

# Perpetual Income and Growth Investment Trust plc

Half-Yearly Financial Report for the Six Months to 30 September 2014

## KEY FACTS

Perpetual Income and Growth Investment Trust plc (the 'Company') is an investment trust company listed on The London Stock Exchange.

### Investment Objective of the Company

The Company's investment objective is to provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity and fixed interest markets.

Full details of the Company's Investment Policy and Investment Limits can be found on pages 9 and 10 of the Company's 2014 annual financial report.

### Performance Statistics

The Benchmark index of the Company is the FTSE All-Share Index.

	SIX MONTHS ENDED 30 SEPTEMBER 2014		
	AT 30 SEPTEMBER 2014	AT 31 MARCH 2014	% CHANGE
<b>Total return<sup>(1)</sup> (all income reinvested):</b>			
Net asset value			
– debt at par	+2.5%		
– debt at market value	+2.2%		
Share price	+1.6%		
Benchmark	+1.2%		
<b>Net asset value per ordinary share:</b>			
Shareholders' funds (£'000)	897,152	896,290	+0.1
Net asset value	383.7p	383.3p	+0.1
Share price	375.3p	377.5p	-0.6
Discount to NAV	2.2%	1.5%	
<b>Capital return – Benchmark<sup>(1)</sup></b>			-0.6
<b>Gearing:</b>			
– gross gearing <sup>(2)</sup>	17.8%	14.2%	
– net gearing <sup>(3)</sup>	17.8%	14.2%	

(1) Source: Thomson Reuters Datastream.

(2) Gross gearing: borrowings ÷ shareholders' funds.

(3) Net gearing: borrowing less cash and UK government bond holdings ÷ shareholders' funds.

	SIX MONTHS ENDED 30 SEPTEMBER 2014		
	30 SEPTEMBER 2014	30 SEPTEMBER 2013	% CHANGE
<b>Revenue</b>			
Basic revenue return per share	7.26p	7.14p	+1.7
Dividends – first interim	2.80p	2.70p	
– second interim	2.80p	2.70p	
– total	5.60p	5.40p	+3.7

## INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

### Chairman's Statement

#### Performance

During the six month period from 31 March to 30 September 2014, your Company's total return was +2.5%, outperforming the FTSE All-Share Index which returned +1.2%. The share price per ordinary share decreased marginally by -0.6%, down from 377.5p to 375.3p per share, with the discount to NAV per ordinary share widening from 1.5% to 2.1% at the period end.

#### Dividend

The Board is pleased to declare a second interim dividend of 2.80p per ordinary share in respect of the three months to 30 September 2014. This dividend will be paid on 29 December 2014 to shareholders on the register on 5 December 2014. The shares will go ex-dividend on 4 December 2014.

Your Board continues to recognise the importance of dividends to shareholders, particularly in the present low interest environment, and is determined to maintain its policy of real dividend growth over the medium to longer term.

### Alternative Investment Fund Managers Directive (the Directive)

As announced on 22 July 2014, the Company has entered into arrangements to ensure compliance with the Directive. The Board has appointed Invesco Fund Managers Limited (IFML) as the Company's Alternative Investment Fund Manager (the 'Manager'). The existing investment management agreement between the Company and Invesco Asset Management Ltd (IAML) has been terminated, although IAML will continue to manage the Company's investment portfolio under delegated authority from IFML. It is not expected or intended that these new arrangements will result in any change to the way the Company's assets are invested.

The Directive also required the Company to appoint a depositary and the Board has chosen to appoint BNY Mellon Trust & Depositary (UK) Limited. The depositary has delegated safe keeping of the Company's investments to the Company's previous custodian, The Bank of New York Mellon (London Branch).

### Investment Management Fees

I mentioned in the Company's Annual Financial Report that your Board were in discussions over fee arrangements with the Manager. I am pleased to report that following constructive dialogue with the Manager, a reduction in the fees payable was agreed and announced on 22 October 2014. From 1 April 2014 the base management fee has been reduced from 0.75% pa to 0.6% pa on the first £500 million of assets under management and 0.4% thereafter. The performance fee cap will be reduced from 0.75% to 0.5% of year end assets under management. Details are provided in note 2 to the financial statements.

The revised fee arrangements apply retrospectively from the start of the Company's financial year, 1 April 2014. This change will act to reduce the overall costs borne by the Company and enhance shareholder value.

The Directors have the highest regard for Mark Barnett, our portfolio manager, and his performance record speaks for itself. However, we also recognise our obligations to shareholders in a competitive market place. Fees and expenses remain, as always, a focus of attention for the Board.

### Bill Alexander

Chairman

20 November 2014

### Portfolio Manager's Report

#### Market Review

The six month period under review saw the UK equity market, as measured by the FTSE All-Share Index, rise by 1.2% (with dividends reinvested). The flat market return represented a pause in the upward trend of the last few years and reflects concerns over future profit growth caused by disappointing company results statements and the impending end to the Quantitative Easing (QE) programme in the US. In addition, as the period unfolded, fears over China's growth rate and a weakening European economy became more relevant concerns. Furthermore, rising geopolitical risk, the Ebola outbreak, and the prospect of UK domestic elections began to affect the previously stable backdrop for the market.

On the positive front, inflation remains subdued and, although wage growth appears weak, the price of non-discretionary items such as petrol and food have been falling, thereby benefiting households and relieving some of the upward pressure on interest rates. Government bond yields have been supportive of equities over the period – the 30 year US government bond recently fell below 3%, suggesting that the market views the longer term outlook for global inflation as subdued. That said, falling inflation and declining bond yields have led to fears of global deflation, which could lead to unwelcome pressure on company balance sheets and profit margins, hampering global economic recovery.

### Portfolio Strategy & Review

The Company's net asset value, including reinvested dividends, rose by 2.5% during the six months to the end of September 2014, outperforming the rise of 1.2% in the FTSE All-Share Index.

The Company's outperformance over the six month period reflected some strong contributions from across the portfolio, with the most significant positive contributions coming from AstraZeneca, BTG, BAE Systems, and Reynolds American.

The value inherent in AstraZeneca's drug pipeline was highlighted in April when Pfizer made a bid for the company, which was subsequently rebuffed

by the AstraZeneca board. At the time of the company's half year results in July, the CEO commented that there was 'visible momentum' across their cardiovascular, diabetes and respiratory franchises. He also pointed out the strong revenue growth that had been achieved in emerging markets. AstraZeneca remains a core holding in the portfolio.

BTG saw a sharp rise in its share price over the period on the back of significant positive newsflow. Having previously announced that it had received approval from the US Food and Drug Administration for its Varithena injectable foam medication for the non-surgical treatment of varicose veins, further positive news came during the period under review when the company announced that its DC Bead® oncology product had been approved for sale in China, which represents the largest potential market for patients suffering with liver cancer.

BAE Systems' share price rose amid growing instability in the Middle East, the ongoing implementation of its £1 billion share repurchase programme, and following the successful resolution of its fighter-jet contract negotiations with Saudi Arabia. Reynolds American saw its share price rise following merger and acquisition activity – the company is currently awaiting final US government approval for its planned merger with Lorillard.

Amongst the detractors to performance over the period were Thomas Cook, GlaxoSmithKline and N Brown. Thomas Cook saw its share price decline sharply when it failed to match last year's sales growth, and more latterly in reaction to fears that the Ebola outbreak would negatively affect bookings. GlaxoSmithKline was impacted by what it described as intensifying competition and pricing pressure in the US respiratory drugs market. Finally, UK retailer N Brown's profits were hampered by a weaker performance from its mail-order business as it sought to expand its digital offering.

In terms of portfolio activity, new investments comprised Game Digital, a retailer of video games and consoles from shops and online that saw its share price rise sharply post its stock market flotation in June, Friends Life and Smith & Nephew. The remaining holding in Betfair was sold.

## Outlook

The outlook for the UK equity market is likely to be volatile for the foreseeable future. The key issues that will continue to overshadow the performance of the equity market remain the interplay between growing investor pessimism on the global economic outlook and the ability of policymakers to create the conditions to reinvigorate growth prospects where necessary. The recent performance of the Eurozone and the Chinese economies, in particular, is concerning as prolonged weakness in these areas, and the deflationary forces that are exported, will undoubtedly have an impact on other developed economies such as the US and the UK, which have been performing relatively well in 2014. The overall background for revenue growth is likely to remain subdued into 2015 and will give rise to further profit warnings, which have been a feature of the recent newsflow in the market.

The influence of the central banks in this environment is becoming weaker as their two main policy levers, interest rates and liquidity, have been fully exploited for a number of years. Their last remaining option is to use speeches and policy guidance to influence the behaviour of economies and market participants. But this power also has its limitations as the markets grow tired and sceptical of unfulfilled promises. It is certainly the case that policymakers are keen to change the current policy stance which has survived largely unchanged since 2008. However, any change in monetary policy, be it through the tapering of QE or a move in short-term interest rates provides another headwind for the markets in the near future. Given the recent economic news it is likely that the anticipated increase in rates in the US and UK will be deferred until 2015 as there is very little sign of inflation pressure in these economies despite rapidly falling levels of unemployment.

The political backdrop both domestically and internationally has taken on more relevance in the recent past and is likely to remain an important influence for the next twelve months. The changes in the political agenda ahead of the UK general election in May 2015 are likely to be another source of uncertainty for the UK stock market.

The market falls in recent weeks have started to factor in some of these concerns and it is true that equities continue to look attractive relative to other asset classes, but many valuations still look elevated where share prices do not appropriately anticipate the risk to earnings and cash flows that is likely to be realised. The investment strategy is therefore largely unchanged from the recent past. The portfolio manager puts a high price on the companies in the market that offer visibility of revenues, profits and cash flows in this low growth world and which are managed for the sole purpose of delivering shareholder value in the form of a sustainable and growing dividend.

**Mark Barnett**  
Portfolio Manager

20 November 2014

## Related Parties and Transactions with the Manager

Under United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified the Directors as related parties. No other related parties or related party transactions have been identified during the period.

With effect from 22 July 2014, Invesco Fund Managers Limited (IFML), a wholly owned subsidiary of Invesco Limited and associate company of Invesco Asset Management Limited (IAML), was appointed as Manager. Prior to 22 July 2014, IAML was the Manager and continues to carry out its previous functions under delegated authority of IFML. The fee arrangements with the Manager were changed on 22 October 2014 and are effective from 1 April 2014. Previously the fee arrangements as disclosed in the 2014 annual financial report were in effect.

## Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates. The principal risks and uncertainties identified in this review are summarised below:

- **Economic Risk** – Economic risk arises from uncertainty about the future prices of the Company's investments. Market fluctuations, both upward and downward, may arise from external factors which are outside the control of the Board and the Manager.
- **Investment Risk** – This is the stock specific risk that the stock selection process may not achieve the Company's published objectives. Poor performance of individual portfolio investments is mitigated by diversification and ongoing monitoring of investment guidelines.
- **Financial Risk** – The financial risks faced by the Company include market price risk (including currency risk, interest rate risk and other price risk), liquidity risk and credit risk, which includes counterparty and custodial risk.
- **Gearing Risk** – The use of borrowings will amplify the effect of shareholders' funds of portfolio gains and losses.
- **Investment Objective** – There can be no guarantee that the Company will meet its investment objective.
- **Share Discount Risk** – The Company's shares may, at times, trade at a wide discount. The Board has put in place both share repurchase and issuance facilities to help the management of this risk.
- **Operational Risk** – A failure of the systems of financial and non-financial internal controls operated by the Company, the Manager and other external service providers could result in loss of assets and reputational damage as a result of fraud or material misstatement.
- **Regulatory Risk** – Loss of investment trust status for tax purposes could lead to the Company being subject to tax on the realised capital profits on the sale of its investments. A serious breach of regulatory rules could lead to suspension from the Official List, a fine or qualified audit report and reputational problems.

## Going Concern

The condensed financial statements have been prepared on a going concern basis. The Directors consider 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, being at least 12 months after the approval of this half-yearly financial report. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses from its assets. The Directors also considered the revenue forecasts for the year and future dividend payments.

## 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 UK Accounting 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 Accounting Standards Board's Statement "Half-Yearly Financial Report";
- 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.

**Bill Alexander**  
Chairman

20 November 2014

## INVESTMENT PORTFOLIO STATEMENT AT 30 SEPTEMBER 2014

UK ordinary shares unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO	ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
<b>Equity investments</b>				Ladbroke's	Travel & Leisure	11,153	1.1
British American Tobacco	Tobacco	47,453	4.5	Brown (N)	General Retailers	10,560	1.0
AstraZeneca	Pharmaceuticals & Biotechnology	44,212	4.2	Macau Property Opportunities Fund	Real Estate Investment & Services	10,038	1.0
Imperial Tobacco	Tobacco	42,179	4.0	HomeServe	Support Services	9,490	0.9
BT Group	Fixed Line Telecommunications	41,031	3.9	Lombard Medical Technologies	Health Care Equipment & Services	8,756	0.8
Reynolds American – US common stock	Tobacco	40,181	3.8	P2P Global Investments	Investment Instruments	8,568	0.8
Roche – Swiss common stock	Pharmaceuticals & Biotechnology	38,840	3.7	Friends Life	Life Insurance	8,356	0.8
BAE Systems	Aerospace & Defence	36,755	3.5	Nimrod Sea Assets	Investment Instruments	8,264	0.8
Reckitt Benckiser	Household Goods & Home Construction	28,465	2.7	IP Group	Financial Services	8,070	0.8
GlaxoSmithKline	Pharmaceuticals & Biotechnology	27,244	2.6	Vectura	Pharmaceuticals & Biotechnology	7,729	0.7
BP	Oil & Gas Producers	24,925	2.4	<b>Top Fifty Holdings</b>		<b>1,003,172</b>	<b>95.2</b>
<b>Top Ten Holdings</b>				CLS	Real Estate Investment & Services	6,422	0.6
SSE	Electricity	24,844	2.4	Circassia Pharmaceuticals	Pharmaceuticals & Biotechnology	5,974	0.6
Novartis – Swiss common stock	Pharmaceuticals & Biotechnology	24,696	2.3	Doric Nimrod Air Three – Preference Shares	Investment Instruments	5,050	0.5
Provident Financial	Financial Services	23,279	2.2	Doric Nimrod Air Two – Preference Shares	Investment Instruments	4,988	0.5
Legal & General	Life Insurance	23,208	2.2	Serco	Support Services	4,752	0.4
BTG	Pharmaceuticals & Biotechnology	22,551	2.1	Sherborne Investors	Financial Services	4,752	0.4
Babcock International	Support Services	22,473	2.1	Guernsey B – A Shares			
Rolls-Royce	Aerospace & Defence	22,245	2.1	Chemring	Aerospace & Defence	3,853	0.4
Reed Elsevier	Media	21,871	2.1	Damille Investments II	Investment Instruments	3,599	0.3
Beazley	Non-life Insurance	21,645	2.0	Smith & Nephew	Health Care Equipment & Services	3,575	0.3
Thomas Cook	Travel & Leisure	19,717	1.9	PuriCore	Health Care Equipment & Services	2,870	0.3
<b>Top Twenty Holdings</b>				<b>Top Sixty Holdings</b>		<b>1,049,007</b>	<b>99.5</b>
Capita	Support Services	19,499	1.8	Horizon Discovery	Health Care Equipment & Services	2,325	0.2
Bunzl	Support Services	19,439	1.8	Coalfield Resources	Mining	1,175	0.1
Compass	Travel & Leisure	18,738	1.8	Altus Resource Capital	Investment Instruments	719	0.1
Drax	Electricity	17,813	1.7	HaloSource	Chemicals	230	—
Rentokil Initial	Support Services	17,767	1.7	XTL Biopharmaceuticals – ADR	Pharmaceuticals & Biotechnology	105	—
Hiscox	Non-life Insurance	17,517	1.7	Mirada	Media	14	—
Amlin	Non-life Insurance	17,428	1.7	<b>Total Equity Investments (66)</b>		<b>1,053,575</b>	<b>99.9</b>
London Stock Exchange	Financial Services	17,068	1.6	<b>Other investments</b>			
G4S	Support Services	16,463	1.5	ISSUER AND ISSUE	SECTOR (MOODY'S&P RATING)		
KCOM	Fixed Line Telecommunications	15,595	1.5	Barclays Bank – Nuclear Power Notes	Electricity (Non-rated)	589	0.1
<b>Top Thirty Holdings</b>				28 Feb 2019			
Derwent London	Real Estate Investment Trusts	14,945	1.4	<b>Total Investments (67)</b>		<b>1,054,164</b>	<b>100.0</b>
Shaftesbury	Real Estate Investment Trusts	14,938	1.4				
NewRiver Retail	Real Estate Investment Trusts	14,528	1.4				
GAME Digital	General Retailers	14,394	1.4				
Napo Pharmaceuticals – Unquoted US common stock	Pharmaceuticals & Biotechnology	14,049	1.3				
Imperial Innovations	Financial Services	13,463	1.3				
TalkTalk Telecom	Fixed Line Telecommunications	12,778	1.2				
Workspace	Real Estate Investment Trusts	12,775	1.2				
Lancashire	Non-life Insurance	12,620	1.2				
Centrica	Gas, Water & Multiutilities	12,557	1.2				
<b>Top Forty Holdings</b>							
		912,188	86.5				

## CONDENSED INCOME STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2014 (UNAUDITED)			SIX MONTHS TO 30 SEPTEMBER 2013 (UNAUDITED)			YEAR TO 31 MARCH 2014 AUDITED
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
Gains on investments at fair value	—	7,699	7,699	—	50,718	50,718	127,613
Foreign exchange gains	—	17	17	—	71	71	—
Income							
UK dividends	15,547	—	15,547	14,664	—	14,664	25,538
Special dividends – UK	1,119	—	1,119	1,570	—	1,570	4,229
Overseas dividends	1,851	—	1,851	1,299	—	1,299	5,560
Special dividends – Overseas	—	—	—	—	—	—	1,278
Unfranked investment income	—	—	—	30	—	30	30
Scrip dividends	280	—	280	122	—	122	246
<b>Gross return</b>	<b>18,797</b>	<b>7,716</b>	<b>26,513</b>	<b>17,685</b>	<b>50,789</b>	<b>68,474</b>	<b>164,494</b>
Investment management fee – note 2	(774)	(1,805)	(2,579)	(991)	(2,312)	(3,303)	(7,168)
Performance fee – note 2	—	(996)	(996)	—	(3,716)	(3,716)	(7,738)
Other expenses	(327)	(1)	(328)	(281)	(1)	(282)	(559)
<b>Net return before finance costs and taxation</b>	<b>17,696</b>	<b>4,914</b>	<b>22,610</b>	<b>16,413</b>	<b>44,760</b>	<b>61,173</b>	<b>149,029</b>
Finance costs – note 2	(592)	(1,381)	(1,973)	(467)	(1,090)	(1,557)	(3,006)
<b>Return on ordinary activities before taxation</b>	<b>17,104</b>	<b>3,533</b>	<b>20,637</b>	<b>15,946</b>	<b>43,670</b>	<b>59,616</b>	<b>146,023</b>
Tax on ordinary activities – note 3	(134)	—	(134)	(158)	—	(158)	(660)
<b>Return on ordinary activities after taxation for the financial period</b>	<b>16,970</b>	<b>3,533</b>	<b>20,503</b>	<b>15,788</b>	<b>43,670</b>	<b>59,458</b>	<b>145,363</b>
<b>Return per ordinary share – note 4</b>							
Basic	7.26p	1.51p	8.77p	7.14p	19.74p	26.88p	63.92p
Diluted	n/a	n/a	n/a	7.07p	19.56p	26.63p	63.35p

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

CONDENSED BALANCE SHEET			
Registered number 3156676			
	AT 30 SEPTEMBER 2014 UNAUDITED £'000	AT 30 SEPTEMBER 2013 UNAUDITED £'000	AT 31 MARCH 2014 AUDITED £'000
<b>Fixed assets</b>			
Investments at fair value	1,054,164	907,408	1,026,821
<b>Current assets</b>			
Amount due from brokers	1,800	2,933	781
Tax recoverable	987	607	1,336
Prepayments and accrued income	3,004	2,138	5,253
	5,791	5,678	7,370
<b>Creditors: amounts falling due within one year</b>			
Bank overdraft	(100,418)	(58,193)	(97,693)
6.125% Debenture stock 8 July 2014	—	(29,951)	(29,982)
Amounts due to brokers	—	(457)	—
Accruals and deferred income	(1,959)	(2,233)	(2,488)
Performance fee accrued	—	—	(7,738)
	(102,377)	(90,834)	(137,901)
<b>Net current liabilities</b>	(96,586)	(85,156)	(130,531)
<b>Total assets less current liabilities</b>	957,578	822,252	896,290
<b>Creditors: amounts falling due after more than one year</b>			
4.37% Loan notes 8 May 2029	(59,430)	—	—
<b>Provision for performance fee</b>	(996)	(3,716)	—
<b>Net assets</b>	897,152	818,536	896,290
<b>Capital and reserves</b>			
Share capital – note 6	23,382	23,256	23,382
Share premium	239,613	235,271	239,613
Capital reserve	606,432	532,858	602,899
Revenue reserve	27,725	27,151	30,396
<b>Shareholders' funds</b>	897,152	818,536	896,290
<b>Net asset value per ordinary share – note 5</b>			
Basic	383.7p	352.0p	383.3p

CONDENSED CASH FLOW STATEMENT			
	SIX MONTHS TO 30 SEPTEMBER 2014 UNAUDITED £'000	SIX MONTHS TO 30 SEPTEMBER 2013 UNAUDITED £'000	YEAR TO 31 MARCH 2014 AUDITED £'000
<b>Net return before finance costs and taxation</b>	22,610	61,173	149,029
Gains on investments	(7,699)	(50,718)	(127,613)
Scrip dividends	(280)	(122)	(246)
Decrease/(increase) in debtors	2,598	3,124	(720)
(Decrease)/increase in creditors and provisions	(7,928)	(2,626)	1,683
Tax on overseas income	(134)	(158)	(660)
<b>Net cash flow from operating activities</b>	9,167	10,673	21,473
<b>Servicing of finance</b>	(1,286)	(1,531)	(2,981)
<b>Capital expenditure and financial investment</b>			
Purchase of investments	(76,308)	(99,839)	(259,292)
Sale of investments	55,925	91,365	210,119
<b>Net equity dividends paid</b>	(19,641)	(13,711)	(26,330)
<b>Net cash outflow before management of liquid resources and financing</b>	(32,143)	(13,043)	(57,011)
<b>Financing</b>			
Net proceeds from issue of £60 million Loan Notes 8 May 2029	59,418	—	—
Repayment of Debenture stock 8 July 2014	(30,000)	—	—
Shares issued – note 6(a)	—	29,683	34,151
<b>(Decrease)/increase in cash in the period</b>	(2,725)	16,640	(22,860)
Loan notes 2029 net proceeds	(59,418)	—	—
Debenture stock 2014 repaid	30,000	—	—
Loan notes/debenture stock non-cash movement	(30)	(36)	(67)
<b>Movement in net debt in the period</b>	(32,173)	16,604	(22,927)
Net debt at beginning of period	(127,675)	(104,748)	(104,748)
<b>Net debt at end of period</b>	(159,848)	(88,144)	(127,675)
<b>Analysis of changes in net debt:</b>			
Brought forward:			
Bank overdraft	(97,693)	(74,833)	(74,833)
Debenture stock 2014	(29,982)	(29,915)	(29,915)
<b>Net debt brought forward</b>	(127,675)	(104,748)	(104,748)
Movements in the period:			
Cash (outflow)/inflow from bank	(2,725)	16,640	(22,860)
Net cash inflow from loan notes 2029	(59,418)	—	—
Cash outflow from debenture stock 2014	30,000	—	—
Loan notes/debenture stock non-cash movement	(30)	(36)	(67)
<b>Net debt at end of period</b>	(159,848)	(88,144)	(127,675)

CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS					
	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
<b>FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013 (UNAUDITED)</b>					
At 31 March 2013	21,923	206,921	489,188	25,074	743,106
Net return on ordinary activities	—	—	43,670	15,788	59,458
Dividends paid – note 7	—	—	—	(13,713)	(13,713)
Unclaimed dividends	—	—	—	2	2
Net proceeds from issue of new shares	42	1,370	—	—	1,412
Exercise of subscription shares	1,291	26,980	—	—	28,271
At 30 September 2013	23,256	235,271	532,858	27,151	818,536
<b>FOR THE YEAR ENDED 31 MARCH 2014 (AUDITED)</b>					
At 31 March 2013	21,923	206,921	489,188	25,074	743,106
Net return on ordinary activities	—	—	113,711	31,652	145,363
Dividends paid – note 7	—	—	—	(26,332)	(26,332)
Unclaimed dividends	—	—	—	2	2
Net proceeds from issue of new shares	168	5,718	—	—	5,886
Exercise of subscription shares	1,291	26,974	—	—	28,265
At 31 March 2014	23,382	239,613	602,899	30,396	896,290
<b>FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)</b>					
At 31 March 2014	23,382	239,613	602,899	30,396	896,290
Net return on ordinary activities	—	—	3,533	16,970	20,503
Dividends paid – note 7	—	—	—	(19,641)	(19,641)
At 30 September 2014	23,382	239,613	606,432	27,725	897,152

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The condensed financial statements of the Company have been prepared using the same accounting policies as those adopted in the 2014 annual financial report, which are consistent with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice: 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

### 2. Investment Management Fees and Finance Costs

On 22 October 2014, the management fee arrangements were amended to take effect from 1 April 2014. The base fee was changed from 0.75% pa to 0.6% pa on the first £500 million of assets under management and 0.4% thereafter. The performance fee cap was reduced from 0.75% of year end assets under management to 0.5%. This half-yearly financial report has been prepared showing the fees on this new basis. The effect of the change for the six months to 30 September 2014 is a £1,318,000 reduction in the basic management fee and an increase of £94,000 in the performance fee provision. The aggregate of £1,224,000 is the equivalent of 0.52 pence per share.

The base management fee and finance costs are allocated 70% to capital and 30% to revenue. A provision for a performance-related fee is recognised if the Company's performance exceeds the FTSE All-Share Index and is wholly allocated to capital. A performance fee of £996,000 has been provided for the six months under review (30 September 2013: £3,716,000). A performance fee of £7,738,000 was accrued and later paid for the year ended 31 March 2014.

### 3. Investment Trust Status and Tax

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company. As such, no tax liability arises on capital gains. The tax charge represents withholding tax suffered on overseas income.

### 4. Basis of Return per Ordinary Share

	SIX MONTHS TO 30 SEPT 2014 (UNAUDITED)	SIX MONTHS TO 30 SEPT 2013 (UNAUDITED)	YEAR TO 31 MAR 2014 (AUDITED)
<b>Returns after tax (£'000):</b>			
Revenue	16,970	15,788	31,652
Capital	3,533	43,670	113,711
<b>Total</b>	<b>20,503</b>	<b>59,458</b>	<b>145,363</b>
<b>Weighted average number of ordinary shares in issue during the period:</b>			
– basic	233,816,175	221,201,967	227,407,467
– diluted	n/a	223,253,504	229,448,434

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

	AT 30 SEPT 2014 (UNAUDITED)	AT 30 SEPT 2013 (UNAUDITED)	AT 31 MAR 2014 (AUDITED)
Shareholders' funds (£'000)	897,152	818,536	896,290
Ordinary shares in issue at period end	233,816,175	232,564,296	233,816,175

### 6. Share Capital

#### (a) Ordinary shares of 10p each

	SIX MONTHS TO 30 SEPT 2014 (UNAUDITED)	SIX MONTHS TO 30 SEPT 2013 (UNAUDITED)	YEAR TO 31 MAR 2014 (AUDITED)
<b>Number of ordinary shares:</b>			
Brought forward	233,816,175	219,228,060	219,228,060
Ordinary shares issued for cash	—	421,499	1,673,378
Exercise of subscription shares	—	12,914,737	12,914,737
<b>Carried forward</b>	<b>233,816,175</b>	<b>232,564,296</b>	<b>233,816,175</b>
<b>Net proceeds from:</b>			
– issue of new shares	—	1,412	5,886
– exercise of subscription shares	—	28,271	28,265
	—	29,683	34,151

Since the period end a further 259,230 ordinary shares have been issued at a price of 392p per share.

#### (b) Subscription Shares

All subscription shares were converted at 31 August 2013.

### 7. Dividends per Ordinary Share

The first interim dividend of 2.80p was paid on 30 September 2014 to shareholders registered on 5 September 2014. The Directors have declared a second interim dividend of 2.80p payable on 29 December 2014 to shareholders registered on 5 December 2014.

	SIX MONTHS TO 30 SEPT 2014 (UNAUDITED)	SIX MONTHS TO 30 SEPT 2013 (UNAUDITED)	YEAR TO 31 MAR 2014 (AUDITED)
<b>Interim dividends paid (pence):</b>			
Fourth 2013	—	3.55	3.55
First 2014	—	2.70	2.70
Second 2014	—	—	2.70
Third 2014	—	—	2.70
Fourth 2014	3.70	—	—
First 2015	2.80	—	—
<b>Total interims paid</b>	<b>6.50</b>	<b>6.25</b>	<b>11.65</b>
Special 2014	1.90	—	—
<b>Total</b>	<b>8.40</b>	<b>6.25</b>	<b>11.65</b>
<b>£'000 equivalent</b>	<b>19,641</b>	<b>13,713</b>	<b>26,332</b>

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

The financial information contained in this half-yearly report, which has not been audited or reviewed by the independent auditors, does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2014 and 30 September 2013 has not been audited. The figures and financial information for the year ended 31 March 2014 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditor, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board  
**Invesco Asset Management Limited**  
 Company Secretary

20 November 2014

## DIRECTORS, ADVISERS AND PRINCIPAL SERVICE PROVIDERS

### Directors

Bill Alexander, Chairman  
Sir Martyn Arbib  
Vivian Bazalgette  
Antony Hardy, Senior Independent Director.  
Audit Committee Chairman until 11 July 2014.  
Richard Laing, Audit Committee Chairman since 11 July 2014  
Bob Yerbury

### Registered Office and Company Number

Perpetual Park  
Perpetual Park Drive  
Henley-on-Thames  
Oxfordshire RG9 1HH  
Registered in England and Wales No: 3156676

### Manager

Invesco Fund Managers Limited

### Company Secretary

Invesco Asset Management Limited  
Company Secretarial contact: Kelly Nice and Kevin Mayger

### Correspondence Address

6th Floor  
125 London Wall  
London EC2Y 5AS  
☎ 020 3753 1000

### Depository

BNY Mellon Trust & Depository (UK) Limited  
160 Queen Victoria Street  
London EC4V 4LA

### Registrars

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

If you hold your shares directly rather than through an ISA or Savings Scheme, and have any queries relating to your shareholding you should contact the Registrars on ☎ 0871 664 0300.

Calls cost 10p per minute plus network extras.

From outside the UK: +44 (0)208 639 3399. Lines are open from 9 am to 5.30 pm, Monday to Friday (excluding UK Bank Holidays).

Shareholders holding shares directly can also access their holding details via Capita's website [www.capitaassetservices.com](http://www.capitaassetservices.com) or [www.capitashareportal.com](http://www.capitashareportal.com)

The Registrars provide on-line and telephone share dealing services to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.capitadeal.com](http://www.capitadeal.com) or ☎ 0871 664 0454. Calls cost 10p per minute plus network extras.

From outside the UK: +44 (0)203 367 2699.

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

### Invesco Perpetual Investor Services

The Invesco Perpetual Investor Services Team is available from 8.30 am to 6 pm Monday to Friday (excluding UK Bank Holidays) on ☎ 0800 085 8677.

The Invesco Perpetual investment trust website is:  
🌐 [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

### Invesco Perpetual Investment Trust Savings Scheme and ISA Administrators

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

Invesco Perpetual  
PO Box 11150  
Chelmsford  
CM99 2DL  
☎ 0800 085 8677

### Manager's Website

Information relating to the Company can be found on the Manager's website 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 document.

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



Invesco Fund Managers Limited and  
Invesco Asset Management Limited are authorised  
and regulated by the Financial Conduct Authority