

# Invesco Leveraged High Yield Fund Limited

## Half-Yearly Financial Report for the Six Months to 31 March 2012

### KEY FACTS

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

### Investment Objective of the Company

The 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 (incorporating the Company's investment objective) can be found on pages 15 and 16 of the Company's 2011 annual financial report.

### Performance Statistics

	AT 31 MARCH 2012	AT 30 SEPTEMBER 2011	% CHANGE
<b>Capital</b>			
Shareholders' funds (£'000)	70,196	60,476	+16.1
Net asset value per ordinary share	63.1p	54.3p	+16.2
Mid-market price per ordinary share	56.9p	50.0p	+13.8
Discount per ordinary share	9.9%	7.9%	
Gross gearing	39%	68%	
Net gearing	30%	54%	
<b>Total Returns</b>			
3 month LIBOR rate	1.0%	1.0%	
Net asset value (Source: Invesco)			+20.8
Share price (Source: Thomson Reuters)			+19.5

### Interim Period

	SIX MONTHS ENDED 31 MARCH		
	2012	2011	
Net revenue return (£'000)	3,047	2,933	+3.9
Revenue return per ordinary share	2.7p	2.6p	+3.8
Dividend per ordinary share	2.5p	2.5p	

## INTERIM MANAGEMENT REPORT

### Market Background

High yield bonds achieved strong returns over the six months to the end of March. Investment grade bonds also enjoyed positive returns, with financials outperforming other sectors. Returns for gilts and other core government bonds were positive but were more modest.

According to data from Merrill Lynch, European high yield bonds returned 13.8% (in sterling terms) over this period. By comparison, the return for sterling investment grade bonds was 7.5%, led by a return of 10.3% for financials. Gilts returned 3.5%. This period was marked by a significant shift in risk appetite associated with the roll-out of the ECB's Long Term Refinancing Operations ('LTRO'). A total of more than €1 trillion was provided in three-year loans to several hundred eurozone banks, relieving the funding concerns which were one of the major sources of market unease in the second half of 2011. The positive returns for the credit markets, high yield bonds and subordinated financial capital in particular, were concentrated in the period after the first LTRO exercise in December. This upturn in sentiment also saw the new issuance market strengthen. Whereas the supply of new bonds was relatively low in the second half of 2011, issuance picked-up in the first quarter of 2012, reaching a higher rate than in the corresponding quarter last year (source: Barclays). Default levels remained low. According to Moody's, the annual default rate for European high yield bonds was 2.7% in February compared to 2.2% a year before.

The Monetary Policy Committee ('MPC') of the Bank of England held the bank's interest rate throughout this period at 0.5%, a record low level at which it has now rested for more than three years. The committee remains

unanimous in support of this rate. In February the bank's programme of asset purchases was extended by £50 billion to a total of £325 billion. There were no votes against this extension but two members did prefer a greater increase of £75 billion instead, citing the risk that persistently weak economic growth could impair the future supply capacity of the economy. Macroeconomic data has continued to suggest that UK growth is being depressed by high levels of unemployment and low earnings and consumption growth.

### Portfolio Strategy

We continue to favour better quality high-yield issuers as well as higher yielding investment-grade names. Their yields remain at relatively high levels and we think that corporate fundamentals are relatively strong. We believe we can find opportunities, most notably in banks and other financials. We think that the combination of structural reform, conservative interpretations of Basel III guidelines on the regulatory framework of banks and rising capital levels will be a powerful support for subordinated bank debt for years to come. Over this period, UK and eurozone banks have continued to make progress in deleveraging their balance sheets and raising their regulatory capital ratios. In our opinion, aggregate yields on bank and other financial debt offer real value despite their increased volatility. As of the end of March, the portfolio has an exposure of 27% to financials, the majority of which is in bank debt. These bank holdings are diversified across the capital structure and by country and name, with 5.9% in the UK, 4% in Italy, 2.9% in Switzerland, 2.8% in France and the balance in other European and US banks. Elsewhere, we believe we can find select opportunities across the high yield market to lock in attractive yields.

Over the period under review, the Company's NAV rose from 54.3p to 63.1p, an increase of 16.2%. The total return was 20.8%. The value of the portfolio rose from £60.5 million to £70.2 million. The portfolio entered the period with net gearing of 54%. Through market appreciation and the repayment of debt, this was reduced to 30% by the end of the period, the equivalent gross gearing figures are 68% and 39%, respectively. Despite the significant reduction in net gearing over the period, the revenue account is in good shape with revenue per share increasing by 3.8% to 2.7p per share, comfortably exceeding the dividend payout for the period.

Over the period our exposure to high yield bonds increased from 58% to 62% and our exposure to investment grade reduced from 30% to 23%. This was partly through an active strategy of adding credit risk to the portfolio in the relatively weak conditions of 2011 and partly the result of the greater price appreciation of our high yield holdings.

We also took the opportunity of the strong market conditions to sell out of some positions. Sales over the period included Kabel BW 7.5% (cable), Convatec 7.375% (medical) and Rexel 7% (electrical). We added new positions in Nara Cable 8.875% (cable), Schaeffler Finance 8.5% (industrial) and Matterhorn Mobile FRN (telecom).

### Board

The Board has given detailed attention to succession planning and Board composition. We are currently engaged in recruiting two new non-executive Directors, one of whom will replace Hugh Ward whose contribution has greatly assisted our deliberations. I will also be retiring from the Board after serving as Chairman since the launch of the Company. It is intended that these changes will be completed by the end of September 2012.

### Outlook

Despite the rally across credit markets in recent months, yields in high yield corporate bonds and subordinated financial capital remain at relatively high levels, especially when compared to the very low levels of yield available on core government bonds such as Gilts. The yield on the Merrill Lynch European High Yield index, as of the end of March, was 8.78%, compared to 2.06% for the Gilts index and 1.16% for the Bunds index. At these levels, and with the potential for further capital return in names in both high yield and financials, we believe these areas of the market can provide attractive levels of total return over the long term.

The recent fall in UK inflation (annual change in the Consumer Price Index) from 5.2% in September to 3.5% in March appears to vindicate the MPC's choice throughout 2011 to look through short term inflationary pressures, such as the VAT rise and higher oil prices, at the underlying weakness of UK economic growth. The minutes of the committee's recent meetings indicate that further quantitative easing will be considered when the current asset purchase programme is completed and that the committee remains

comfortable with the current interest rate. We do not expect that interest rates will be tightened rapidly from this point. However, with real Gilt yields negative, we also do not think that investors are being well rewarded for the risk. Even what would be a relatively small increase in yield, by historical comparison, would result in significant losses. We believe that high yield bonds remain a relatively attractively priced area of the fixed interest universe and a good source of income.

#### **Share Capital**

During the period 100,000 shares were bought back for cancellation. As at 31 March 2012 the issued share capital consisted of 111,292,526 Ordinary shares of 5p each.

#### **George Baird**

*Chairman*

24 May 2012

#### **Related Party**

Invesco Asset Management Limited ('IAML'), a wholly-owned subsidiary of Invesco Limited, acts as Manager to the Company. Details of IAML's services and fee arrangements are given in the 2011 annual financial report, which is available on the Manager's website at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).

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

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

- Investment Policy – the adopted investment policy and process may not achieve the Company's published investment objective.
- Market Movements and Investment Portfolio Performance – a fall in the stock markets and/or a prolonged period of decline in the stock markets relative to other forms of investments will affect the performance of the portfolio, as well as the performance of individual portfolio investments.
- Ordinary shares – share price is affected by market sentiment, supply and demand for the shares, and dividends declared as well as portfolio performance.
- Gearing – the Company's ordinary shares are geared by repo financing. As at 31 March 2012, repo financing represented approximately 39% of shareholders' funds and an investment in the Company's ordinary shares should therefore be regarded as highly geared and consequently a higher risk investment. The use of borrowings will amplify the effect on shareholders' funds of portfolio gains as well as losses.
- High Yield Corporate Bonds – corporate bonds as subject to credit, liquidity, duration and interest rate risk. Adverse changes in the financial position of the issuer of corporate bonds or in general economic conditions may impair the ability of the issuer to make payments of principal interest or may cause the liquidation or insolvency of the issuer.
- Derivatives – the Company may enter into derivative transactions for the purpose of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes.
- Regulatory and Tax Related – consequences of a serious breach of regulatory rules could include, but are not limited to: suspension from the London Stock Exchange; fines; a qualified audit report; operational or reputational problems; and a loss of assets through fraud.
- Reliance on Third Party Service Providers – failure by any service provider to carry out its obligations to the Company could have a materially detrimental impact on the operation of the Company and affect the ability of the Company to successfully pursue its investment policy.

A detailed explanation of these principal risks and uncertainties can be found on pages 19 to 22 of the Company's 2011 annual financial report, which is available on the Manager's website at:

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

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

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

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

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

The Directors confirm that to the best of their knowledge:

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

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

Signed on behalf of the Board of Directors.

#### **George Baird**

*Chairman*

24 May 2012

## INVESTMENT PORTFOLIO

AT 31 MARCH 2012

All investments are fixed interest bonds unless otherwise stated.

The definitions of the Moody/Standard & Poor's ratings are set out on page 61 of the 2011 annual financial report.

### Bonds and Equity Investments

COMPANY	COUPON %	MATURITY DATE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
<b>Euro</b>					
UPC	8.125	01 Dec 2017	B1/BB-	1,772	} 5.5
	7.625	15 Jan 2020	Ba3/B+	1,758	
	9.750	15 Apr 2018	B2/B-	1,327	
Ally Financial	7.500	21 Apr 2015	B1/B+	3,435	3.9
UBS Capital Securities	Floating 8.836	Perpetual	Baa3/BBB-	2,518	2.8
Santos Finance	Floating 8.250	22 Sep 2070	NR/BB	2,482	2.8
Unicredit	Floating 8.125	Perpetual	Ba1/BB+	2,151	2.4
Telecom Italia	5.250	17 Mar 2055	Baa2/BBB	1,256	} 2.4
	7.750	24 Jan 2033	Baa2/BBB	874	
Rexam	Floating 6.750	29 Jun 2067	Ba2/BB	1,945	2.2
Bank of America	4.625	07 Aug 2017	Baa1/A-	1,702	1.9
Alliander Finance	Floating 4.875	Perpetual	A3/A-	1,683	1.9
Origin	Floating 7.875	16 Jun 2071	Baa3/BB	1,654	1.9
SSE	5.025	Perpetual	Baa2/BBB	1,611	1.8
RWE	Floating 4.625	Perpetual	Baa2/BBB	1,585	1.8
Allianz Finance	Floating 5.750	08 Jul 2041	A2/A+	1,578	1.8
Lottomatica	Floating 8.250	31 Mar 2066	Ba2/BB	1,551	1.7
Commerzbank	7.750	16 Mar 2021	Ba1/BBB	1,469	1.7
Wind Acquisitions	11.750	15 Jul 2017	B3/BB-	864	} 1.3
	7.375	15 Feb 2018	Ba3/BB	308	
Intesa Sanpaola	Floating 8.375	Perpetual	Baa2/BB+	1,093	1.2
Levi Strauss	7.750	15 May 2018	B2/B+	981	1.1
Lloyds Banking Group – LBG Capital No 2 (ECN)	6.385	12 May 2020	Ba2/BB+	978	1.1
Musketeer	9.500	15 Mar 2021	Caa1/B-	902	1.0
Ineos	9.250	15 May 2015	Ba3/B	885	1.0
Reynolds	7.750	15 Oct 2016	Ba3/BB-	874	1.0
Campofrio	7.750	31 Oct 2016	Ba3/BB-	852	1.0
Abengoa	8.500	31 Mar 2016	Ba3/B+	851	1.0
Xefin	8.000	01 Jun 2018	Ba3/B+	842	0.9
Matterhorn Mobile	Floating 6.342	15 May 2019	Ba3/NR	840	0.9
Eco-Bat Finance	7.750	15 Feb 2017	B1/B+	836	0.9
Gategroup	6.750	01 Mar 2019	B1/BB	832	0.9
BPCE	Floating 9.000	Perpetual	Baa3/BBB-	764	0.9
Zinc Capital	8.875	15 May 2018	B2/B+	544	0.6
Codere Finance	8.250	15 Jun 2015	B2/B	414	0.5
Stora Enso	5.500	07 Mar 2019	Ba2/BB	412	0.5
Fiat Finance & Trade	6.375	01 Apr 2016	Ba3/BB	410	0.5
Sappi Papier	6.625	15 Apr 2018	Ba2/BB	393	0.4
Mark IV Europe	8.875	15 Dec 2017	Ba3/BB-	387	0.4
Viridian	11.125	01 Apr 2017	B2/NR	387	0.4
Ono Finance	11.125	15 Jul 2019	Caa1/CCC+	369	0.4
Aviva	Floating 4.729	Perpetual	Baa1/BBB+	342	0.4
Beverage Packaging*	9.500	15 Jun 2017	Caa1/B-	338	0.4
Fortis Bank	Floating 2.862	Perpetual	Ba3/BB	197	0.2
Novasep	9.625	15 Dec 2016	Ca/D	102	0.1
				49,348	55.5

\*A subsidiary of the Reynolds Group Inc.

### Sterling

Virgin Media Finance	7.000	15 Jan 2018	Baa3/BBB-	2,142	} 3.7
	8.875	15 Oct 2019	Ba2/BB-	1,114	
Lloyds Banking Group – Lloyds TSB	7.625	22 Apr 2025	Baa2/BBB-	1,750	} 3.0
– LBG Capital No 2 (ECN)	9.000	15 Dec 2019	Ba2/BB+	878	
Iron Mountain	7.250	15 Apr 2014	B1/B+	1,990	2.2
Enterprise Inns	6.500	06 Dec 2018	NR/BB-	1,652	1.8
Intergen	9.500	30 Jun 2017	Ba3/BB-	1,552	1.7
Barclays Bank	Floating 14.000	Perpetual	Baa2/BBB	1,219	1.4
Société Générale	Floating 8.875	Perpetual	Ba1/BBB-	1,190	1.3
Aviva	6.125	Perpetual	A3/BBB+	1,072	1.2
Thames Water	7.750	01 Apr 2019	B1/NR	1,008	1.1
Jaguar Land Rover	8.250	15 Mar 2020	B1/B+	999	1.1
DFS Furniture	9.750	15 Jul 2017	B2/B	975	1.1
Pipe	9.500	01 Nov 2015	B3/B-	975	1.1
Southern Water	8.500	15 Apr 2019	NR/BB-	956	1.1
General Electric Capital	Floating 5.500	15 Sep 2066	Aa3/AA-	921	1.0
Odeon & UCI Finco	9.000	01 Aug 2018	B3/B	497	0.6
EDP Finance	8.625	04 Jan 2024	Ba1/BB+	449	0.5
Legal & General	Floating 6.385	Perpetual	Baa2/BBB+	425	0.5
Matalan Finance	8.875	29 Apr 2016	B1/BB-	420	0.5
Premier Farnell	89.2p	Cum Red Pref	NR/NR	420	0.5

Bonds and Equity Investments continued						AT	% OF
COMPANY	COUPON	MATURITY DATE	RATING	MARKET VALUE		MARKET VALUE	PORTFOLIO
	%			£'000		£'000	
<b>Sterling</b>							
Gala Finance	8.875	01 Sep 2018	B3/B+	419		419	0.5
Novae	6.500	27 Apr 2017	Baa3/NR	415		415	0.5
AXA	Floating 6.667	Perpetual	Baa1/BBB	413		413	0.5
Unicredit	Floating 8.593	Perpetual	Ba1/BB+	402		402	0.5
Bakkavor Finance	8.250	15 Feb 2018	B2/B	396		396	0.4
Care UK	9.750	01 Aug 2017	B2/B+	389		389	0.4
Boparan	9.875	30 Apr 2018	Ba3/B+	304		304	0.3
Bupa Care Homes	11.800	30 Jun 2014	Deb 1st Mg	250		250	0.3
Skipton	Floating 10.000	12 Dec 2018	Ba2/NR	243		243	0.3
Cattles	6.8750	17 Jan 2014	C	13	}	13	—
	7.1250	05 Jul 2017	C	6		6	
				25,854		25,854	29.1
<b>US Dollar</b>							
General Motors		10 Jul 2019	Warrant	2,423	}	2,423	2.9
		10 Jul 2016	Warrant	160		160	
General Motors (Escrow)		15 Jul 2033	NR/NR	10		10	
Compagnie Générale de Géophysique-Veritas	7.750	15 May 2017	Ba3/BB-	1,301		1,301	1.5
Hutchison Whampoa	6.000	Perpetual	Baa2/BBB	1,273		1,273	1.4
Vedanta Resources	6.750	07 Jun 2016	Ba3/BB	1,154		1,154	1.3
Catlin	Floating 7.249	Perpetual	NR/BBB+	1,139		1,139	1.3
Stora Enso	7.250	15 Apr 2036	Ba2/BB	1,101		1,101	1.2
Citigroup	—	Preference	NR/NR	906		906	1.0
Cemex	9.250	12 May 2020	NR/B-	644		644	0.7
Chrysler	8.000	15 Jun 2019	B2/B	629		629	0.7
Nara Cable	8.875	01 Dec 2018	B1/B	603		603	0.7
Aperam	7.750	01 Apr 2018	B2/BB	603		603	0.7
Société Générale	8.750	Perpetual	Ba1/BBB-	582		582	0.7
Schaeffler Finance	8.500	15 Feb 2019	B1/B	333		333	0.4
Peabody	4.750	15 Dec 2066	NR/NR	298		298	0.3
Prudential	6.500	Perpetual	Baa1/A-	296		296	0.3
Rothschilds	Floating 0.813	Perpetual	NR/NR	244		244	0.3
				13,699		13,699	15.4
<b>Total investments</b>				88,901		88,901	100.0

	SIX MONTHS TO 31 MARCH 2012			SIX MONTHS TO 31 MARCH 2011			YEAR ENDED
	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	2011
	£'000	£'000	£'000	£'000	£'000	£'000	TOTAL
Profit/(loss) on investments at fair value	—	8,358	8,358	—	2,812	2,812	(11,406)
Exchange differences	—	947	947	—	(1,000)	(1,000)	(718)
Profit/(losses) on derivative instruments – currency hedges	—	504	504	—	(359)	(359)	522
Income							
UK dividends	13	—	13	13	—	13	27
UK bond interest	1,039	—	1,039	1,048	—	1,048	2,232
Overseas bond interest	2,423	—	2,423	2,238	—	2,238	4,856
Overseas dividends	29	—	29	55	—	55	67
Deposit interest	9	—	9	7	—	7	21
Investment management fee – note 2	(165)	(165)	(330)	(181)	(181)	(362)	(694)
Other expenses	(152)	—	(152)	(148)	(1)	(149)	(277)
<b>Profit/(loss) before finance costs and taxation</b>	<b>3,196</b>	<b>9,644</b>	<b>12,840</b>	<b>3,032</b>	<b>1,271</b>	<b>4,303</b>	<b>(5,370)</b>
Finance costs	(130)	(130)	(260)	(99)	(99)	(198)	(528)
<b>Profit/(loss) before tax</b>	<b>3,066</b>	<b>9,514</b>	<b>12,580</b>	<b>2,933</b>	<b>1,172</b>	<b>4,105</b>	<b>(5,898)</b>
Taxation	(19)	—	(19)	—	—	—	(33)
<b>Profit/(loss) after tax</b>	<b>3,047</b>	<b>9,514</b>	<b>12,561</b>	<b>2,933</b>	<b>1,172</b>	<b>4,105</b>	<b>(5,931)</b>
<b>Return per ordinary share – note 4</b>	<b>2.7p</b>	<b>8.6p</b>	<b>11.3p</b>	<b>2.6p</b>	<b>1.1p</b>	<b>3.7p</b>	<b>(5.3)p</b>

The total column of this statement represents the Company's statement of comprehensive income, 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 discontinued in the year.

## CONDENSED BALANCE SHEET

	AT 31 MARCH 2012 £'000	AT 31 MARCH 2011 £'000	AT 30 SEPTEMBER 2011 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	88,901	106,901	90,297
<b>Current assets</b>			
Other receivables	2,728	2,822	2,658
Derivative financial instruments – profit on forward currency contract unrealised	—	—	336
Cash and cash equivalents	6,577	5,160	8,715
	9,305	7,982	11,709
<b>Total assets</b>	<b>98,206</b>	<b>114,883</b>	<b>102,006</b>
<b>Current liabilities</b>			
Other payables	(313)	(308)	(305)
Derivative financial instruments – loss on forward currency contracts unrealised	(94)	(926)	—
Securities sold under agreements to repurchase	(27,603)	(40,352)	(41,225)
	(28,010)	(41,586)	(41,530)
<b>Net assets</b>	<b>70,196</b>	<b>73,297</b>	<b>60,476</b>
<b>Issued capital and reserves attributable to equity holders</b>			
Share capital	5,565	5,570	5,570
Share premium	113,634	113,634	113,634
Capital redemption reserve	5	—	—
Capital reserve	(61,280)	(57,352)	(70,738)
Revenue reserve	12,272	11,445	12,010
<b>Shareholders' funds</b>	<b>70,196</b>	<b>73,297</b>	<b>60,476</b>
<b>Net asset value per ordinary share – note 5</b>	<b>63.1p</b>	<b>65.8p</b>	<b>54.3p</b>

## CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS ENDED 31 MARCH 2012 £'000	SIX MONTHS ENDED 31 MARCH 2011 £'000	YEAR ENDED 30 SEPTEMBER 2011 £'000
<b>Cash flow from operating activities</b>			
Profit/(loss) before tax	12,580	4,105	(5,898)
Taxation	(19)	—	(33)
Adjustments for:			
Purchases of investments	(10,229)	(36,614)	(58,766)
Sales of investments	19,980	25,649	50,185
	9,751	(10,965)	(8,581)
(Decrease)/increase from securities sold under agreement to repurchase	(13,622)	11,033	11,906
(Profit)/losses on investments	(8,358)	(2,812)	11,406
Exchange differences	(947)	1,000	718
(Losses)/profit on derivative financial instruments	(504)	359	(522)
Finance costs	260	198	528
<b>Operating cash flows before movements in working capital</b>	<b>(859)</b>	<b>2,918</b>	<b>9,524</b>
Increase in receivables	(70)	(493)	(328)
Increase/(decrease) in payables	8	23	(39)
<b>Net cash flows from operating activities before and after tax</b>	<b>(921)</b>	<b>2,448</b>	<b>9,157</b>
<b>Cash flows from financing activities</b>			
Interest paid	(313)	(206)	(476)
Equity dividends paid	(2,785)	(4,177)	(6,962)
<b>Net cash flows from financing activities</b>	<b>(3,098)</b>	<b>(4,383)</b>	<b>(7,438)</b>
Net (decrease)/increase in cash and cash equivalents	(4,019)	(1,935)	1,719
Realised profits/(losses) on foreign exchange	947	(1,000)	(718)
Realised profits/(losses) on derivative financial instruments	934	(589)	(970)
Cash and cash equivalents at the beginning of the period	8,715	8,684	8,684
<b>Cash and cash equivalents at the end of the period</b>	<b>6,577</b>	<b>5,160</b>	<b>8,715</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
<b>For the six months ended 31 March 2012</b>						
At 1 October 2011	5,570	113,634	—	(70,738)	12,010	60,476
Profit for the period	—	—	—	9,514	3,047	12,561
Shares bought back and cancelled	(5)	—	5	(56)	—	(56)
Dividend paid – note 3	—	—	—	—	(2,785)	(2,785)
<b>At 31 March 2012</b>	<b>5,565</b>	<b>113,634</b>	<b>5</b>	<b>(61,280)</b>	<b>12,272</b>	<b>70,196</b>
<b>For the six months ended 31 March 2011</b>						
At 1 October 2010	5,570	113,634	—	(58,524)	12,689	73,369
Profit for the period	—	—	—	1,172	2,933	4,105
Dividends paid – note 3	—	—	—	—	(4,177)	(4,177)
<b>At 31 March 2011</b>	<b>5,570</b>	<b>113,634</b>	<b>—</b>	<b>(57,352)</b>	<b>11,445</b>	<b>73,297</b>
<b>For the year ended 30 September 2011</b>						
At 1 October 2010	5,570	113,634	—	(58,524)	12,689	73,369
(Loss)/profit for the year	—	—	—	(12,214)	6,283	(5,931)
Dividends paid – note 3	—	—	—	—	(6,962)	(6,962)
<b>At 30 September 2011</b>	<b>5,570</b>	<b>113,634</b>	<b>—</b>	<b>(70,738)</b>	<b>12,010</b>	<b>60,476</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The condensed financial statements have been prepared using the same accounting policies as those adopted in the 2011 annual financial report. They have been prepared on an historic cost basis, except for the measurements at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Union.

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

### 2. Management and Performance Fees

Investment management fees and finance costs are allocated equally to revenue and capital. The management fee rate is 1.0% per annum of net assets. In addition, a performance related fee is payable at the end of the Company's financial year if the Company's total return in a year exceeds the hurdle return for the year and will equal 20% of the outperformance, adjusted for any changes in share capital in the year. The hurdle return is the average sterling 3 month LIBOR plus 1% plus any underperformance in previous years.

### 3. Taxation

The Company is subject to Jersey income tax at the rate of 0% (2011: 0%). The overseas tax charge consists of irrecoverable withholding tax.

### 4. Dividends paid

	SIX MONTHS TO 31 MAR 2012 £'000	SIX MONTHS TO 31 MAR 2011 £'000	YEAR TO 30 SEPT 2011 £'000
Fourth interim 1.25p (second interim of 2.5p)	1,393	2,785	2,785
First interim of 1.25p (2011: 1.25p)	1,392	1,392	1,392
Second interim	—	—	1,393
Third interim	—	—	1,392
<b>Total paid</b>	<b>2,785</b>	<b>4,177</b>	<b>6,962</b>

The first interim for the quarter ended 31 December 2011 was paid on 31 January 2012 to Shareholders on the register on 13 January 2012. The second interim of 1.25p for the quarter ended 31 March 2012 was paid on 30 April 2012 to Shareholders on the register on 13 April 2012.

### 5. Basis of Earnings

	SIX MONTHS TO 31 MAR 2012	SIX MONTHS TO 31 MAR 2011	YEAR TO 30 SEPT 2011
Profit after tax:			
Revenue	£3,047,000	£2,933,000	£6,283,000
Capital	£9,514,000	£1,172,000	(£12,214,000)
<b>Total</b>	<b>£12,561,000</b>	<b>£4,105,000</b>	<b>(£5,931,000)</b>
Weighted average number of shares in issued during the period	111,391,980	111,392,526	111,392,526

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

	AT 31 MAR 2012	AT 31 MAR 2011	AT 30 SEPT 2011
Shareholders' funds	£70,196,000	£73,297,000	£60,476,000
Ordinary shares in issue at period end	111,292,526	111,392,526	111,392,526

### 7. Movements in Share Capital

	SIX MONTHS TO 31 MAR 2012	SIX MONTHS TO 31 MAR 2011	YEAR TO 30 SEPT 2011
Number of 5p ordinary shares:			
Brought forward	111,392,526	111,392,526	111,392,526
Bought back and cancelled	(100,000)	—	—
<b>In issue at period end</b>	<b>111,292,526</b>	<b>111,392,526</b>	<b>111,392,526</b>

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

The financial information contained in this half-yearly report, which has not been reviewed or audited, does not constitute statutory accounts as defined in Article 104 of Companies (Jersey) Law 1991. The financial information for the half years ended 31 March 2011 and 2012 have not been audited. The figures and financial information for the year ended 30 September 2011 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year.

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

24 May 2012

## DIRECTORS AND ADVISERS

### Directors

George Baird (Chairman)  
Donald Adamson (Audit Committee Chairman)  
Gordon Neilly  
Clive Spears  
Hugh Ward

### Investment Manager

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

### Company Secretary, Administrator and Registered Office

R&H Fund Services (Jersey) Limited  
PO Box 83  
Ordnance House  
31 Pier Road,  
St Helier, Jersey JE4 8PW  
Company Secretarial Contact: Hilary Jones  
☎ 01534 825323

Registered in Jersey: Number 75059

### Corporate Broker

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

### Transfer Agent

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

☎ 0871 664 0300 (From outside the UK +44 208 639 3399)

Calls cost 10p per minute plus network charges.

Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).

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

☎ 0871 664 0300 (From outside the UK +44 208 639 3399)

🌐 www.capitashareportal.com or www.capitaregistrars.com

Calls cost 10p per minute plus network charges.

Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).

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

☎ 0871 664 0364 (From outside the UK +44 203 367 2691)

Calls cost 10p per minute plus network charges.

Lines are open from 8.00am to 4.30pm Monday to Friday (excluding Bank Holidays).

### Savings Scheme and ISA Administration

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

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

### Invesco Perpetual Investor Services

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

☎ 0800 085 8677

🌐 www.invescoperpetual.co.uk/investmenttrusts

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



Invesco Asset Management Limited  
30 Finsbury Square  
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Invesco Perpetual is a business name of Invesco Asset Management Limited