Moores & Co. and became a member of the Institute of Chartered Accountants of Scotland in 1975. After working in Local Government in Scotland, he moved to Jersey in 1980 and was appointed Treasurer of the States of Jersey in 1991. Prior to his retirement in 2002 he was group finance director with Mourant du Feu & Jeune. He is chairman of Saltus European Debt Strategies Ltd and a director of AI Airports International Ltd, PI Power International Ltd and LXB Retail Properties plc.

Donald Adamson *(Jersey resident) (Chairman of the Audit and Management Engagement Committees)*

Mr. Adamson was appointed a Director of the Company on 15 October 1999. He has over 29 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.

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 Institute for Securities and Investment.

Gordon Neilly, *(UK resident)*

Mr. Neilly was appointed a Director of the Company on 15 October 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 is managing director of investment companies and general financials at Canaccord Genuity and a non-executive director of Personal Assets Trust plc.

Hugh Ward *(Jersey resident)*

Mr. Ward was appointed a Director of the Company on 15 October 1999. He has worked in the investment services industry since 1971 during which time he held senior executive positions with Schroders, Capital House and Invesco where he was until 2002 chief executive Officer of the Group UK and offshore business. He is a resident of Jersey and since his retirement from full time duties has acted as a consultant or non-executive director for a number of companies within the investment and property sectors. He is a member of the Institute of Directors and the Chartered Institute for Securities and Investment.

All Directors are independent and non-executive.

All Directors are members of the Audit and Management Engagement Committees.

Allister Carey retired on 18 May 2011.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Manager

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
PO Box 378
St Helier
Jersey JE4 0FF
☎ 0871 664 0300
Calls cost 10p per minute plus network extras. Lines are open between 8.30 a.m. and 5.30 p.m. every working day.

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.

Shareholders can also access their details via Capita's website: www.capitaregistrars.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 0364
Calls cost 10p per minute plus network extras. Lines are open between 8.00 a.m. and 4.30 p.m. every working day.

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

Matrix Investment Funds
One Vine Street
London
W1J 0AH

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to assist you from 8.30 a.m. to 6.00 p.m. every working day. Please feel free to take advantage of their expertise by ringing ☎ 0800 085 8677.

SHAREHOLDER INFORMATION

The shares of 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, The Times, The Independent and The Evening Standard.

In addition, share price information can be found under the following:

Reuters	ILH.L
Bloomberg	ILH.LN

Internet addresses

TrustNet	www.trustnet.com
Interactive Investor	www.iii.co.uk
Association of Investment Companies	www.theaic.co.uk

Savings Plan and ISA

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

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 £25 per month or through lump sum investments from £1,000.

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to £10,680 in shares of Invesco Leveraged High Yield Fund Limited in each tax year. Investors can also choose to make lump sum investments from £500, or regular investments from £20 per month.

For full details of these Invesco Perpetual investment schemes please contact the Invesco Perpetual's Investor Services Team free on ☎ 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 10.30 a.m. on Wednesday, 25 January 2012 at R&H Fund Services (Jersey) Limited, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Introduction

The Directors have pleasure in presenting their Report for the year ended 30 September 2011, which incorporates the Business Review and Corporate Governance Statement.

Nature of the Company

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.

Life of the Company

In accordance with the Company's Articles of Association (the 'Articles'), the Company held an Extraordinary General Meeting ('EGM') on 29 September 2009 at which shareholders passed an ordinary resolution sanctioning and approving the continuation of the Company as a closed-ended investment company. The Articles require a further ordinary resolution (a 'subsequent continuation resolution') to approve the continuation of the Company as a closed-ended investment company to be proposed at the fifth subsequent Annual General Meeting ('AGM') of the Company. 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 next continuation resolution will be proposed at the Company's AGM due to take place in 2014.

Investment Policy

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 leverage 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 gearing 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); and
– gearing may be used to raise 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.

Share Capital

Under the Articles, 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 111,392,526 ordinary shares at the year end.
- 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 disclosed on page 25.
- The Board's current powers to buy back shares are stated on page 27 and proposals for their renewal are disclosed on page 57.
- 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.

Revenue and Dividends

The results for the year are shown in the statement of comprehensive income. With effect from 1 October 2010, the Board decided to increase the frequency of dividend payments to quarterly. The Board believes, given the high attractive dividend yield the Company provides, increased dividend distribution smooths the payment profile and adds to the attraction of the Company. The details of the dividends paid by the Company in the year are given in note 10 to the financial statements.

Key Performance Indicators

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

- Asset Performance;
- Dividend Policy;
- Premium/Discount; and
- Total Expense Ratio.

Asset Performance

Since June 2004, the Company's focus under its financial structure has been on absolute return. The Company has paid 5p each year in respect of the three financial years to 30 September 2011. The net asset value ('NAV') total return of shares over the year to 30 September 2011 was –8.1% (2010: +25.2%). Over the year, the shares have traded at an average discount to NAV of 10%. Using the mid-market price of 50.0p (2010: 62.8p), the discount at the year end was 7.9% (2010: 4.7%).

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 Hurdle Return is the sterling LIBOR plus 1% plus any underperformance in previous years. The Company did not earn any performance related fee in the year due to underperformance from previous years not fully recovered.

Dividend Policy

The Company will only pay dividends, in respect of a year on the ordinary shares to the extent that it has profits available for that purpose, which will largely depend on the amount of income the Company receives on its investments, the timing of such receipts and on 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 correspondingly greater percentage reduction in earnings per share and therefore in the Company's ability to pay dividends. Such a reduction could arise, for example, from lower rates of interest paid on investments. A fall in the value of the Company's assets may also affect the Company's ability to pay dividends. Accordingly, the amount of dividends payable by the Company may fluctuate.

If under the Law or accounting rules and standards applicable to the Company, there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

The Directors have declared a total dividend in relation to the year ended 30 September 2011 of 5p per ordinary share.

Premium/Discount

The Board monitors the premium/discount at which the Company's ordinary shares trade in relation to its assets. During the year, the highest the discount reached was 13.7% and the lowest the discount reached was 0.6%. At the year end, the ordinary shares were trading at a discount of 7.9% (2010: discount of 4.7%).

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. Buybacks 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. During the year, the Board has not utilised this authority to buy back ordinary shares.

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

Total Expense Ratio ('TER')

The expenses of managing the Company are carefully monitored by the Board at every meeting. It is the intention of the Board to minimise the TER, which provides a guide to the effect on performance of all annual operating costs of the Company. At the year end the TER was 1.4% compared to 1.5% the previous year.

Current and Future Developments

The Company's performance is substantially dependent on the financial position of the issuers of the corporate bonds within the investment portfolio. Adverse changes in the financial position of an issuer of any of the corporate bonds or in general economic conditions may impair the ability of an issuer to make payments of principal or interest or may cause the liquidation or insolvency of an issuer. There can be no assurance as to the levels of default and/or recoveries that may be experienced with respect to corporate bonds. The Manager strives 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, but these bonds are influenced by market conditions and the Board recognises the external influences which affect investment portfolio performance. For a fuller discussion of the economic and market conditions facing the Company and the prospects for the future performance of the investment portfolio, please see the Chairman's Statement and the Manager's Report on pages 5 to 8.

As part of the Company's overall strategy, the Company seeks to manage its affairs so as to maximise returns for shareholders. One of the Board's longer-term objectives is to increase the size of the assets of the Company in a manner consistent with seeking to maximise returns for shareholders.

Shareholder Communication

Through the annual and half-yearly financial reports; interim management statements; monthly factsheets; the AGM; the publication of a daily NAV; the Manager's website at *www.invescoperpetual.co.uk/investmenttrusts*; and other methods, the Board endeavours to ensure that shareholders understand the Company's Investment Policy and that the Board, both independently and through the Manager, reviews its Investment Policy in the light of feedback from shareholders.

Resources

The Company is an investment company which outsources its management and administrative functions. As a result the Company has no employees. However, through the contractual arrangements in place, a full range of services is available to it. The most significant contract is with the Manager, Invesco Asset Management Limited, to whom responsibility for the investment management of the investment portfolio is delegated. The Board reviews the performance of the Manager formally at every Board meeting and additionally when market conditions dictate.

The day-to-day responsibility for the investment management of the Company's investment portfolio lies with Paul Read and Paul Causer, Co-Heads of the Manager's fixed interest team based in Henley-on-Thames. This team managed around £14.5 billion in corporate and Government bonds as at 30 September 2011.

The Board has adopted guidelines within which the Manager is permitted wide discretion; any proposed variations outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the management contract formally once a year. The outcome of this review is commented on in the Assessment of the Manager on page 24.

The Board also has direct access to the advice and services of the Company Secretary, R & H Fund Services (Jersey) Limited, which is responsible for ensuring the Board and Committee procedures are followed and that applicable rules and regulations are complied with.

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

Advisers and Principal Service Providers

The Company's main supplier of services is the Manager who provides investment management services.

In addition, the Company has the following business relationships:

- R&H Fund Services (Jersey) Limited as Company Secretary and Administrator;
- Deloitte LLP as Auditor;
- The Bank of New York Mellon as Custodian;
- Capita Registrars (Jersey) Limited as Registrars; and
- Matrix Investment Funds as Corporate Broker.

Further details can be found on page 13.

Principal Risks and Uncertainties

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

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 the Company.

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 and the Board naturally recognises the external influences on investment portfolio performance.

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 NAV of an ordinary share, which is a factor in determining the market value of the ordinary shares, will be linked to the underlying investment performance of these other investment companies. The Company is not currently invested in any listed investment companies (including investment trusts).

Some of the securities in which the Company invests are not denominated or quoted in sterling, the base currency of the Company. The NAV will be reported in sterling and dividends (if any) will be declared and paid in sterling. The movement of exchange rates between sterling and any currencies in which the Company's investments are denominated may have a separate effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company.

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.

Although the ordinary shares are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities, it is possible that there may not be a liquid market in the ordinary shares and shareholders may have difficulty in selling them.

Market Movements and Investment Portfolio Performance

The majority of the Company's investments are traded on a number of the world's 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. 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.

While the Board obviously cannot influence market movements, it is vigilant in monitoring and taking steps to mitigate the effects of falls in markets should they occur. The performance of the Manager is carefully monitored by the Board, and the continuation of the Manager's mandate is reviewed each year. The Board has established guidelines to ensure that the Investment Policy that has been approved by shareholders is pursued by the Manager. The Board and the Manager maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying NAV and the buy back and issuance facilities help the management of this process.

Past performance of the Company, and all of the investments within the portfolio, are not necessarily indicative of future performance.

For a fuller discussion of the economic and market conditions facing the Company and the current and future performance of the investment portfolio of the Company, see both the Chairman's Statement and Manager's Report on pages 5 to 8.

The Ordinary Shares

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. The market price of an ordinary share may therefore trade at a discount to its NAV. As at 30 September 2011, an ordinary share of the Company traded at a discount of 7.9%.

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. As such, the market value of an ordinary share may vary considerably from its underlying NAV. There can be no guarantee that any appreciation in the value of the Company's investments will occur and shareholders may not get back the full value of their investment.

Gearing

The ordinary shares are geared by the repo financing. As at 30 September 2011, repo financing represented approximately 68% (2010: 40%) of Shareholders' Funds and an investment in the ordinary shares should therefore be regarded as highly geared and consequently a higher risk investment.

Gearing 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 or repo financing, result in an increase in the Company's gearing.

If it were not possible to rollover 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 any other time. 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. 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 currently 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 fund 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 high 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 required 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 speculative 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. Derivatives 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.

Regulatory and Tax Related

The Company is subject to various laws and regulations by virtue of its status as a Company registered under the Companies (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.

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.

Reliance on Third Party Service Providers

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

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

Further details of the risk management policies and procedures as they relate to the financial assets and liabilities of the Company are detailed in note 18 to the financial statements.

Financial Position

Assets and Liabilities

As at 30 September 2011, the Company's net assets were valued at £60 million (2010: £73 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.

Gearing Policy

The principal component of the Company's gearing is repo financing. Using 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. The consideration for the sale of the asset is lower than the market value to provide sufficient margin of cover to the counterparty. The Company retains the right to receive interest paid on the securities while they are subject to the repo financing arrangements although it does not retain legal ownership of those securities. Effectively the Company is borrowing sums secured on an individual asset basis. The Company recognises the interest which it has in the securities that are subject to repo financing by retaining the value of such securities on its balance sheet together with the liability associated with the fixed repurchase under the repo financing.

Under the Company's Investment Policy, gearing may be used to raise 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 Company's Articles.

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).

Gearing levels may change from time to time in accordance with the Manager's assessment of risk and reward. Under normal market conditions the Directors expect to maintain gearing levels such that borrowings will typically represent between 50% and 150% of shareholders' funds.

Environmental Matters, Employees and Social and Community Issues

As an investment company with no employees, property or activities outside investment management, the disclosure of information about environmental matters, the Company's employees and social and community issues is not given.

The Manager considers various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility is considered as part of the overall assessment of risk and the suitability of the company for the investment portfolio, the Manager does not necessarily preclude an investment being made on these grounds alone.

At the AGM in 2008, the Directors received approval from shareholders to send or supply documents or information to shareholders in electronic form (e.g. by e-mail) or by means of a website. This delivers environmental benefits through the reduced use of paper and of the energy required for its production and distribution.

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. 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. If a performance fee is payable, it 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. The management fee for the year is £694,000 (2010: £694,000); no performance fee was earned in the year.

Statement of Manager's Responsibilities

The Manager is generally responsible for the day-to-day investment management activities of the Company, seeking and evaluating investment opportunities and analysing the results of investee companies. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated Investment Policy as approved by shareholders. The Manager also advises on borrowings.

Company secretarial and administrative services ensuring that the Company complies with legal, regulatory and corporate governance requirements and attending on Directors at Board and shareholder meetings are provided to the Company by R&H Fund Services (Jersey) Limited.

Assessment of the Manager

The continued appointment of the Manager on the existing terms was approved by the Board on 23 November 2011. The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually.

As part of this review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the performance achieved to date. As noted in the Chairman's and Manager's Report, the performance of the Company over the last financial year has been satisfactory, however, the Board places greater importance on the Manager's ability to deliver long-term performance. In addition, the Board considered the Company's profile in its sector.

Based on the recommendations of the Management Engagement Committee and, taking into account the other services provided by the Manager and the risk and corporate governance environment in which the Company operates, the Board considers that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Report of the Audit Committee

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

The Company's internal financial controls and risk management systems have been reviewed with the Manager and Company Secretary against risk parameters approved by the Board and are regarded as satisfactory. The Audit Committee has also received satisfactory reports on the Manager's and Company Secretary's internal operations from their respective Compliance and Internal Audit Officers.

The audit programme and timetable are drawn up and agreed with the Company's Auditor in advance of the Company's financial year end. At this stage, matters for audit focus are discussed and agreed. These matters are given particular attention during the audit process and among other matters they are reported on by the Auditor in their audit review to the Audit Committee. The audit review is considered by the Audit Committee and discussed with the Auditor, Manager and Company Secretary prior to the financial statements being approved. Details of the audit fee are shown in note 6 to the financial statements.

Disclosure to Auditor

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

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

A resolution proposing the re-appointment of Deloitte LLP as the Company's Auditor and a resolution to authorise the Directors to determine the Auditor's remuneration will be put to the forthcoming AGM.

Substantial Holdings in the Company

At the year end and as at 28 November 2011 the Company had been notified of the following holdings of 3% and over in the Company's issued ordinary share capital:

	HOLDING AS AT 28 NOVEMBER	% HOLDING AS AT 28 NOVEMBER
Invesco Perpetual	33,306,365	29.9
Midas Capital	11,300,000	10.1
Premier Asset Management	5,950,000	5.3
Raymond James Investment Services	4,239,187	3.8
JO Hambro Investment Management	3,977,800	3.6
Transact	3,843,524	3.5
GAM	3,775,338	3.4

Directors

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

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

The present members of the Board, all of whom have served throughout the year with the exception of Clive Spears, are listed on page 12.

Allister Carey retired as a Director of the Company on 18 May 2011. The Board wishes to thank him for his valuable contribution during his years of service.

As the Board appointed Clive Spears a Director of the Company since the last AGM, in accordance with the Company's Articles, he will stand for election at this year's AGM.

All of the Directors who have been members of the Board for more than nine years will, in accordance with the AIC Code of Corporate Governance and the Articles, offer themselves for re-election at the Company's AGM every year. Further details of the Company's policy on Directors' tenure can be found on pages 31 and 32.

None of the Directors has a service contract with the Company.

REPORT OF THE DIRECTORS
continued

Directors' Interests

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

	30 SEPTEMBER 2011	30 SEPTEMBER 2010
Ordinary Shares		
George Baird	Nil	Nil
Donald Adamson	504,632	455,394
Gordon Neilly	109,999	109,999
Clive Spears	Nil	Nil
Hugh Ward	18,593	16,780

Save as aforesaid, no Director had any interest, beneficial or otherwise, in the shares of the Company during the year. Donald Adamson and Hugh Ward re-invest their dividends through the Capita Dividend Re-investment Plan. The Company has paid a dividend since the year end and so they have acquired a further 11,728 and 432 ordinary shares respectively.

Disclosable Interests

Save as aforesaid, no Director was a party to, or had an interest in, any contract or arrangement with the Company at any time during the year.

Directors' Remuneration

Remuneration Responsibilities

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

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

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Directors. It is intended that this policy will continue for the year ending 30 September 2012 and subsequent years.

During the year, the Board has 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. The Board considers that the current level of remuneration remains appropriate.

The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Directors' Emoluments for the Year

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

	2011	2010
George Baird (Chairman of the Board)	22,500	20,000
Donald Adamson (Chairman of the Audit Committee)	19,500	17,000
Allister Carey (retired 18 May 2011)	11,052	15,000
Gordon Neilly	17,500	15,000
Clive Spears (appointed 18 May 2011)	6,485	n/a
Hugh Ward	17,500	15,000
Total	94,537	82,000

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of each Director's appointment provide that he shall retire and be subject to election at the first AGM after appointment; subject to re-election at least every three years thereafter; and subject to re-election annually should his tenure exceed nine years. The terms also provide that he may be removed from office without notice and that no compensation will be due on leaving office.

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.

Individual Savings Account ('ISA') eligibility

The ordinary shares of the Company are qualifying investments under ISA regulations.

Donations

The company made no charitable or political donations during the year.

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors (2010: £nil) at the year end.

Annual General Meeting ('AGM')

At the AGM there are three items of Special Business proposed:

Share Buy Backs

At the AGM held on 26 January 2011 shareholders authorised the Directors to buy back up to 16,697,739 of the Company's ordinary shares with the authority to expire at the AGM in 2012.

Your Directors are seeking the authority to buy back up to 16,697,739 (14.99% of the Company's issued share capital as at 1 December 2011) subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2013.

These powers, if approved, will allow the Company to buy back shares at a discount to NAV, however, it is not the Board's current intention to buy back any 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.

Notice Period for General Meetings

The EU Shareholder Rights Directive has increased the notice period for general meetings of listed companies to not less than 21 days unless certain conditions are met in which case it may be not less than 14 days. A shareholders' resolution is required to ensure that the Company's general meetings (other than AGMs) may be held on 14 days' notice.

Your Board would like to assure shareholders that they would want to give as much notice as it was able of a general meeting. However, it is important to have the flexibility to call a general meeting (other than an AGM) on 14 days' notice. It is intended that this flexibility will be used only for non-routine business and where it is in the interests of shareholders as a whole.

The City Code on Takeovers and Mergers ('The Takeover Code')

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 1 December 2011, 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 a waiver of such mandatory bid obligation to the extent that it would otherwise be triggered by any buy back by the Company.

Accordingly, shareholders (other than members of the Invesco Concert Party) are being asked to approve a waiver of the obligation on Invesco Concert Party to make a general offer for the entire issued share capital which may otherwise arise as a result of a buy back of shares by the Company. The waiver, if approved, will expire on the earlier of the conclusion of the 2013 AGM or 15 months from the date of passing the resolution. Further details can be found in the shareholder circular to be dated 1 December 2011 entitled 'Proposed renewal of the waiver of the requirements of Rule 9 of the City Code on Takeovers and Mergers'.

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 25 January 2012 at 10.30 a.m.

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 15), 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.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Principles

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

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

The UK Corporate Governance 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 Corporate Governance Code, the Board considers these provisions are not relevant to the position of Invesco Leveraged High Yield Fund Limited, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Directors

Independence and Board Balance

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

Principle 6 of the AIC Code states that the Board should aim to have a balance of skills, experience, length of service and knowledge of the company. Whilst the Directors are able to demonstrate that they each bring considerable experience and a breadth of skills to their respective roles (further details of which can be found on page 12), they recognise that the majority of Directors have been on the Board for longer than nine years, the milestone beyond which some shareholders and commentators consider that lengthy service can compromise independence from the Manager. The Board, however, does not have a policy limiting the period of time which a Director can serve on the Board, as it does not believe that length of service necessarily compromises independence.

Following the year end, the Board have undergone an evaluation process to appraise their performance as individual Directors, the respective Committees of the Board and of the Board as a whole. They paid particular attention to the ability of individual Directors to be independent.

As part of the evaluation process, each Director was assessed in order to determine whether any business or other relationship could materially interfere with his ability to act in the best interests of the Company and with the exercise of objective, unfettered or independent judgement by him. The Board assessed the independence of each individual Director against the following criteria.

Whether:

- he has, or has had within the last three years, a material business relationship with the Company;
- he has received or receives additional remuneration from the Company apart from his Director's fee;
- he holds cross directorships or has significant links with other Directors through involvement in other companies or bodies;
- his length of service could materially interfere with his ability to act in the best interests of the Company;

- he represents a significant shareholder;
- he has been an employee of the Manager within the last five years; and
- he is independent in character and judgement.

Following a full review using the above criteria, the Board concluded that each Director is independent. The Board does not consider that it would be beneficial to the Company at this time to appoint any additional Directors or replace any of those currently on the Board. Further reviews will be carried out each financial year at which the Directors will consider whether an infusion of new blood would benefit the Company.

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.

Chairman

The Chairman of the Company is George Baird, an independent non-executive Director who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Following this year's evaluation process, the Board confirmed that the Chairman's performance continues to be effective and therefore recommend his re-election at the Company's AGM.

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. 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.

Board Responsibilities

The Directors are equally responsible under the Law for the proper conduct of the Company's affairs. The Board is 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. A formal schedule of matters, detailing the responsibilities of the Board have been established. The schedule is reviewed regularly to ensure compliance with the AIC Code and latest best practice. The main responsibilities of the Board include: formulating and reviewing policies and standards; ensuring that the Company's obligations to shareholders and other stakeholders are understood and complied with; approving accounting and dividend policies; managing the capital structure; setting long term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowings; nomination responsibilities; controlling risks; ongoing assessment of the Manager; and approving recommendations presented by the Company's respective Committees.

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

The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares through the investment portfolio details given in the annual and half-yearly financial reports, interim management statements, fact sheets and daily NAV disclosures.

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 with the Chairman.

The schedule of matters reserved for the Board will be available at the AGM and via the Manager's website at *www.invescoperpetual.co.uk/investmenttrusts*. It can also be inspected at the Registered Office of the Company.

The Management Engagement Committee

The Board is also supported by a Management Engagement Committee with all the Directors being members under the Chairmanship of Donald Adamson. The Management Engagement Committee has written terms of reference, which clearly define its responsibilities and duties. The terms of reference are reviewed annually to ensure compliance with latest best practice and the AIC Code and will be available for inspection at the AGM and via the Company's website. They can also be inspected at the Registered Office of the Company.

The Management Engagement Committee meets at least once a year to review the results and investment performance of the Manager; the services provided by the Manager; and any operational considerations such as the reputation and resources of the Manager; the scale of operations of the Manager in the investment markets within which the Company operates; and the level of importance which the Manager places on its investment company clients in general and on the Company in particular. The Management Engagement Committee also reviews the Investment Management Agreement paying particular attention to the basic management fee, the performance fee, and the notice periods required to be given by each party to the other in the event that either the Board or the Manager decides to terminate the relationship. A statement of the assessment of the Manager can be found on page 24.

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

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. The appointment and ongoing assessment and review of the Company Secretary is a matter for the Board as a whole.

The Company Secretary makes a significant contribution to the efficiency and effectiveness of the Board as well as the smooth running of the Company. To fulfil the role, the Company Secretary keeps up to date with relevant legal, statutory and regulatory requirements and is also able to provide impartial advice and support to the Directors.

The Company Secretary communicates with shareholders as appropriate and ensures that due regard is paid to their interests. The Company Secretary also acts as a primary point of contact for institutional and other shareholders, especially with regard to matters of corporate governance.

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

Directors are selected and appointed by the Board as a whole functioning as a nomination committee. There is no separate nomination committee as the Board is considered too small for the purposes of the AIC Code. The Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering any necessary changes or new appointments.

As mentioned earlier in the Report, Allister Carey retired from the Board on 18 May 2011. In order that the Board continued to have a balance of skills, experience and knowledge of the Company, it was agreed that a new Director be appointed. The Board carried out the process of identifying a new Director with reference to the above requirements as well as diversity of the Board and the ability of a new Director to devote sufficient time to the Company to carry out his or her duties effectively. The Board identified a number of potential candidates through their own contacts and discussions with the Company Secretary and, after due consideration, the Board appointed Clive Spears a Director of the Company on 18 May 2011.

No Director has a formal contract of employment with the Company. Under the Articles, the Directors may, by notice in writing, remove any Director from the Board without notice or compensation. Each Director shall retire and be subject to election at the first AGM after appointment and for re-election at least every three years thereafter. On being appointed to the Board, Directors are fully briefed as to their responsibilities and continually updated throughout their term in office on industry and regulatory developments.

A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders.

All the Directors are standing for election or re-election at this year's AGM. The Board confirms that each Director's performance continues to be effective and demonstrates commitment to their respective roles. The Board therefore recommends that shareholders vote in favour of resolutions 2 to 6 relating to the election or re-election of the Directors of the Company.

The Directors' Letters of Appointment, which include the terms and conditions of their appointment can be inspected at the Registered Office of the Company.

Directors' Induction and Training

On appointment to the Board, Directors are fully briefed as to their responsibilities and duties and are kept regularly informed of industry and regulatory developments. A wide ranging programme of induction has been formulated for all new Directors, which includes briefings from key members of the Manager and Company Secretary. An ongoing training programme has been implemented to ensure that Directors can keep up to date with new legislation and changing risks.

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 ability of individual Directors to be independent, further details of which can be found above;
- 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

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

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		MANAGEMENT ENGAGEMENT COMMITTEES	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
George Baird	5	5	2	2	1	1
Donald Adamson	5	5	2	2	1	1
Allister Carey (Retired 18 May 2011)	3	3	1	1	1	1
Gordon Neilly	5	5	2	2	1	1
Clive Spears (Appointed 18 May 2011)	2	2	1	1	n/a	n/a
Hugh Ward	5	5	2	1	1	0

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

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 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 publication of interim management statements; the publication of the NAV of the Company's ordinary shares, which is announced daily to The London Stock Exchange; a monthly factsheet and information on the Manager's website. There is regular dialogue with individual institutional shareholders as well as general presentations to both institutional shareholders and analysts at the time 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, George Baird, and the Chairman of the Audit and Management Engagement Committees, Donald Adamson, at the AGM.

It is the intention of the Board that the annual financial reports are issued to shareholders so as to provide twenty 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 13. 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.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 36 and the Report of the Independent Auditor is set out on page 37.

Audit Committee

The Board is supported by an Audit Committee with all the Directors being members under the Chairmanship of Donald Adamson. Audit 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 has written terms of reference, which clearly define its responsibilities and duties. The terms of reference are reviewed and updated regularly to ensure compliance with the AIC Code and latest best practice. The terms of reference of the Audit Committee, including its role and authority, will be available for inspection at the AGM, via the Company's website and can be inspected at the Registered Office of the Company.

The Audit Committee meets at least twice a year to review the effectiveness of the financial reporting process, the system of internal financial and non-financial controls and management of financial risks, accounting policies, the external and internal audit processes and the Company's processes for monitoring compliance with laws and regulations and its own business conduct.

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness, in particular the provision of any additional services to the Company. The Audit Committee also reviews the quality of services of all the service providers to the Company and, together with the Manager and Company Secretary, reviews the Company's compliance with financial reporting and regulatory requirements. At the Audit Committee meeting at which the draft annual financial report is reviewed, a representative of the both Manager's and Company Secretary's respective internal audit and compliance teams is present. Representatives of Deloitte LLP, the Company's Auditor, also attend this meeting.

The Audit Committee reviewed its effectiveness during the year. The review was undertaken internally as part of the performance evaluation process, a report on which can be found on page 32.

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

Details of the fees paid to the Auditor are shown in note 6 to the financial statements.

Internal Audit Function

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

Auditor's Non-Audit Services

During the year the Auditor, Deloitte LLP, did not provide any non-audit services to the Company.

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

Internal Financial and Non-Financial Controls

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

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

The Board meets at least four times a year, and reviews financial reports and performance against approved forecasts and relevant stock market criteria. In addition, the Manager, Company Secretary and Custodian maintain their own systems of internal controls and the Board and the Audit Committee receive regular reports from the internal audit and compliance teams of the Manager and Company Secretary. Reports are also produced annually on the internal controls and procedures in place for the operation of custodial, investment management, administration and company secretarial activities.

The Directors consider that the procedures outlined above enable the Company to comply with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'.

Stewardship

The Manager, Invesco Asset Management Limited, 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.

The Manager has a responsibility to optimise returns to shareholders of the Company. As a core part of the investment process, the investment manager endeavours to establish a dialogue with management to promote company decision making that is in the best interests of shareholders, and is in accordance with good corporate governance principles. The Manager believes that, being a major shareholder in a company is more than simply expecting to benefit in its future earnings streams, but is also about helping to provide the capital it needs to grow, it is about being actively involved in its strategy and helping to ensure that shareholder interests are always at the forefront of management's thoughts.

The Manager considers that shareholder activism is fundamental to good corporate governance. Although this does not entail intervening in daily management decisions, it does involve supporting general standards for corporate activity and, where necessary, taking the initiative to ensure those standards are met, with a view to protecting and enhancing value for the Company's shareholders. Engagement is proportionate and reflects the size of holdings, length of holding period and liquidity of the underlying company shares.

One important means of putting shareholder responsibility into practice is via the exercising of voting rights. In deciding whether to vote shares, the Manager will take into account such factors as the likely impact of voting on management activity, and where expressed, the preference of the Board of the Company. As a result of these two factors, the Manager will tend to vote on all shares held within the Company's portfolio. Voting rights will be exercised on an informed and independent basis, and will not simply be passed back to the company concerned for discretionary voting by the chairman.

A copy of the Manager's Policy on Corporate Governance and Stewardship can be found at *www.invescoperpetual.co.uk*

R&H Fund Services (Jersey) Limited
Company Secretary

1 December 2011

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

The Directors are responsible for preparing the annual financial report 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 be properly prepared in accordance with the Companies (Jersey) Law 1991.

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 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 Directors' Report (including a Business Review) and a Corporate Governance Statement 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; and
- 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.

George Baird
Chairman

Signed on behalf of the Board of Directors

1 December 2011

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 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 Leveraged High Yield Fund Limited

We have audited the financial statements of Invesco Leveraged High Yield Fund Limited for the year ended 30 September 2011 which 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group'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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Gregory Branch, BSc, FCA
for and on behalf of Deloitte LLP

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

1 December 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
(Loss)/profit on investments at fair value	11	—	(11,406)	(11,406)	—	7,083	7,083
Exchange differences		—	(718)	(718)	—	798	798
Profit on derivative instruments – currency hedges		—	522	522	—	1,923	1,923
Income	4	7,203	—	7,203	7,613	—	7,613
Investment management fees	5	(347)	(347)	(694)	(347)	(347)	(694)
Other expenses	6	(276)	(1)	(277)	(315)	(1)	(316)
Profit/(loss) before finance costs and taxation		6,580	(11,950)	(5,370)	6,951	9,456	16,407
Finance costs	7	(264)	(264)	(528)	(256)	(256)	(512)
(Loss)/profit before tax and total comprehensive income		6,316	(12,214)	(5,898)	6,695	9,200	15,895
Taxation	8	(33)	—	(33)	—	—	—
(Loss)/profit after tax and total comprehensive income		6,283	(12,214)	(5,931)	6,695	9,200	15,895
Return per ordinary share	9	5.6p	(10.9)p	(5.3)p	6.0p	8.3p	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 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 discounted 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 2009		5,570	113,634	(67,724)	11,564	63,044
Total comprehensive income for the year		—	—	9,200	6,695	15,895
Dividends paid	10	—	—	—	(5,570)	(5,570)
At 1 October 2010		5,570	113,634	(58,524)	12,689	73,369
Total comprehensive income for the year		—	—	(12,214)	6,283	(5,931)
Dividends paid	10	—	—	—	(6,962)	(6,962)
At 30 September 2011		5,570	113,634	(70,738)	12,010	60,476

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

BALANCE SHEET

AS AT 30 SEPTEMBER

	NOTES	2011 £'000	2010 £'000
Non-current assets			
Investments held at fair value through profit or loss	11	90,297	93,122
Current assets			
Other receivables	12	2,658	2,330
Derivative financial instruments	14	336	—
Cash and cash equivalents		8,715	8,684
		11,709	11,014
Current liabilities			
Other payables	13	(305)	(292)
Derivative financial instruments	14	—	(1,156)
Securities sold under agreements to repurchase		(41,225)	(29,319)
		(41,530)	(30,767)
Net current liabilities		(29,821)	(19,753)
Total net assets		60,476	73,369
Issued capital and reserves attributable to equity holders			
Share capital	15	5,570	5,570
Share premium	16	113,634	113,634
Capital reserve	16	(70,738)	(58,524)
Revenue reserve	16	12,010	12,689
Shareholders' funds		60,476	73,369
Net asset value per ordinary share	17	54.3p	65.9p

These financial statements were approved and authorised for issue by the Board of Directors on 1 December 2011.

George Baird
Chairman

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

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2011 £'000	2010 £'000
Cash flow from operating activities			
(Loss)/profit before tax		(5,898)	15,895
Taxation		(33)	—
Adjustments for:			
Purchases of investments		(58,766)	(65,751)
Sales of investments		50,185	62,429
		(8,581)	(3,322)
Increase from securities sold under agreements to repurchase		11,906	3,765
Loss/(profit) on investments		11,406	(7,083)
Exchange differences		718	(798)
Profit on derivative instruments – currency hedges		(522)	(1,923)
Finance costs		528	512
Operating cash flows before movements in working capital		9,524	7,046
Increase in receivables		(328)	(304)
Decrease in payables		(39)	(9)
Net cash flows from operating activities after tax		9,157	6,733
Cash flows from financing activities			
Interest paid		(476)	(505)
Equity dividends paid	10	(6,962)	(5,570)
Net cash used in financing activities		(7,438)	(6,075)
Net increase in cash and cash equivalents		1,719	658
Realised (losses)/profit on foreign exchange movements		(718)	798
Realised (losses)/profit on derivative financial instruments		(970)	1,278
Cash and cash equivalents at beginning of year		8,684	5,950
Cash and cash equivalents at end of year		8,715	8,684

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 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 28 of the Report of the Directors 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 this.

(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 13: Fair Value Measurement (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 10: Consolidated Financial Statements (effective for accounting periods starting on or after 1 January 2013).
- IFRS 9: Financial Instruments (effective for accounting periods starting on or after 1 January 2013).
- IAS 24 (revised November 2009): Related Party Disclosures (effective for accounting periods starting on or after 1 January 2011).
- Amendments to IAS 1 (June 2011): Presentation of Items of Other Comprehensive Income (effective for accounting periods starting on or after 1 July 2012).

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.

2. Principal Accounting Policies (continued)

(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 using an appropriate valuation technique such as indicative prices from counterparties, recent transactions and net assets.

(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 is 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 Association 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 as 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.

(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 included in capital reserves.

Futures contracts are entered into for hedging purposes and any profits and losses on the closure or revaluation of positions are included in capital reserves.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Principal Accounting Policies (continued)

(h) Expenses

All expenses are accounted for on an accruals basis and are recognised in the statement of comprehensive income. Investment management fees 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.

(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

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, and therefore no segmental reporting is provided.

4. Income

	2011 £'000	2010 £'000
Income from investments		
UK dividends	27	27
UK bond interest	2,232	2,382
Overseas bond interest	4,856	5,072
Overseas dividends	67	65
Scrip dividends	—	13
	7,182	7,559
Other income		
Deposit interest	21	54
Total income	7,203	7,613

5. Investment Management Fees

	2011			2010		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee	347	347	694	347	347	694
	347	347	694	347	347	694

Details of the investment management agreement are disclosed in the Report of the Directors. At the year end the management fee accrued was £151,000 (2010: £183,000). No performance related fee was accrued for the year (2010: £nil) as previous years' underperformance has not been fully recovered.

6. Other Expenses

	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
General expenses – note (i)	157	1	158	209	1	210
Directors' fees – note (ii)	95	—	95	82	—	82
Auditor's remuneration:						
– for audit of the financial statements	24	—	24	24	—	24
	276	1	277	315	1	316

(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 £10,000 (2010: £10,000) per annum for Company Secretarial services and £21,000 (2010: £20,000) per annum for Administration Services. In addition, custodian dealing costs of £1,000 (2010: £1,000) are charged wholly to capital.

(ii) The maximum Directors' fees authorised by the Articles of Association are £100,000 per annum.

7. Finance Costs

	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
Interest due under repo financing	264	264	528	256	256	512

8. Taxation

	2011 £'000	2010 £'000
Overseas taxation	33	—

The Company is subject to Jersey income tax at the rate of 0% (2010: 0%). The overseas tax charge consists of irrecoverable withholding tax.

9. Return per Share

The basic revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation and on 111,392,526 (2010: 111,392,526) ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

10. Dividends

	2011 PENCE	2011 £'000	2010 PENCE	2010 £'000
Dividends paid and recognised in the year:				
Second interim for 2010/2009	2.50	2,785	2.50	2,785
First interim for 2011/2010	1.25	1,392	2.50	2,785
Second interim for 2011	1.25	1,393	—	—
Third interim for 2011	1.25	1,392	—	—
	6.25	6,962	5.00	5,570

NOTES TO THE FINANCIAL STATEMENTS
continued

10. Dividends (continued)

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

	2011		2010	
	PENCE	£'000	PENCE	£'000
Dividends in respect of the year:				
First interim	1.25	1,392	2.50	2,785
Second interim	1.25	1,393	2.50	2,785
Third interim	1.25	1,392	—	—
Fourth interim	1.25	1,393	—	—
	5.00	5,570	5.00	5,570

The fourth interim dividend of 1.25p was paid on 28 October 2011 to shareholders on the register on 14 October 2011.

11. Investments

(a) Analysis of investments:

	2011 £'000	2010 £'000
Investments listed on a recognised investment exchange	90,297	93,122

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

	2011 UK LISTED £'000	2011 OVERSEAS LISTED £'000	2011 TOTAL £'000	2010 UK LISTED £'000	2010 OVERSEAS LISTED £'000	2010 TOTAL £'000
Opening valuation	28,103	65,019	93,122	20,175	69,270	89,445
Movements in the year:						
Purchases at cost	13,215	45,551	58,766	10,641	47,459	58,100
Sales – proceeds	(12,540)	(37,645)	(50,185)	(5,515)	(55,991)	(61,506)
– net realised profit/(loss)	2,223	1,448	3,671	528	(510)	18
Movement in investment holding (loss)/profit in the year	(6,000)	(9,077)	(15,077)	2,274	4,791	7,065
Closing valuation	25,001	65,296	90,297	28,103	65,019	93,122
Closing book cost	26,577	71,405	97,982	23,679	62,051	85,730
Closing investment holding (loss)/profit	(1,576)	(6,109)	(7,685)	4,424	2,968	7,392
Closing valuation	25,001	65,296	90,297	28,103	65,019	93,122
Realised profit/(loss) in the year	2,223	1,448	3,671	528	(510)	18
Movement in investment holding (loss)/profit in the year	(6,000)	(9,077)	(15,077)	2,274	4,791	7,065
Total (loss)/profit in the year	(3,777)	(7,629)	(11,406)	2,802	4,281	7,083

(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 registered in the name of the Company.

(d) Securities under agreements to repurchase had a market value of £57,117,000 (2010: £42,862,000).

(e) Included in the analysis of investments above are credit default swaps with a notional contract amount payable of £6,887,000 (2010: receivable of £6,053,000) market value loss of £437,000 (2010: loss of £26,000). The notional amounts only become payable or receivable when a credit event occurs.

12. Other Receivables

	2011 £'000	2010 £'000
Prepayments and accrued income	2,658	2,330
	2,658	2,330

13. Other Payables

	2011 £'000	2010 £'000
Accruals	305	292
	305	292

14. Derivative Financial Instruments

Derivative financial instruments comprise forward currency contracts and credit default swaps. The credit default swaps are shown as part of investments in note 11(e).

	2011 £'000	2010 £'000
Forward currency contracts – profit/(loss) unrealised	336	(1,156)

15. Share Capital

	2011 £'000	2010 £'000
Authorised:		
200,000,000 ordinary shares of 5p each (2010: 200,000,000 shares)	10,000	10,000
Allotted, called-up and fully paid:		
111,392,526 ordinary shares of 5p each (2010: 111,392,526 shares)	5,570	5,570

16. Reserves

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

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. It, and the revenue reserve, are distributable whenever a surplus is held.

NOTES TO THE FINANCIAL STATEMENTS
continued

17. Net Asset Value per Share

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	
	2011 PENCE	2010 PENCE	2011 £'000	2010 £'000
Ordinary shares	54.3	65.9	60,476	73,369

Net asset value per ordinary share is based on net assets at the year end and on 111,392,526 (2010: 111,392,526) ordinary shares, being the number of ordinary shares in issue at the year end.

18. Financial Instruments

The Company's financial instruments comprise its investment portfolio (as shown on pages 9 and 10), 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.

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 Report of the Directors.

As an investment company investments include, but are not restricted to, corporate bonds, government stocks, 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 on pages 20 and 21 of the Report of the Directors, 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 Company's assets, liabilities and income which are denominated in currencies other than sterling and movements in exchange rates will affect the sterling value of those items.

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, non-sterling credit default swaps ('CDSs') will either mitigate or increase currency risk depending on whether the Company has sold or bought the CDS as well as exchange rate movements.

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.

	EURO £'000	US DOLLAR £'000	SWISS FRANC £'000	NORWEGIAN KRONE £'000
30 SEPTEMBER 2011				
Investments at fair value through profit or loss that are monetary items (fixed interest)	49,477	12,615	322	—
Cash at bank	588	2,393	14	—
Other receivables (due from brokers, dividends receivable and accrued income)	1,518	347	5	—
Other payables (due to brokers and accruals)	(46)	(14)	—	—
Securities sold under agreement to repurchase	(27,570)	(4,809)	—	—
Forward currency sales	(23,634)	(3,522)	(354)	—
Foreign currency exposure on net monetary items	333	7,010	(13)	—
Investments at fair value through profit or loss that are equities/warrants	—	2,882	—	—
Total net foreign currency exposure	333	9,892	(13)	—

18. Financial Instruments (continued)

	EURO £'000	US DOLLAR £'000	SWISS FRANC £'000	NORWEGIAN KRONE £'000
30 SEPTEMBER 2010				
Investments at fair value through profit or loss that are monetary items (fixed interest)	48,954	15,028	—	342
Cash at bank	3,413	956	—	31
Other receivables (due from brokers, dividends receivable and accrued income)	1,233	270	—	5
Other payables (due to brokers and accruals)	(18)	(6)	—	—
Securities sold under agreement to repurchase	(15,629)	(2,123)	—	—
Forward currency sales	(28,533)	(7,313)	—	—
Foreign currency exposure on net monetary items	9,420	6,812	—	378
Investments at fair value through profit or loss that are equities	—	1,315	—	—
Total net foreign currency exposure	9,420	8,127	—	378

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, US dollar, Swiss franc and Norwegian kroner, based on the following:

	2011	2010
£/Euro	±1.9	±3.7%
£/US dollar	±1.8	±3.9%
£/Swiss franc	±6.5	±9.4%
£/Norwegian krone	±2.8	±2.5%

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:

	EURO £'000	US DOLLAR £'000	SWISS FRANC £'000	NORWEGIAN KRONER £'000
2011				
Income statement – (loss)/profit after taxation				
Revenue return	(71)	(27)	—	—
Capital return	19	(178)	1	—
Total (loss)/profit after taxation for the year	(52)	(205)	1	—

	EURO £'000	US DOLLAR £'000	SWISS FRANC £'000	NORWEGIAN KRONE £'000
2010				
Income statement – profit/(loss) after taxation				
Revenue return	(146)	(57)	—	(1)
Capital return	(316)	(323)	—	(10)
Total loss after taxation for the year	(462)	(380)	—	(11)

If sterling had weakened by the same changes in exchange rates, this would have had the following effect:

	EURO £'000	US DOLLAR £'000	SWISS FRANC £'000	NORWEGIAN KRONE £'000
2011				
Income statement – profit/(loss) after taxation				
Revenue return	71	27	—	—
Capital return	(19)	178	(1)	—
Total profit/(loss) after taxation for the year	52	205	(1)	—
2010				
Income statement – profit/(loss) after taxation				
Revenue return	146	57	—	1
Capital return	316	323	—	10
Total profit after taxation for the year	462	380	—	11

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 re-set; and

18. Financial Instruments (continued)

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

	2011 WITHIN ONE YEAR £'000	2011 MORE THAN ONE YEAR £'000	2011 TOTAL £'000	2010 WITHIN ONE YEAR £'000	2010 MORE THAN ONE YEAR £'000	2010 TOTAL £'000
Exposure to floating interest rates:						
Investments at fair value through profit or loss	—	26,462	26,462	—	17,625	17,625
Cash at bank	8,715	—	8,715	8,682	—	8,682
	8,715	26,462	35,177	8,682	17,625	26,307
Exposure to fixed interest rates:						
Investments at fair value through profit or loss	13	60,972	60,985	594	73,175	73,769
Securities sold under agreements to repurchase	(41,225)	—	(41,225)	(29,319)	—	(29,319)
	(41,212)	60,972	19,760	(28,725)	73,175	44,450
Net exposure to interest rates	(32,497)	87,432	54,937	(20,043)	90,800	70,757

The nominal interest rates on the investments at fair value through profit or loss are shown in the portfolio statement on pages 9 and 10. The weighted average effective interest rate on these investments is 7.4% (2010: 7.5%).

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year to a 1.0% increase or decrease 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.

	2011 INCREASE IN RATE £'000	2011 DECREASE IN RATE £'000	2010 INCREASE IN RATE £'000	2010 DECREASE IN RATE £'000
Income statement – profit/(loss) after taxation				
Revenue return	87	(87)	87	(87)
Capital return	(3,848)	3,848	(4,205)	4,205
Total (loss)/profit after taxation for the year	(3,761)	3,761	(4,119)	4,119
Effect on NAV	(3.4)p	3.4p	(3.7)p	3.7p

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:

	2011 £'000	2010 £'000
Fixed asset investments at fair value through profit or loss		
– Bonds/CDS	87,010	91,394
– Equity	3,091	1,728
– Warrants	196	—
Cash and cash equivalents	8,715	8,684
	99,012	101,806

Concentration of exposure to other price risks

The Company's investment portfolio on pages 9 and 10 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.

Other price risk sensitivity

At the year end, the Company held equity and warrant investments of £3,287,000 (2010: £1,728,0000). 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 £329,000 (2010: £173,000). 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 20 of the Report of the Directors, which also discusses the risks arising from repo financing and gearing of the investment portfolio.

18. Financial Instruments (continued)

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:

	2011			2010		
	THREE MONTHS OR LESS £'000	LESS THAN ONE YEAR £'000	TOTAL £'000	THREE MONTHS OR LESS £'000	LESS THAN ONE YEAR £'000	TOTAL £'000
Current liabilities						
Other payables	305	—	305	292	—	292
Derivative financial instruments – currency hedges	—	—	—	1,156	—	1,156
Securities sold under agreement to repurchase	41,225	—	41,225	29,319	—	29,319
	41,530	—	41,530	30,767	—	30,767

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 has also entered into CDSs which enable the buyer 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 and CDSs, including their credit ratings, are shown on pages 9 and 10.

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 (A1/A+), Citibank (A1/A+) and Credit Suisse (Aa1/A+). At the balance sheet date the credit exposure on these securities was £15.9 million

(2010: £13.6 million), being the difference in the market value of securities pledged of £57.1 million (2010: £42.9 million) and the amounts borrowed of £41.2 million (2010: £29.3 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 and financial liabilities are either carried in the balance sheet 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, due to brokers, accruals, cash and cash equivalents and securities sold under agreements to repurchase). The carrying value of investments, and 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 or loss. The carrying value of securities sold under agreements to repurchase are recognised at the amounts owing under repo financing. As at 30 September 2011, securities pledged under repo financing had a market value of £57,117,000 (2010: £42,862,000). As at 30 September 2011, the notional exposure to CDSs was £6,887,000 (2010: £6,052,000) and the fair value was a loss of £437,000 (2010: loss £26,000).

Classification Under Fair Value Hierarchy

Nearly all of the Company's portfolio of investments are in the Level 1 category as defined in IFRS 7 'Financial Instruments: Disclosures' which is applicable for reporting periods beginning on or after 1 January 2009. 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.

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.

2011	LEVEL 1 £'000	LEVEL 2 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss			
Debt securities and CDSs	—	87,010	87,010
Equities and warrants	3,287	—	3,287
Derivative financial instruments – currency hedges	336	—	336
Total for financial assets	3,623	87,010	90,633

18. Financial Instruments (continued)

2010	LEVEL 1 £'000	LEVEL 2 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss			
Debt securities and CDSs	—	91,394	91,394
Equities	1,728	—	1,728
Total for financial assets	1,728	91,394	93,122
Financial liabilities			
Derivative financial instruments – currency hedges	1,156	—	1,156
Total for financial liabilities	1,156	—	1,156

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 £41,225,000, together with interest thereon of £139,000. 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 Policies and Procedures

The Company's capital comprises equity share capital and reserves of £60,476,000 (2010: £73,369,000). As explained on page 15, under the Company's Investment Policy, gearing may be used to raise exposure to bonds and equities but may not exceed twice shareholders' funds. Gearing is generated through repurchase arrangements. At the year end repurchase financing was £41,225,000 (2010: £29,319,000).

19. Contingent Liabilities

There were no material outstanding contingent liabilities as at 30 September 2011 (2010: nil).

20. Related Party Disclosures

Invesco Asset Management Limited, a wholly owned subsidiary of Invesco Limited, acts as Manager to the Company. Details of management fees are shown in note 5 and in the Report of the Directors. Details of Directors' remuneration are shown on page 26 of the Report of the Directors.

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 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 Leveraged High Yield Fund Limited (the 'Company') will be held at 10.30 a.m. on 25 January 2012 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 2011.
2. To re-elect Mr. Donald Adamson a Director of the Company.
3. To re-elect Mr. George Baird a Director of the Company.
4. To re-elect Mr. Gordon Neilly a Director of the Company.
5. To re-elect Mr. Hugh Ward a Director of the Company.
6. To elect Mr. Clive Spears a Director of the Company.
7. 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 resolution 8 and 9 will be proposed as special resolutions and resolution 10 will be proposed as an ordinary resolution:

8. 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 16,697,739;

      (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.

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

10. 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 1 December 2011 (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 16,697,739 ordinary shares in the Company pursuant to the authority granted by the passing of resolution 8 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 2013 or 15 months from the date of passing this resolution.

Note to Resolution 10

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 Report of the Directors on pages 27 and 28.

Dated 1st December 2011
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 Registrars 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 10.30 a.m. on 23 January 2012.

   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.

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 28 November 2011 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 111,392,526 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*

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.

Gearing

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 is ungeared. A negative percentage indicates that a company is not fully invested.

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

Gross Gearing

This reflects the amount of gross borrowings 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 Gearing

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

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).

Total Expense Ratio

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 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 Services 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 $635.7 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 2011*

SPECIALIST FUNDS MANAGED BY INVESCO

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

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

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

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

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
Portfolio Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily in the UK equity market. The portfolio is geared by bank debt.

Invesco Property Income Trust Limited
The Company is a closed-ended investment company with limited liability incorporated in Jersey. At a general meeting of the Company held on 12 September 2011, shareholders approved the adoption of a revised investment policy and objective, namely: to repay its bank borrowings and other liabilities on or before 28 September 2014 and, having met those obligations, to provide a return for shareholders. The Company is geared by bank debt.

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

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 and fixed interest markets. The trust is geared by a debenture stock and bank debt.

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 trust is geared by two debenture stocks.

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 Trust may gear by bank debt.

Investing Internationally

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

Invesco Perpetual Select Trust plc – Global Equity Portfolio
At a general meeting of the Company held on 15 November 2011, shareholders approved a change in the investment objective of this Share Class with immediate effect: 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 be geared by bank debt.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Hedge Fund Portfolio
With effect from 29 February 2012, the name will change to:

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio
At a general meeting of the Company held on 15 November 2011, shareholders approved a change to the name of this share class on 29 February 2012, and the adoption of a new investment policy:

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 transparently-priced exchange-traded futures contracts and other derivative instruments to gain such exposure and to provide gearing.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc
- UK Equity Portfolio
- Global Equity 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 aims for total return.

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

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