Invesco Perpetual Enhanced Income Limited

Annual Financial Report
Year ended 30 September 2016

If you have any queries about Invesco Perpetual Enhanced Income Limited
or any of the other investment companies managed by Invesco Perpetual,
please contact Invesco Perpetual Client Services Team on

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Contents

The Company is a member of

aic
The Association of Investment Companies

Nature of the Company

Invesco Perpetual Enhanced Income Limited (the 'Company') is a Jersey investment company whose shares are listed and traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on pages 10 and 11), with the aim of spreading investment risk and generating a return for shareholders. The Company is able to borrow, the proceeds from which can also be invested according to the investment policy with the aim of enhancing returns to shareholders. This additional investment increases the potential risk to shareholders should the value of the investments fall.

The Company has contracted with an external investment manager, Invesco Fund Managers Limited ('IFML', the 'Manager'), to manage its investments. IFML is also the Alternative Investment Manager. Administrative functions are contracted to external service providers, the main one being with R&H Fund Services (Jersey) Limited for company secretarial and administrative services. The Company has a Board of non-executive Directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. The Company has no employees.

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 the Manager considers appropriate.

The Company seeks to balance the attraction of high yield securities with the need for protection of capital and to manage volatility. The Company generally employs gearing in its Investment Policy. Full details of the Company's Investment Policy can be found on pages 10 and 11.

Borrowings and Repo Finance

The Company uses borrowings in its Investment Policy, the principal component of which is repo finance, whereby the Company participates in sale and repurchase 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.

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

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

Terms marked † are defined in the Glossary of Terms on page 65.

Balance sheet at 30 September	2016	2015	% CHANGE
Shareholders' funds (£'000)	99,964(1)	84,322	+18.6
Net asset value† per ordinary share	74.5p	68.7p	+8.4
Share price	77.4p	69.8p	+10.9
Premium per ordinary share	3.9%	1.6%	
Gross borrowing†	25%	39%	
Net borrowing†	16%	33%	

(1) reflects 11,450,000 ordinary shares issued in the year.

Total Return	YEAR ENDED 30 SEPTEMBER 2016	YEAR ENDED 30 SEPTEMBER 2015
3 month LIBOR rate	+0.4%	+0.6%
Net asset value ('NAV') †*	+15.7%	+1.5%
Share price	+19.0%	+0.2%

Source: Invesco/Thomson Reuters Datastream.

* The increase in total return NAV includes a 0.32% enhancement to NAV generated by the issue of ordinary shares during the year at a premium.

	YEAR ENDED 30 SEPTEMBER 2016	YEAR ENDED 30 SEPTEMBER 2015
Revenue		
Gross income (£'000)	6,729	6,697
Net revenue available for ordinary shares (£'000)	5,743	5,753
Dividends per ordinary share:		
– first interim	1.25p	1.25p
– second interim	1.25p	1.25p
– third interim	1.25p	1.25p
– fourth interim	1.25p	1.25p
– Total	5.00p	5.00p
Ongoing Charges†		
– ongoing charges	1.32%	1.28%
– performance fee	0.96%	0.00%
Return per Ordinary Share#		
Revenue return	4.5p	4.9p
Capital return	6.3p	(4.2)p
Total return	10.8p	0.7p

The return per ordinary share is the amount of profit (or loss) generated for the financial year divided by the weighted average number of ordinary shares in issue for the financial year.

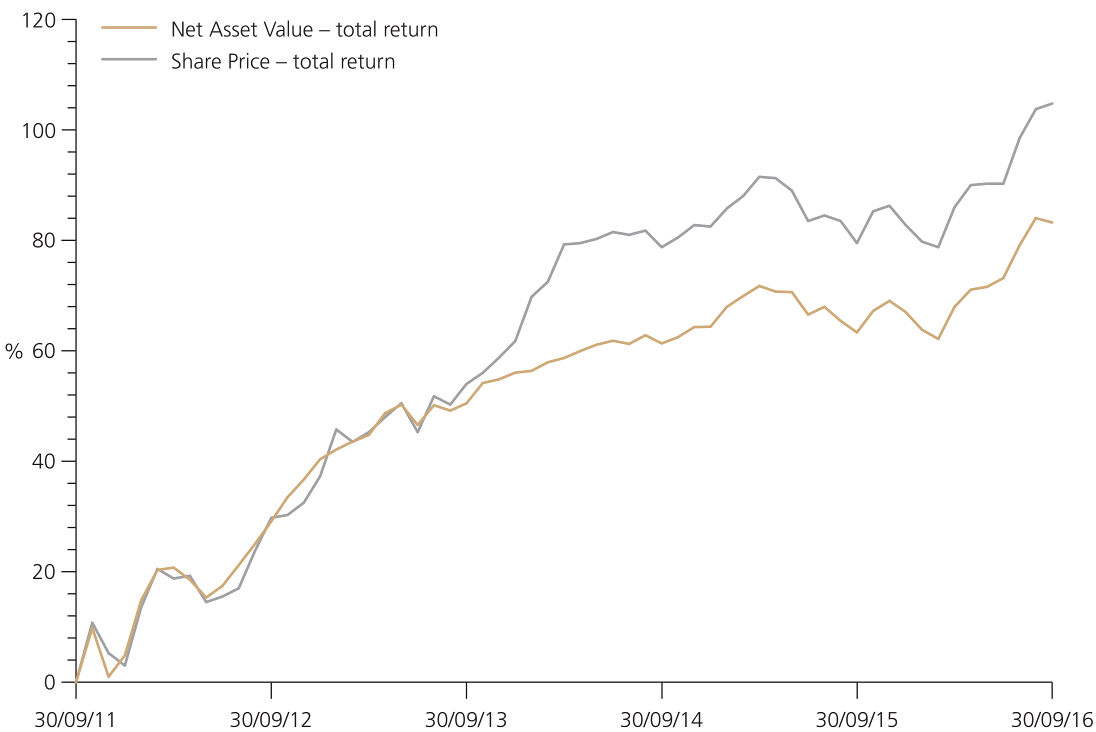
Ten Year Historical Record

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[1] p	TOTAL ASSETS LESS CURRENT LIABILITIES[2] £'000	ORDINARY SHARES NET ASSET VALUE p	ORDINARY SHARES SHARE PRICE p
2007	8,222	6,475	4,985	10.0	146,475	101.7	102.5
2008	12,859	10,222	6,255	7.5	135,171	62.1	65.3
2009	7,378	6,406	5,570	5.0	88,598	56.6	55.0
2010	7,613	6,695	5,570	5.0	102,688	65.9	62.8
2011	7,203	6,283	5,570	5.0	101,701	54.3	50.0
2012	6,879	5,988	5,565	5.0	100,163	65.1	59.9
2013	6,905	6,056	5,564	5.0	113,511	71.7	67.0
2014	6,550	5,578	5,583	5.0	114,964	72.6	74.4
2015	6,697	5,753	5,991	5.0	116,976	68.7	69.8
2016	**6,729**	**5,743**	**6,397**	**5.0**	**125,389**	**74.5**	**77.4**

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

(2) Excludes repo financing.

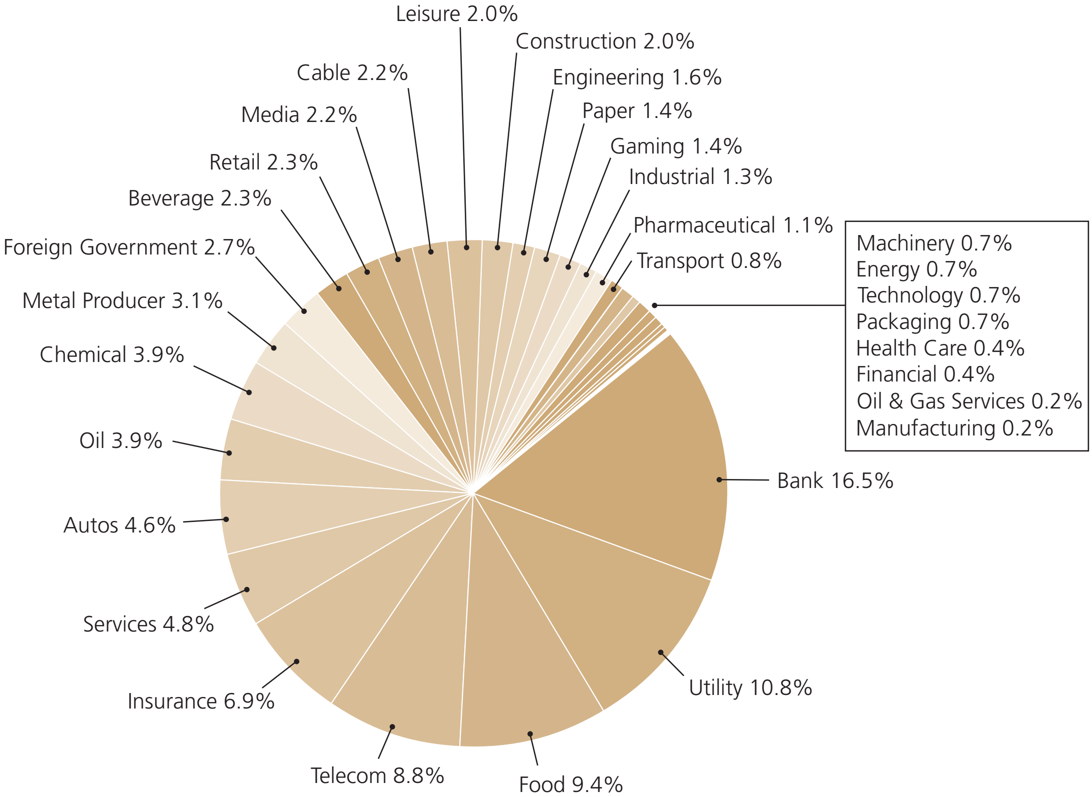
Five Year Total Return Performance



Source: Invesco Perpetual.

Split of Investments by Sector

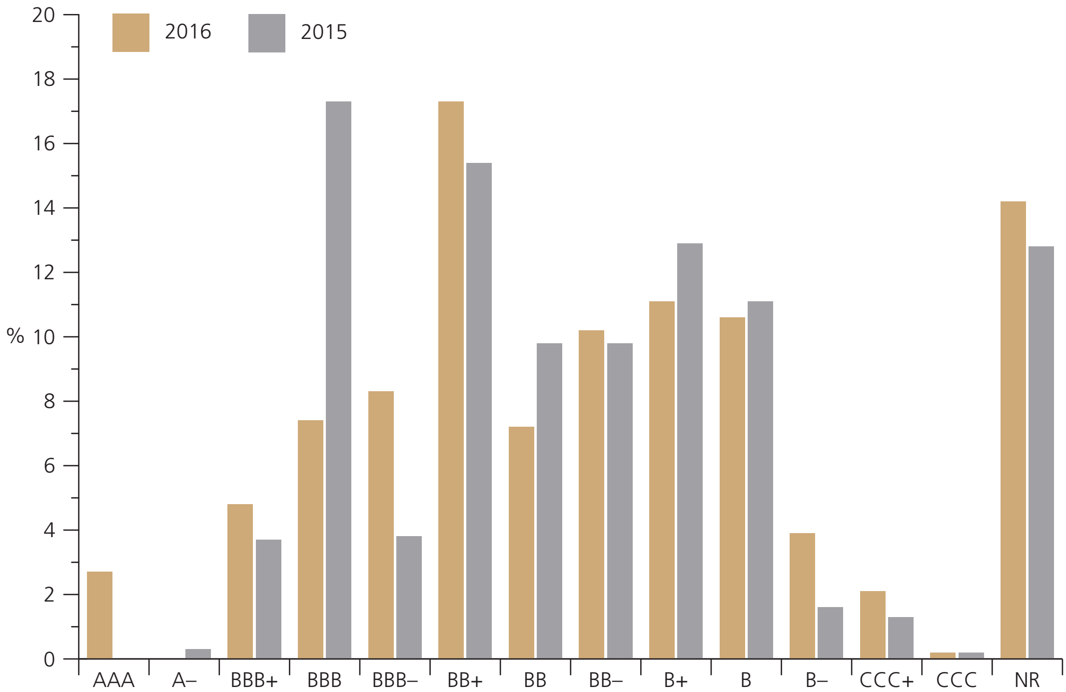
At 30 September 2016



Bond Rating Analysis

At 30 September 2016

For the definitions of these ratings see the Glossary of Terms on page 65.



CHAIRMAN'S STATEMENT

Introduction

The year to the end of September 2016 has been punctuated by several major market events, starting with the fears over China's slowing economy causing investors globally to sell risk assets in February. Markets then recovered strongly in the months running up to the UK's European Union referendum, although the subsequent vote to leave the EU resulted in increased market volatility. Investors have now driven the FTSE All-Share Index once again to trade at near all-time highs despite concerns over the UK's access to the EU common market, post-Brexit.

Over the period, your Company's Net Asset Value (NAV) total return was 15.7% which compares to a total return for the Merrill Lynch European High Yield Bond index (Sterling Hedged) of 9.5%; the Sterling Investment Grade Bond Index return of 16.3%; and United Kingdom Gilts returning 13.2%. (Source: Bank of America Merrill Lynch.)

The low yields available from large parts of the high yield bond market combined with the greater capital risk associated serves to highlight the importance of a strategy that is focussed on generating a sustainable source of relatively high income combined with lower volatility and capital preservation.

Results for the Year

I am pleased to report that the Company has performed very strongly with a total return to shareholders, based on the share price with dividends reinvested, of 19.0%. The Company's share price rose from 69.8p at the start of the year to 77.4p, an increase of 10.9%.

As a result of the Company's good performance as measured by its NAV total return, a performance fee of £848,000 has been earned by the portfolio managers for the year. Further details of the management agreement, including fees, can be found on page 33. In addition, the Company's strong performance, combined with the shares issued throughout the year (see later in my statement) have resulted in the market capitalisation of the Company exceeding £100 million.

In the current low interest rate environment, your Board continues to believe that shareholders place great value on the Company's consistent dividend stream and has prioritised revenue generation through investment in relatively high-yielding and secure debt positions. Market yields remain at historically low levels, but even so your portfolio managers have managed to generate a revenue return of 4.5p per share. As I reported in my Chairman's Statement in last year's annual financial report, the Board intends that the Company will maintain the annual dividend of not less than 5p per share, paid equally and quarterly, in the absence of unforeseen circumstances. Although there might be an argument to say that the year has seen at least one unforeseen circumstance with the surprise Brexit result, the Board has maintained the 5p annual dividend and the fourth interim dividend of 1.25p per share was declared on 28 September 2016 (2015: 5p).

The shortfall of revenue earned versus dividend paid of 0.5p is the equivalent of £615,000 (2015: £173,000). This has been funded from retained revenue reserve. The Company has over a number of years retained revenue reserve for this very purpose. After payment of the year's dividend and current shares in issue of 136,056,456, this reserve still covers 1.6 times the annual dividend of 5p.

Borrowings

The Company uses repo financing, which the Board believes remains a flexible and relatively low cost method of providing additional capital when appropriate; and the very low interest rate environment affords the portfolio managers the ability to achieve an attractive profit margin on the investments. The level of gearing is carefully monitored by the Board, fully cognisant of the greater capital volatility which that entails.

The portfolio managers use borrowings to gear the portfolio during most market conditions. The Company's upper limit for gearing is 50% of shareholders' funds and the portfolio managers will vary the level according to their view of prevailing market conditions. During the recent very low interest rate environment, the use of gearing has enabled the portfolio managers to maintain a consistent level of income. However, it should be noted that preservation of the Company's NAV remains a key consideration. As a result, the portfolio managers have sought to focus the Company's holdings towards generally lower risk bonds as a way to mitigate capital volatility.

The Company started the year with gross borrowing of 39% and, as reported at the half year stage, this was decreased so that at the year end gross borrowing was 25%. Taking the Company's cash position into account, net borrowing fell from 33% to 16%, and average net borrowing for the year was 21.0% (2015: 30.6%). As at 25 November 2016 (the latest practical date before publication) the level of borrowing is 24.5% (gross) and 19.5% (net).

Share Discount/Premium and Share Issuance

The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. Throughout the year the shares traded at a premium, and within the range 0.2% to 4.4%. In order to satisfy market demand the Company issued 11,450,000 new shares at an average price of 73.25p during the year to 30 September 2016. This enhanced the NAV by £286,000 (0.3%). For the period after the year end and up to 18 October 2016, an additional 1,859,677 new shares were issued. The new shares were issued at a premium ranging from 3.38% to 3.60%.

In aggregate, new shares issued have reached the maximum authorised by shareholders at the last Annual General Meeting (AGM), this number of shares being 12,359,777 based on 10% of the then issued share capital. With ongoing demand in the market, the Board consider that it would be in the best interests of the Company for the same special resolution to be put to shareholders at the forthcoming AGM. I would like to stress that when considering any issue of new shares, your Board is mindful that existing shareholders' interests are paramount and will always ensure that issues of new shares take place at an appropriate premium to cum dividend NAV.

Share Buy Backs

Your Directors are seeking the authority in special resolution 7 to buy back up to 20,394,862 shares (14.99% of the Company's issued share capital as at 30 November 2016) subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2018. It is the Board's current intention to buy back shares at a discount to NAV where it is in the Company's 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.

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 part of the Company's commitment to good corporate governance, the Board undertook their annual evaluation during the year and where areas to address were identified, an action has been put in place.

During the year the Directors considered how to give a sharper identity to the Audit Committee in recognition of its important and specialised function. Consequently, in order to distinguish more clearly the roles of both the Board and the Audit Committee, it was resolved that the Audit Committee should be reconstituted such that its membership does not include either myself or the other long-serving director of the Company, Gordon Neilly. Whilst the Board considers that our independence is not compromised by length of service, the change will ensure that the composition of the Audit Committee is consistent with general views of best practice.

Board Composition and Succession Planning

Gordon Neilly has notified the Board of his intention to stand down as a Director of the Company at the conclusion of the Annual General Meeting on 31 January 2017. Gordon has made a significant contribution to the success of the Company which has benefited from his energy, knowledge and commitment for which I would like to record my thanks and that of his colleagues.

The Board has started to identify qualifications and expertise sought in a new candidate that can bring complementary skills to the Board.

AGM

The Company's Notice of AGM is contained on pages 60 to 62 and will be held at 10.00am on 31 January 2017. A summary of the special business is set out in the Directors' Report on pages 34 and 35, and two of the special resolutions are explained above. The Directors have considered all the resolutions proposed in the Notice of AGM and, in their opinion, consider them to be in the interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution.

Outlook

As you will read in the Portfolio Managers' Report which follows, 2016 has proven to be a year of mixed fortunes in the bond markets. In this context, the Company has performed strongly. The market overall still remains sensitive to price fluctuations, and it is during these periods that your managers can seek to lock in attractive yields for bonds they like, whilst being careful to avoid taking undue risk. Low yields in the high yield bond markets and political uncertainties provide a challenging backdrop for next year. The impact of duration on a bond portfolio is a factor that the portfolio managers must contend with. However, it should be noted that the Company is predominantly invested in bonds from low duration asset classes, such as the high yield market. Nonetheless, with global interest rates finishing 2016 at such low levels the possibility of a rising interest rate environment is another factor for consideration in 2017. Indeed, this environment may offer the portfolio managers opportunities to acquire higher yielding investments in more duration-sensitive parts of the market. The portfolio managers continue to focus on managing a portfolio which provides shareholders with a relatively high, sustainable income. Thorough credit analysis and the understanding of credit risk remain the core elements in preserving the Company's NAV.

Donald Adamson
Chairman

30 November 2016

PORTFOLIO MANAGERS' REPORT

Market Background

The year to 30 September 2016 has been positive for the high yield bond market. From a high of 6.6% in mid-January, the average yield of the European currency high yield bond market fell to a low of 4.2% in early September.

The year began with concerns over the European banking sector, uncertainty about the amount of support central banks were prepared to provide and ongoing weakness in commodity markets all driving down sentiment. Parts of the financial sector came under significant pressure with negative sentiment also affecting high yield bonds and corporate hybrids. However, the market's appetite for risk increased from February amid anticipation of significant further monetary easing from the European Central Bank (ECB). The ECB's subsequent policy announcement exceeded expectations with a broad range of measures designed to stimulate the economy.

For bond markets, one of the ECB's most significant announcements was the Corporate Sector Purchase Programme (CSPP). Through this programme the ECB is buying corporate bonds directly. Anticipation of the CSPP, which although announced in March did not begin until June, helped euro investment grade corporate bonds to rally strongly. In turn, high yield bonds also rallied as investors sought to maintain income. As at 14 October 2016, the ECB had bought €33.8 billion of bonds through the scheme.

Sentiment has been further helped by the strengthening of commodity markets. The price for a barrel of Brent crude oil rose from a low of US$27.9 in mid-January to a peak of US$52.5 in mid-June. This increase has been particularly supportive for the US high yield market, which has a high concentration of energy related companies.

The high yield bond market fell sharply immediately after the UK's vote for Brexit in late June. However, in line with other markets high yield bonds had recouped these losses by mid-August. In part, this recovery was helped by the announcement of the Bank of England's (BoE) programme of monetary easing, which included a US$10 billion Corporate Bond Purchase Scheme (CBPS). As with the ECB's CSPP, the CBPS is targeted at investment grade bonds, but its affect has been felt across bond markets.

Levels of issuance within the high yield bond sector followed the peaks and troughs in demand for the sector. During January and February, issuance levels were very low, however, the corporate bond purchase programmes of the ECB and BoE saw issuance spike higher as companies sought to take advantage of the cheap financing available. Overall, issuance levels for 2016 remain sharply lower than 2015.

According to data from Merrill Lynch, European Currency high yield bonds had a total return for the 12 month period under review of 9.5% with yields in aggregate falling 173 basis points (bps) to 4.35%. (Total returns, sterling hedged.)

Portfolio Strategy

In terms of positioning we remain defensive, with a relatively high allocation to liquidity (cash and government bonds). Our exposure is skewed toward high quality, high yield bonds that we consider carry a lower risk of default. Many of our holdings are in the financial sector, particularly subordinated bank capital where our largest exposure is to Additional Tier 1 (AT1) bonds. The volatility we have seen in the financial sector over the past 12 months has given us opportunities to add exposure to names in this sector at relatively attractive prices. Financials as a whole have underperformed the wider credit market and we feel that the yields available offer value compared to many other areas. By 30 September 2016, we had raised AT1 exposure to 8%. In our view, the creditworthiness of the banking sector, which has improved significantly since the global financial crisis remains an important supportive factor for this sector.

We also hold a number of hybrid bonds across other sectors and took the opportunity to increase exposure during periods of market weakness. As at 30 September 2016, non-financial hybrid bond exposure represented 10% of the Company.

In the lead up to the Brexit referendum, the market's expectation was that there would be a 'remain' vote. We believed this offered us an opportunity to hedge against a 'leave' vote and we took a number of measures to mitigate the negative effect we expected this would have on risk markets. This included increasing our exposure to the US dollar and raising our allocation to cash and US Treasuries. We are pleased to report these measures proved effective.

In the year under review, the total NAV return including dividends was 15.7%. The NAV rose from 68.7p to 74.5p. We commenced the year with net borrowing of 33% and with net assets of £84.3 million. Gross borrowing was reduced over the twelve months from 39% to 25% of NAV, while net assets rose to £100 million. Funding costs remain relatively low.

Outlook

The corporate bond buying programmes initiated by the ECB and BoE have significantly impacted European corporate bond markets. Looking ahead, these programmes will likely continue to provide bond markets with strong support. However, the bond positive aspect of these programmes needs to be set against the ever diminishing level of income available to investors. The market meanwhile, remains vulnerable to sharp reversals such as we have seen over the past 12 months. But, as has been the case this year, such risk-off periods can provide the opportunity to lock in attractive yields. Taking these factors into consideration, our strategy remains defensive and patient.

Paul Read/Paul Causer/Rhys Davies
Portfolio Managers

30 November 2016

BUSINESS REVIEW

Background to the Company

The Company is a Jersey based, London listed investment company which at the year end had a portfolio of investments with a market value in excess of £100 million. The Company's investment objective is shown below. The strategy the Board follows to achieve that objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are set out below and have been approved by shareholders.

The business model the Company has adopted to achieve its objective has been to contract the services of:

– Invesco Fund Managers Limited (the 'Manager') to manage the portfolio in accordance with the Board's strategy; and

– R&H Fund Services (Jersey) Limited ('R&H') to provide company secretarial and general administration services.

All administrative support is provided by third parties. In addition to the management and administrative functions of the Manager and R&H, the Company has contractual arrangements with Capita Registrars (Jersey) Limited to act as registrar and with BNY Mellon Trust & Depositary (UK) Limited as depositary. The depositary delegates safekeeping of the Company's investments to The Bank of New York Mellon (London Branch) which was previously the Company's custodian and retains that function under delegated authority. The Board has oversight of the Company's service providers, and monitors them on a formal and regular basis.

The portfolio managers responsible for the day-to-day management of the portfolio are Paul Read, Paul Causer and Rhys Davies.

For the purposes of the Alternative Investment Fund Managers Directive, the Company is an alternative investment fund. This has had no impact on the business model adopted by the Company.

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 gearing 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.

Efficient portfolio management 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 Manager may invest in money market instruments and currencies.

The Company may borrow for investment purposes and principally does so using repo agreements. 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 gross assets will be invested in other investment companies (including investment trusts); and
- repo financing and other borrowings may be used to raise the exposure to bonds and equities. Net borrowings (comprising aggregate borrowings less cash) may not, at the time of drawdown, exceed 50% of shareholders' funds (as determined under the Company's normal accounting policies).

For the purpose of the investment limits, excluding the borrowing limit, gross assets is defined as the investment portfolio plus cash and the limits are measured at the time of investment.

Gearing Policy

Under the Company's Investment Policy, borrowings may be used to raise exposure to bonds and equities and may not exceed 50% of shareholders' funds after such adjustments, exclusions and deductions as are specified in the Company's Articles. Gearing levels will change from time to time in accordance with the Board and the Manager's assessment of risk and reward.

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).

Key Performance Indicators

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

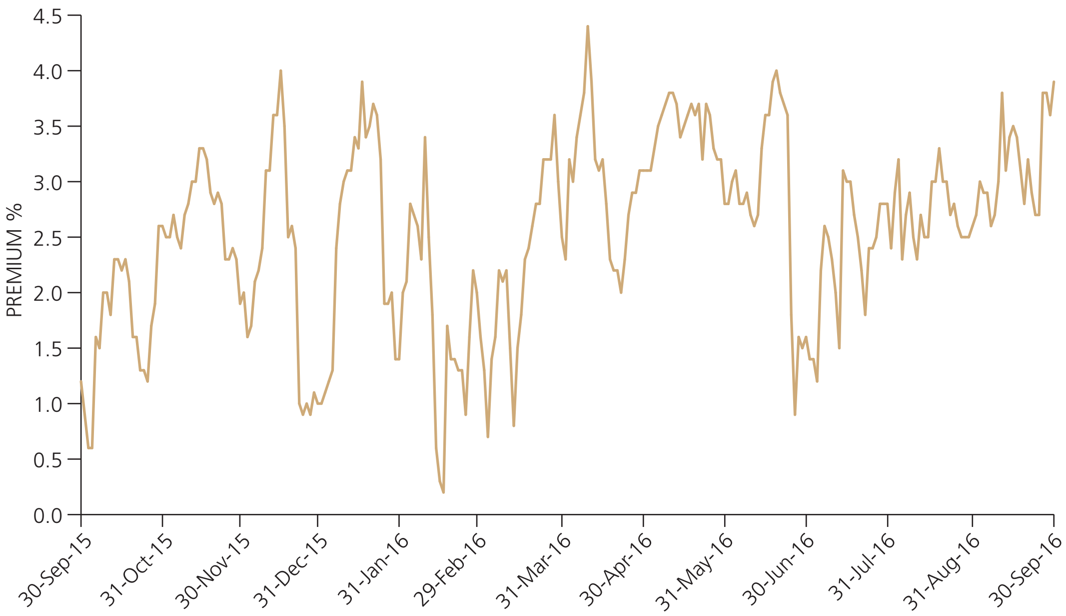
- portfolio performance;
- net asset value (NAV);
- share price;
- premium/discount;

BUSINESS REVIEW continued

- dividends; and
- ongoing charges.

The Company's focus has been on absolute returns. The **portfolio performance** of the Company is commented on in both the Chairman's Statement on pages 5 to 7 and, in more detail, in the Portfolio Managers' Report immediately following. These also set out the **NAV** per share and **share price** total return performance for the year, with the NAV per share increasing 15.7% (2015: 1.5%) and the share price increasing 19.0% (2015: 0.2%). For a longer term view, the graph on the bottom of page 3 shows the movements in these for the five years ended 30 September 2016.

The Board monitors the price of the Company's shares in relation to their NAV and the **premium/ discount** at which they trade. A small premium implies that there is demand for the shares and that there are sufficient shares in the market to satisfy that demand. Over the year the shares have traded at a premium within the range 0.2% to 4.4% and ended the year at a premium of 3.9%. The graph below shows the premium throughout the year.



Source: Morningstar

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. Buy backs 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.

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

Dividends are a key component of the total return to shareholders, and the level of potential dividend payable and income from the portfolio is reviewed at every board meeting. The Company has paid 5p each year in respect of the eight financial years to 30 September 2016. The Company will only pay dividends in respect of a year to the extent that it has accumulated revenue reserves available for that purpose.

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 **ongoing charges** which provide a guide to the effect on performance of all annual operating costs of the Company. The ongoing charges figure for the past year, which excludes the performance fee, was 1.3% which compares with 1.3% for the previous year.

Financial Position

As at 30 September 2016, the Company's net assets were £100 million (2015: £84 million). These comprised a portfolio of predominantly corporate 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.

As explained previously, the ordinary shares are geared by borrowings, principally in the form of repo financing. As at 30 September 2016, net borrowing was 16% (2015: 33%). The Company also has available an uncommitted short-term overdraft facility with the custodian for settlement and liquidity purposes.

Future Trends

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Managers' Report on pages 8 and 9. Further details as to the risks affecting the Company are set out in the next section.

Principal Risks and Uncertainties

The audit committee regularly undertakes a robust assessment of the principal risks facing the Company, on the Board's behalf.

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 shareholders. The Board monitors the performance of the Company and has established guidelines to ensure that the investment policy that has been approved is pursued by the Manager.

Market Risk

The majority of the Company's investments are traded on the 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 Portfolio Managers' Report summarises particular macro economic factors affecting performance during the year and the portfolio managers' views on those most relevant to the outlook for the portfolio. The Manager strives to maximise the total return within certain risk parameters from the investments held, but these investments are influenced by market conditions and the Board acknowledges the external influences on investment portfolio performance.

Investment Risk

The investment process employed by the Manager is set out in the first paragraph under Investment Policy and Risk on page 10.

Investment portfolio performance is dependent on the performance of high yield corporate bonds. These stocks are particularly influenced by prevailing interest rates, government monetary policy and by demand for income. The Manager strives to maximise within its mandate both capital growth and high income from the investment portfolio. The inherent risk of investment is that the stocks selected for the portfolio do not perform.

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 gross 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 Company is not currently invested in any listed investment companies (including investment trusts).

BUSINESS REVIEW continued

The Portfolio Managers' Report sets out the portfolios' strategy and results for the year, as well as their outlook. The performance of the Manager is carefully monitored both during the year and post year end by the Board. The continuation of the Manager's mandate is reviewed each year and investment performance is a principal consideration in this review.

Past performance of the Company is not necessarily indicative of future performance.

Foreign Exchange Risk

The movement of exchange rates may have an unfavourable or favourable impact on returns as the Company holds non-sterling denominated investments and cash. This risk is partially mitigated by the use of non-sterling denominated repo financing and the use of forward currency contracts. The foreign currency exposure of the Company is monitored by the Manager on a daily basis and formally at Board meetings.

Shares

The market value of the ordinary shares of the Company 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. The market value of, and the income derived from, the Company's ordinary shares can fluctuate and may go down as well as up.

While it is the intention of Directors to pay dividends to shareholders on a quarterly basis, the ability to do so will largely depend on the amount of income the Company receives on its investments, the timing of such receipts and its costs including the repo financing. Any reduction in income receivable by the Company, or increase in the costs, will lead to a reduction in earnings per share and therefore in the Company's ability to pay dividends. Accordingly, the amount of dividends payable by the Company may fluctuate. The Board monitors the level of net revenue available for distribution at each Board meeting and prior to the declaration of each dividend.

The market value of the ordinary shares may not always reflect the NAV per ordinary share. The Directors seek powers to issue and buy back the Company's shares each year, which can be used to help manage the level of discount or premium. Both the Board and the Manager monitor the share price and level of discount/premium on a regular basis, as well as formally at Board meetings.

Gearing Returns Using Borrowings

Borrowing levels may change from time-to-time in accordance with the Manager's assessment of risk and reward. As a consequence, any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to adversely affect the Company's share price). Any reduction in the number of ordinary shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's gearing. Net borrowing may not exceed 50% of shareholders' funds and this is monitored on a daily basis by the Manager.

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. If it were not possible to roll over any repo financing, 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 other times.

The Company currently has arranged facilities for repo financing with three counterparties. All borrowings, including repo financing, are actively managed by the Manager and monitored by the Board. 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 at the year end 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 portfolio managers monitor daily both the ratings and liquidity of the bond portfolio in relation to the Company's known repo financing requirements, and the Board receives regular reports which it reviews throughout the year.

Derivatives

The Company may enter into derivative transactions for the purposes of efficient portfolio management ('EPM'), as set out in the investment policy. The Company may also hedge against exposure to changes in currency rates to the extent that repo financing has not offset such exposure. The Manager has systems in place to monitor derivative levels on a daily basis. These also ensure exposure levels are in accordance with EPM and investment limits.

Derivative instruments can be highly volatile and expose investors to a higher risk of loss. Derivatives enable a higher degree of leverage than might be acquired 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. Daily limits on price fluctuations and 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.

Reliance on External Service Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is reliant upon the performance of third party service providers for its executive function. The Company's most significant contract is with the Manager, to whom the responsibility for the Company's portfolio is delegated. The Company has other contractual arrangements with third parties to act as company secretary, registrar, depositary and broker. 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 pursue successfully its investment policy and expose the Company to reputational risk. The Company has limited exposure to cyber risk. However, the Company's operations or reputation could be affected if any of its service providers suffered a major cyber security breach. The Board monitors the preparedness of its service providers in this regard and is satisfied that the risk is given due priority.

BUSINESS REVIEW continued

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 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 pursue its investment policy.

The Board seeks to manage these risks, and others, in a number of ways:

- The Manager monitors the performance of all third party providers in relation to agreed service standards on a regular basis, and any issues and concerns would be dealt with promptly and reported to the Board. The Manager formally reviews the performance of all third party providers and reports to the Board on an annual basis.
- The Board monitors the performance of the Manager at every board meeting and otherwise as appropriate. The Board has the power to replace the Manager and reviews the management contract formally once a year.
- The day-to-day management of the portfolio is the responsibility of Paul Read and Paul Causer, who are Co-Heads of the Invesco Perpetual Fixed Interest Team and Rhys Davies, portfolio manager. Messrs Read and Causer have 22 years and 23 years' experience in fixed income markets respectively, and have been the portfolio managers of the Company since 2001. In 2002, Mr Davies joined Invesco and has 15 years experience in fixed income markets. He has been associated with the Company's portfolio for a number of years and was appointed portfolio co-manager in May 2016. The Board has adopted guidelines within which the portfolio managers are permitted wide discretion. Any proposed variation outside these guidelines is referred to the Board and the guidelines themselves are reviewed at every board meeting.
- The risk that any one of the portfolio managers might be incapacitated or otherwise unavailable is mitigated by the fact that they work closely with each other and they also work within the wider Invesco Perpetual Fixed Interest team.

Regulatory

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.

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.

To mitigate regulatory risk, the Manager reviews compliance with regulatory requirements on a regular 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.

Additionally, the depositary monitors stock, cash, borrowings and investment restrictions throughout the year. The depositary reports formally once a year and also has access to the Company Chairman and the Audit Committee Chairman if needed during the year.

Viability Statement

An investment company, such as this Company, is a collective investment vehicle rather than a commercial business venture and is designed and managed for long term investment. Long term for this purpose is considered to be at least three years and so the Directors have assessed the Company's viability over that period. However, the life of the Company is not intended to be limited to that or any other period.

The main risk to the Company's continuation is shareholder dissatisfaction through failure to meet the Company's investment objective, through poor investment performance or the investment policy not being appropriate in prevailing market conditions. The Board actively reviews the Company's performance against its investment objective and policy as well as reviewing the Company's objective to ensure that this continues to meet shareholder requirements. Accordingly, in 2013 the Company changed its name and investment policy. This change was well received by both shareholders, who voted for it, and the stock market. Performance has been strong for many years and through different, and difficult, market cycles as shown by the five year total return performance graph on page 3, and the stable level of dividend paid by the Company over the last eight years, as set out on page 3. Throughout these times there has been no change in Manager and the five-yearly continuation vote in 2014 was passed with 96.7% for shareholders voting in favour. The next continuation vote is due in 2019 and the Directors have no grounds to reason that shareholders will not pass this vote, or that performance will not continue to be satisfactory. This is confirmed by recent and ongoing contact with major shareholders and demonstrated by demand for the Company's shares, as evidenced by the premium to net asset value at which they trade and the issuance of over 11 million shares during the year – equivalent to over 9.3% of the Company's share capital at the start of the year.

Nonetheless, the Board considers failure to meet the Company's investment objective, and the contributory market and investment risks, to be principal risks to the Company, as set out on pages 13 and 14. Performance and demand for the Company's shares are not things that can be forecast, but there are no current indications that either or both of these may falter materially over the next three years.

Other principal risks arise from the make-up of the portfolio, especially as it contains a high level of non-investment grade (or so-called 'junk') bonds which have theoretically a higher risk of default, and the use of gearing to enhance returns. The portfolio managers constantly monitor the portfolio and its ratings, a bond rating analysis of which is shown on page 21. Even though a majority of the portfolio is formally ranked as non-investment grade, the portfolio remains defensively positioned. The Portfolio Managers' Report on pages 8 and 9 sets out the current portfolio strategy, with exposure positioned towards higher quality issuers where risk of default is considered remote, and high levels of liquidity. The Company's investment limits permit borrowings of up to 50% of shareholders' funds. At this level, borrowings are twice covered. At the year end, net gearing as a result of borrowings was 16% and thus seven times covered.

Based on the above analysis of the Company's current position and prospects, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Board Diversity

The Board as a whole performs the function of a Nomination Committee and considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience amongst other factors when reviewing the composition of the Board and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. The Board comprises five male non-executive directors and their summary biographical details are set out on page 22. The Company has no employees.

Social and Environmental Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. The Manager considers various factors when evaluating potential investments. While an investee company's policy towards the environment and social responsibility, including with regard for human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Manager does not make its investment decisions on environmental and social grounds alone. The Company does not have a human rights policy, although the Manager does apply the United Nations Principles for Responsible Investment.

Approved by the Board of Directors on 30 November 2016.

R&H Fund Services (Jersey) Limited
Company Secretary

INVESTMENT PORTFOLIO

AT 30 SEPTEMBER 2016

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

The definitions of the Moody/Standard & Poor ratings below are set out on page 66.

Bonds and Equity Investments

ISSUER	ISSUE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
Euro				
UniCredit International Bank	8.125% FRN Perpetual	B1/B+	2,874	2.4
Santos Finance	8.25% FRN 22 Sep 2070	NR/BB+	2,698	2.3
Achmea	6% 04 Apr 2043	NA/BBB–	1,883	1.6
Origin Energy	7.875% 16 Jun 2071	Ba2/BB	1,830	1.6
Obrascon Huarte Lain	5.5% 15 Mar 2023 (SNR)	B3/NR	1,812	1.6
Telecom Italia	5.25% 17 Mar 2055	Ba1/BB+	1,769	1.5
Intesa Sanpaolo	8.375% FRN Perpetual	Ba3/B+	974	1.5
	7% Perpetual	Ba3/B+	717	
Telefonica Europe	7.625% Perpetual	Ba1/BB+	1,404	1.2
Vougeot Bidco	FRN 15 Jul 2020 (SNR)	B2/B	1,387	1.2
Algeco Scotsman Global Finance	9% 15 Oct 2018	Caa1/NR	1,144	1.0
Solvay Finance	5.869% Var Perpetual	Ba1/BB	866	1.0
	5.118% Perpetual	Ba1/BB	274	
Paprec	7.375% 01 Apr 2023 (SNR)	B2/B–	614	0.9
	5.25% 01 Apr 2022 (SNR)	B1/B+	458	
Constellium	4.625% 15 May 2021	Caa1/CCC+	534	0.8
	7% 15 Jan 2023 (SNR)	Caa1/CCC+	416	
Galapagos	FRN 15 Jun 2021	B1/B	840	0.7
Rapid	6.625% 15 Nov 2020 (SNR)	B2/B+	833	0.7
VRX Escrow	4.5% 15 May 2023 (SNR)	B3/B–	805	0.7
Royal Bank of Scotland	FRN 14 Jun 2022	Ba2/BB+	728	0.6
Picard	FRN 01 Aug 2019	B1/BB–	717	0.6
Enel	5% Var 15 Jan 2075	Ba1/BB+	652	0.6
Banco Popular Espanol	11.5% COCO Perpetual	NR/NR	618	0.6
UBS	5.75% Var Perpetual	NR/BB+	576	0.5
Rabobank	6.625% Perpetual	Baa3/NR	545	0.5
Trinseo	6.375% 01 May 2022	B3/NR	522	0.5
Synlab Bondco	6.25% 01 Jul 2022 (SNR)	B2/B+	456	0.4
Mercury Bondco	8.25% 30 May 2021 (SNR)	B3IB	446	0.4
CNP Assurances	FRN Perpetual	NA/NR	441	0.4
Kerneos	FRN 01 Mar 2021	B1/B+	433	0.4
Sisal	7.25% 30 Sep 2017	B1/B+	346	0.3
BNP Paribas Fortis	Cnv FRN Perpetual	Ba3/BB+	273	0.2
Inovyn Finance	6.25% 15 May 2021 (SNR)	B2/B	259	0.2
Aviva	6.125% FRN 05 Jul 2043	Baa1/BBB	240	0.2
Paternoster	8.5% 15 Feb 2023 (SNR)	Caa1/CCC+	205	0.2
Spectrum Brands	4% 01 Oct 2026 (SNR)	B2/BB–	202	0.2
Lloyds Bank	6.375% Perpetual	NR/BB–	140	0.1
Manutencoop Facility Management	8.5% 01 Aug 2020	B3/B–	100	0.1
			32,031	27.7

ISSUER	ISSUE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
Sterling				
Enterprise Inns	6.5% 06 Dec 2018 (SNR)	NR/BB–	2,682	2.3
NWEN Finance	5.875% 21 Jun 2021 (SNR)	NR/BB+	2,622	2.3
NGG Finance	5.625% FRN 18 Jun 2073	Baa3/BBB	2,467	2.1
Enel	7.75% 10 Sep 2075	Ba1/BB+	1,593	2.1
	6.625% 15 Sep 2076	Ba1/BB+	822	
Iron Mountain	6.125% 15 Sep 2022	Ba3/BB–	2,058	1.8
Premier Foods Finance	6.5% 15 Mar 2021 (SNR)	B2/B	2,021	1.8
Pizza Express (formerly Twinkle Pizza)	6.625% 01 Aug 2021	B2/B	1,949	1.7
Electricite De France	6% Perpetual	Baa3/BB	1,302	1.6
	5.875% Perpetual	Baa3/BB	576	
Standard Chartered	5.125% 06 Jun 2034	A3/BBB–	1,861	1.6
Balfour Beatty	10.75p Convertible Preference	NA/NR	1,833	1.6
Jaguar Land Rover	3.875% 01 Mar 2023	Ba1/BB+	1,633	1.4
Aviva	6.125% Perpetual	Baa1/BBB	1,602	1.4
Arqiva Broadcast Finance	9.5% 31 Mar 2020	B3/NR	1,507	1.3
Virgin Media Finance	5.125% 15 Jan 2025 (SNR)	Ba3/BB–	1,342	1.2
Orange	5.875% Perpetual	Baa3/BBB–	1,212	1.0
Telefonica Europe	6.75% Perpetual	Ba1/BB+	1,174	1.0
Time Warner Cable	5.25% 15 Jul 2042	Ba1/BBB	1,156	1.0
New Look	6.5% 01 Jul 2022 (SNR)	B1/B	1,153	1.0
Société Genérale	8.875% FRN Perpetual	Ba2/BB+	1,100	1.0
AA Bond Co	5.5% Var 31 Jul 2043 (SNR)	NR/BB–	1,087	0.9
Lloyds Bank	7% Var Perpetual	NA/BB–	1,054	0.9
Moy Park	6.25% 29 May 2021	B1/BB–	1,038	0.9
William Hill	4.875% 07 Sep 2023 (SNR)	Ba1/BB+	997	0.9
Stretford 79	6.25% 15 Jul 2021 (SNR)	B2/B	955	0.8
BHP Billiton	6.5% Var 22 Oct 2077	Baa2/BBB+	900	0.8
Deutsche Bank	7.125% Perpetual	B1/B+	876	0.8
Scottish Widows	5.5% 16 Jun 2023	Baa1/BBB+	869	0.8
Barclays	7.875% Var Perpetual	Ba2/B+	862	0.7
Koninklijke KPN	6.875% FRN 14 Mar 2073	Ba2/BB	862	0.7
RAC Bond	4.87% Var 06 May 2046 (SNR)	NR/BBB–	818	0.7
Wm Morrison Supermarkets	4.75% 04 Jul 2029	Baa3/NR	736	0.6
InterGen Services	7.5% 30 Jun 2021	B1/B	646	0.5
Wagamama Finance	7.875% 01 Feb 2020 (SNR)	B2/B	587	0.5
AXA	5.453% FRN Perpetual	Baa1/BBB	528	0.5
UniCredit International Bank	8.5925% FRN Perpetual	B1/B+	525	0.5
Thames Water	5.875% 15 Jul 2022 (SNR)	B1/NR	522	0.5
Anglian Water	5% 30 April 2023 (SNR)	Ba3/NR	520	0.5
Odeon & UCI Finco	9% 01 Aug 2018	B3/B–	513	0.4
Legal & General	6.385% FRN Perpetual	Baa2/BBB+	508	0.4
Tesco	5.2% 05 Mar 2057	Ba1/BB+	465	0.4
Boparan Finance	5.5% 15 Jul 2021	B2/B+	461	0.4
J Sainsbury	6.5% Var Perpetual	NA/NR	437	0.4
TVL Finance	8.5% 15 May 2023 (SNR)	B3/B–	421	0.4
Cognita Financing	7.75% 15 Aug 2021 (SNR)	B2/B	377	0.3
Standard Life	5.5% 04 Dec 2042	Baa2/BBB+	372	0.3
Gala Finance	8.875% 01 Sep 2018	Ba3/B+	296	0.3
Rothesay Life	8% 30 Oct 2025	NA/NR	261	0.2
CIS General Insurance	12% FRN 08 May 2025	NA/NR	110	0.1
			52,268	45.3

INVESTMENT PORTFOLIO
continued

ISSUER	ISSUE	RATING	AT MARKET VALUE £'000	% OF PORTFOLIO
US Dollar				
General Motors	Wts 10 Jul 2019	NR/NR	3,263	2.8
US Treasury	2.5% 15 Feb 2046	Aaa/AAA	3,103	2.7
TimeWarner	4.65% 01 Jun 2044	Baa2/BBB	2,530	2.2
Celanese	4.625% 15 Nov 2022	Baa3/BBB–	1,681	1.5
Stora Enso	7.25% 15 Apr 2036	Ba2/BB	1,668	1.5
J. C. Penney	8.125% 01 Oct 2019 (SNR)	B3/B–	1,003	1.1
	6.375% 15 Oct 2036	B3/B–	264	
Catlin Insurance	7.249% FRN Perpetual	NA/BBB+	1,206	1.1
Constellium	8% 15 Jan 2023	Caa1/CCC+	801	1.0
	5.75% 15 May 2024	Caa1/CCC+	353	
Banco Santander	6.375% Var Perpetual	Ba1/NR	968	0.8
SFR	7.375% 01 May 2026 (SNR)	B1/B+	899	0.8
XPO Logistics	6.5% 15 Jun 2022 (SNR)	B2/B	785	0.8
	6.125% 01 Sep 2023	B2/B	95	
Chemours	6.625% 15 May 2023 (SNR)	B1/B+	659	0.7
	7% 15 May 2025	B1/B+	190	
Royal Bank Of Scotland	8% Cnv FRN Perpetual	NR/B	363	0.7
	8.625% FRN Perpetual	NR/B	336	
	7.5% Cnv FRN Perpetual	NR/B	149	
Diamond 1	5.45% 15 Jun 2023	Baa3/BBB–	810	0.7
Standard Chartered	5.7% 26 Mar 2044	A3/BBB–	807	0.7
Tesco	6.15% 15 Nov 2037 (SNR)	Ba1/BB+	770	0.7
Owens- Brockway	5.875% 15 Aug 2023	B2/B	757	0.7
Greenko	8% 01 Aug 2019	NR/B+	748	0.7
Verizon Communications	4.272% 15 Jan 2036	Baa1/BBB+	670	0.6
Altice	7.5% 15 May 2026	B1/BB–	505	0.6
	6.625% 15 Feb 2023	B1/BB–	156	
UBS	6.875% Var Perpetual	NR/BB+	652	0.6
BHP Billiton	6.75% FRN 19 Oct 2075	Baa2/BBB+	619	0.5
ESAL	6.25% 05 Feb 2023 (SNR)	NR/BB	596	0.5
BNP Paribas	7.375% Var Perpetual	Ba1/BBB–	594	0.5
VRX Escrow	5.375% 15 Mar 2020	B3/B–	478	0.4
BBVA	9% Perpetual	NR/NR	474	0.4
Fiat Chrysler Automobiles	4.5% 15 Apr 2020	B1/BB	393	0.3
Bombardier	7.5% 15 Mar 2025	B3/B–	380	0.3
Rothschilds Continuation Finance	FRN Perpetual	NA/NR	348	0.3
CGG Veritas	6.5% 01 Jun 2021 (SNR)	Caa2/CCC	262	0.2
UniCredit	8% FRN Perpetual	NR/NR	260	0.2
HSBC	6.375% Cnv Perpetual	Baa3/NR	197	0.2
Barclays	7.875% Var Perpetual	Ba2/B+	159	0.1
FAGE International	5.625% 15 Aug 2026 (SNR)	B1/BB–	158	0.1
Abengoa	7.75% 01 Feb 2020 (SNR)	Ca/CCC–	21	—
Peabody Energy	4.75% Cnv 15 Dec 2066	WR/D	9	—
			31,139	27.0
Total investments			115,438	100.0

TOP TEN INVESTMENTS

AT 30 SEPTEMBER 2016

ISSUER	ISSUE	2016 VALUE £'000	2016 AT MARKET % OF PORTFOLIO	2015 VALUE £'000	2015 AT MARKET % OF PORTFOLIO
UniCredit International Bank	8.125% FRN Perpetual 8.5925% FRN Perpetual	2,874 525	2.9	2,515 541	2.9
General Motors	Wts 10 Jul 2019	3,263	2.8	2,572	2.4
US Treasury	2.5% 15 Feb 2046	3,103	2.7	—	—
Enel	7.75% 10 Sep 2075 6.625% 15 Sep 2076 5% Var 15 Jan 2075	1,593 822 652	2.7	1,534 773 535	2.7
Santos Finance	8.25% FRN 22 Sep 2070	2,698	2.3	2,234	2.1
Enterprise Inns	6.5% 06 Dec 2018 (SNR)	2,682	2.3	2,628	2.5
Standard Chartered	5.125% 06 Jun 2034 5.7% 26 Mar 2044	1,861 807	2.3	1,654 616	2.2
NWEN Finance	5.875% 21 Jun 2021 (SNR)	2,622	2.3	2,500	2.4
Telefonica Europe	7.625% Perpetual 6.75% Perpetual	1,404 1,174	2.2	1,120 1,119	2.1
TimeWarner	4.65% 01 Jun 2044	2,530	2.2	3,158	3.0

BOND RATING ANALYSIS

AT 30 SEPTEMBER 2016

For the definitions of these ratings see the Glossary of Terms on page 65.

RATING	2016 % OF PORTFOLIO	2016 CUMULATIVE TOTAL %	2015 % OF PORTFOLIO	2015 CUMULATIVE TOTAL %
Investment Grade:				
AAA	2.7	2.7	—	—
A-	—	2.7	0.3	0.3
BBB+	4.8	7.5	3.7	4.0
BBB	7.4	14.9	17.3	21.3
BBB-	8.3	23.2	3.8	25.1
Non-Investment Grade:				
BB+	17.3	40.5	15.4	40.5
BB	7.2	47.7	9.8	50.3
BB-	10.2	57.9	9.8	60.1
B+	11.1	69.0	12.9	73.0
B	10.6	79.6	11.1	84.1
B-	3.9	83.5	1.6	85.7
CCC+	2.1	85.6	1.3	87.0
CCC	0.2	85.8	0.2	87.2
NR (including equities and warrants)	14.2	100.0	12.8	100.0
	100.0		100.0	

DIRECTORS

Donald Adamson *(Jersey resident) (Chairman)*

Mr. Adamson was appointed a Director of the Company on 10 September 1999. He has over 30 years' experience of fund management, corporate finance and private equity in Edinburgh, London and Jersey. He serves as director of a number of privately-held investment companies. In addition to the Company, he has served as a director or chairman of eight other listed investment companies over his career. He was awarded an M.A. in Economics and History from University College, Oxford and carried out post-graduate research at Nuffield College, Oxford. He is member of the Offshore Committee of the Association of Investment Companies.

Peter Yates *(Jersey resident) (Chairman of the Audit and Management Engagement Committees)*

Mr. Yates was appointed a Director of the Company on 1 August 2012. Mr Yates, an experienced Chartered Accountant, was previously a partner of PricewaterhouseCoopers working in the United Kingdom and Jersey for over 31 years. He is currently chairman of Jersey Water.

Michael Lombardi *(Jersey resident)*

Mr. Lombardi was appointed a Director of the Company on 1 August 2012. After training with Dundas & Wilson in Edinburgh, Michael qualified as a lawyer in England, Hong Kong, Bermuda and Jersey. He was a senior corporate partner of the Jersey Law firm Ogier and has specialised in investment fund and structured finance transactions for over 25 years until he retired from the firm in March 2016. He currently serves as a non-executive director of a number of private equity funds and investment companies.

Gordon Neilly *(UK resident)*

Mr. Neilly was appointed a Director of the Company on 10 September 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 moved to Cantor Fitzgerald Europe in 2012 as Head of Corporate Finance and in 2014 was appointed Co-Chief Executive Officer. He is currently Global Head of Strategy at Aberdeen Asset Management plc. He is also a non-executive director of Personal Assets Trust plc.

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, holding a wide range of local board appointments. He is an Associate Member of the Institute of Financial Services, a member of the Institute of Directors and a member of the Chartered Institute for Securities and Investment and on the Board of Jersey Financial Services Limited. He is regulated by the Jersey Financial Services Commission as a Class G licence holder.

All Directors are independent and non-executive.

THE COMPANY'S GOVERNANCE FRAMEWORK

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management to the Manager and administration to other external service providers, such as R&H Fund Services (Jersey) Limited.

The Board

Five non-executive directors (NEDs)

Chairman Donald Adamson

Key objectives:

- to set strategy, values and standards;
- to provide entrepreneurial leadership within a framework of prudent effective controls which enable risk to be assessed and managed; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Nominations Committee Function

The Board as a whole performs this function

Key objectives:

- to review regularly the Board's structure and composition; and
- to make recommendations for any new appointments.

Management Engagement Committee

Chairman Peter Yates

Members:
All NEDs

Key objective:

- to review the performance of the Manager.

Audit Committee

Chairman Peter Yates
Members:
Michael Lombardi
Clive Spears

Key objectives:

- to oversee financial reporting and the control environment;
- to review and report on the effectiveness of the external auditor; and
- to review other external service providers.

Remuneration Committee Function

The Board as a whole performs this function

Key objective:

- to set the remuneration policy of the Company.

For the purpose of this Annual Financial Report the following terms apply:

The Manager is defined as Invesco Fund Managers Limited.

Portfolio managers is defined as Paul Read, Paul Causer and Rhys Davies.

Corporate Governance Statement

The Board is committed to maintaining the highest standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

The Board of Invesco Perpetual Enhanced Income Limited has considered the principles and recommendations of the latest AIC Code of Corporate Governance (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2014 UK Corporate Governance Code (the 'UK Code'), as well as setting out additional principles and recommendations on the issues that are of specific relevance to Invesco Perpetual Enhanced Income 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 Code), will provide better information to shareholders.

The AIC Code is available from the Association of Investment Companies (www.theaic.co.uk). The UK Code is available from the Financial Reporting Council website (www.frc.org.uk).

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

The UK 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 Code, the Board considers these provisions are not relevant to the position of Invesco Perpetual Enhanced Income Limited, being an externally managed investment company with no executive employees and, in relation to the last one, in view of the Manager and R&H Fund Services (Jersey) Limited having internal audit functions. The Company has therefore not reported further in respect of these provisions.

The terms of reference for the Board and the Audit Committee are reviewed and updated periodically to bring them in line with latest best practice and to ensure compliance with the AIC Code. The Company's corporate governance procedures are considered regularly by the Board and amended as necessary.

The composition and operation of the Board and its committees are summarised on page 23.

The Company's approach to internal control and risk management is summarised on page 29.

The contractual arrangements with and assessment of the Manager are summarised on pages 33 and 34.

The Company's capital structure and voting rights are summarised on page 32.

Details of the substantial shareholders of the Company are listed on page 32.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 26 and 27. There are no agreements between the Company and its directors concerning compensation for loss of office.

The power to buy back the Company's shares is sought annually, and all amendments to the Company's Articles of Association require a special resolution to be passed by shareholders.

By order of the Board

R&H Fund Services (Jersey) Limited
Company Secretary

30 November 2016

DIRECTORS' REPORT

Introduction

The Directors present their Report for the year ended 30 September 2016.

Corporate Governance

The Corporate Governance Statement on page 24 is included in this Directors' Report by reference.

Business and Status

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.

Invesco Fund Managers Limited (IFML) is the Manager of the Company, providing investment management services. R&H Fund Services (Jersey) Limited is the corporate company secretary and provides company secretarial and general administrative services.

Life of the Company

At the Company's Annual General Meeting (AGM) on 30 January 2014, shareholders approved the continuation of the Company as a closed-ended investment company. The Articles require an ordinary resolution to approve the continuation of the Company as a closed-ended investment company at every fifth subsequent AGM and the next occasion will be at the AGM in 2019.

The Board

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

The Board considers that the independence of Donald Adamson and Gordon Neilly, who have served on the Board for over nine years, is not compromised by their length of service but, to the contrary, is strengthened by their experience and historic knowledge of the Company. The Board regularly considers succession planning.

Chairman

The Chairman of the Company is Donald Adamson, an independent non-executive Director who has no conflicting relationships. He has been a member of the Board since 1999 and was the audit committee chairman up to 30 September 2013, when he was appointed as Chairman of the Board.

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.

Board Balance

The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 22.

Board Responsibilities

Directors promote the success of the Company taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company to maintain a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company. The Directors are equally 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. In addition, the Directors are responsible for ensuring that their policies and operations are in the interests of all of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly disclosed.

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 a policy that the Board considers adequate to prevent persons associated with it from engaging in bribery.

A formal schedule of matters reserved for the Board detailing the responsibilities of the Board has been established. The main responsibilities include: setting the Company’s objectives, policies and standards; ensuring that the Company’s obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure; setting long-term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowings; and controlling risks. The schedule of matters reserved for the Board will be available for inspection at the AGM and is otherwise available at the registered office of the Company and on the Company’s section of the Manager’s website.

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; industry compliance and regulatory matters; and other issues.

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 the Chairman.

The Board as a whole undertakes the responsibilities which would otherwise be assumed by a nominations committee and this is reported on under the ‘Appointments, Re-election, Tenure and Nominations of Directors’ section below. Likewise, the Board as a whole operates as a remuneration committee by determining the Company’s remuneration policy, taking into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors’ Remuneration section on pages 30 and 31.

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

As permitted by the AIC Code, there is no separate nomination committee as the Company is considered too small to require one. The Directors are therefore responsible for reviewing the size and structure of the Board, and ensuring an appropriate balance of skills, experience, independence and knowledge of the Company. The Board has due regard for the benefits of diversity (including gender) in its members and seeks to ensure that its composition is sufficient for the effective direction and control of the Company. The Board has not set any measurable objectives in respect of this policy.

As already highlighted in the Chairman’s Statement on page 6, Gordon Neilly will stand down as a Director of the Company at the conclusion of the Annual General Meeting on 31 January 2017. The Board has started to identify the qualifications and expertise sought in a new candidate, taking into consideration the above mentioned qualities.

The Articles of Association require that each Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter. Clive Spears was re-elected at the Company’s AGM in 2015 and will therefore stand for re-election in 2018. Peter Yates and Michael Lombardi were re-elected at the Company’s AGM in 2016 and will therefore stand for re-election in 2019. Having served on the Board for over nine years, Donald Adamson stands for re-election annually.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are regularly provided throughout their terms in office with all necessary information on industry and regulatory matters. The Manager and Board have formulated an induction training programme for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors, including briefings from key members of the Manager’s staff which ensure that Directors can keep up to date with new legislation and changing risks.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection on the Manager's website, at the registered office of the Company and will be available at the AGM.

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 independence of individual Directors;
- 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

The following table sets out the attendance of individual Directors. Directors are considered to have a good attendance record at Board and Committee meetings.

	BOARD MEETING	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE
NUMBER OF MEETINGS (YEAR ENDED 30 SEPTEMBER 2016)	5	2	1
Meetings Attended			
Donald Adamson†	5	2	1
Michael Lombardi	5	2	1
Gordon Neilly†	5	2	1
Clive Spears	5	2	1
Peter Yates	5	2	1

† Audit Committee member up to 13 September 2016.

Apart from the Board, Audit and Management Engagement Committee meetings detailed above, there were a number of meetings held by a Committee of the Board to deal with ad hoc items.

Audit Committee

Peter Yates, the Chairman, Michael Lombardi and Clive Spears are members of the Audit Committee and served throughout the year. The Audit Committee reviews and reports to the Board on the Company's financial reporting, risk management and internal control systems and the independence and effectiveness of the auditor.

During the year, the composition of the Audit Committee was discussed. Consequently, in order to distinguish the role of Audit Committee from that of the Board, it was agreed that long-serving Directors would not form part of the Committee. Accordingly, Donald Adamson and Gordon Neilly resigned from the Committee on 13 September 2016. 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 Terms of Reference are available for inspection at AGMs and can be inspected at the registered office of the Company or on the Company's page on the Manager's website at www.invescoperpetual.co.uk/enhancedincome.

The terms of reference clearly define the objectives, authority and responsibilities of the Audit Committee and are reviewed on an annual basis, the last review being in November 2016. The key objectives of the Committee are to review and challenge, where necessary, the financial reporting process, the system of internal control and management of financial risks, the external and internal audit processes and the Company’s process for monitoring compliance with laws and regulations.

Audit Committee Responsibilities include:

– evaluation of the effectiveness of the internal controls and risk management systems, including reports received on the operational controls of the Company’s service providers and the Manager’s whistleblowing arrangements;

– evaluation of reports received from the auditor with respect to the annual financial report and reports received from the Manager’s internal audit and compliance departments and reviewing the Company’s procedures for detecting fraud;

– reviewing the annual and half-yearly financial reports and announcements of the Company and ensuring compliance with relevant statutory and listing requirements;

– reporting to the Board on the appropriateness of the accounting policies and practices including critical accounting policies, any judgements and any significant issues arising during or at the year end;

– advising the Board on whether the Committee believes the annual financial report taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company’s performance, business model and strategy;

– management of the relationship with the external auditor, including their appointment, and the scope, effectiveness, independence and objectivity of their audit; and

– oversight of the performance of the Company’s third party providers.

The Committee meets at least twice a year to review the internal financial and non-financial controls, to approve the contents of the half-yearly and annual financial reports to shareholders and to review accounting policies. Representatives of the Manager’s Internal Audit and Compliance Departments attend the Committee meetings at which the annual and half-yearly financial reports are reviewed. Likewise, representatives of Deloitte LLP, the Company’s auditor, attend the Committee meeting at which the draft annual financial report is reviewed and speak to Committee members without the presence of representatives of the Manager. The audit programme and timetable are drawn up and agreed with the Company’s auditor in advance of the financial year end. Items for audit focus are discussed, agreed and given particular attention during the audit process. The auditor reports to the Committee on these items, among other matters. This report is considered by the Committee and discussed with the auditor and the Manager prior to approval and signature of the annual financial report.

Accounting Matters and Significant Areas of Judgement
For the year end, the accounting matters that were subject to specific consideration by the Committee and consultation with the auditor where necessary where as follows:

SIGNIFICANT AREA	HOW ADDRESSED
Existence and ownership of the investments, cash and repo financing positions	All investment and cash assets are regularly reconciled to custodian records by the Manager, as are positions held under repo financing which are reconciled to repo counterparties. The Committee reviewed the Manager’s and custodian’s annual internal control reports; these are both reported on by an independent external auditor. The depositary also undertakes its own independent monthly reconciliations. At the financial year end the portfolio positions are checked as part of the independent auditor’s work on the financial statements.
Accuracy of the portfolio valuation.	Actively traded investments are valued using prices provided by third party pricing vendors, as set out in accounting policies note 2(c)(v). Further valuation details are also contained in note 20 *Classification Under Fair Value Hierarchy.*
Correct calculation of the performance fee.	Regardless on whether a performance fee is payable or not, the year end performance fee calculation is prepared and reviewed by the Manager and reviewed in depth by the Committee with reference to the investment management agreement.
The allocation of management fees and finance costs between revenue and capital.	The allocation is reviewed by the Committee annually taking into account the long-term split of returns from the portfolio, both historical and projected; the objective of the Company; and yields.

All the above were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor. The allocation of management fees and finance costs was subjective and involved judgement by the Board. At each audit committee meeting the Committee received a satisfactory report on the Manager's internal operations from the Manager's Compliance and Internal Audit Officers. The Committee also received and reviewed a report from the depositary at its year end meeting. This report was satisfactory and covered both the depositary's monitoring during the year, including stock, cash, cashflow, net asset value calculations and investment restrictions, and the year end position.

As a result, and following a thorough review process, the Committee advised the Board that the 2016 annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

Auditor

Deloitte LLP was appointed the auditor of the Company for the year ended 30 September 2007, when the last audit tender was undertaken. As highlighted in last years' annual financial report, the Committee has conducted a tender exercise for the audit of the Company's 2017 annual financial report. After due consideration, the Committee recommended the appointment of PricewaterhouseCoopers CI LLP (PwC). The Board consequently invited them to be the Company's auditor for the year ended 30 September 2017. Resolutions appointing PwC and for the Committee to determine their remuneration will be put to shareholders at the forthcoming AGM.

Deloitte LLP will resign after signing this year's report and the Committee thank them for their diligent work and valued input over the years.

Review of the External Auditor, including Effectiveness and Non-Audit Services

The Committee evaluated the performance and effectiveness of the external auditor during the year to 30 September 2016. This included a review of the audit planning, execution and reporting, the quality of the audit work and the auditor's independence. All results were satisfactory.

It is the Company's policy not to seek substantial non-audit services from its auditor. During the year, the auditor did not provide any non-audit services to the Company. Prior to any engagement for non-audit services, the Audit Committee would consider whether the skills and experience of the auditor made them a suitable supplier of such services and ensure that there was no threat to objectivity and independence in the conduct of the audit as a result.

Audit Information

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 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.

Internal Controls and Risk Management

The Company's risk assessment focus and the way in which significant risks are managed is a key area of focus for the Committee. The Committee undertakes a robust assessment of the risks to which the Company is exposed by reference to a risk control summary, which maps the risks, mitigating controls in place and relevant information that is reported to the Directors throughout the year. The ratings of the mitigated risks allow the Directors to focus primarily on those risks that are most significant to the Company and also form the basis of the list of principal risks and uncertainties set out in the Strategic Report.

The Committee, on behalf of the Board, is responsible for ensuring that the Company maintains a sound system of internal controls to mitigate risk and safeguard both shareholders and the Company's assets. The effectiveness of the system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least annually. No significant items were identified in the year. The Committee also receives and considers, together with representatives of the Manager, reports in relation to the operational controls of the investment manager, accounting administrator, custodian and registrar. These reviews identified no issues of significance.

Internal Audit

Due to the nature of the Company, being an externally managed investment company with no executive employees, and in view of the Manager having an internal audit function, the Company does not have its own internal audit function.

Whistleblowing Arrangements

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

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, this being for twelve months after the balance sheet date, for the same reasons as set out in the Viability Statement on pages 16 and 17.

Directors

Directors' Disclosable Interests

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

	31 OCTOBER 2016	30 SEPTEMBER 2016	30 SEPTEMBER 2015
Ordinary Shares			
Donald Adamson	741,062	729,574	681,006
Michael Lombardi	350,000	350,000	150,000
Gordon Neilly	109,999	109,999	109,999
Clive Spears	30,000	30,000	—
Peter Yates (Chairman of the Audit Committee)	100,000	100,000	100,000

Save as aforesaid, no Director had any interest, beneficial or otherwise, in the shares of the Company during the year. No connected person interests have been notified.

Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set.

Directors' Remuneration

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered.

Directors' Remuneration Policy

The Board's policy is that the remuneration of Directors should be fair and reasonable – including in relation to that of other comparable investment trust companies; be sufficient to retain and motivate appointees; ensure that candidates of a high calibre are recruited to the Board; and should properly reflect time incurred and responsibility undertaken. It is intended that this policy will continue for the year ending 30 September 2017 and subsequent years.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £200,000 in aggregate per annum. Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

The same fee rates will apply to both current and any new appointments.

The Company has no employees and consequently has no policy on the remuneration of employees. The Board will consider, where raised, shareholders' views on Directors' remuneration.

Directors' Fee Rates

The following Directors' fee rates have applied from 1 January 2014: Chairman £30,000 pa; Audit Committee Chairman £25,000 pa and other Directors £21,500 pa.

Annual Statement and Report on Directors' Remuneration

For the year to 30 September 2016, the Directors were paid the fee rates effective from 1 January 2014. No additional discretionary payments were made in the year, nor in the previous year.

Directors' Remuneration for the Year

The Directors who served during the year received the following total remuneration, all of which was in the form of fees:

	2016 £	2015 £
Donald Adamson (Chairman)	30,000	30,000
Michael Lombardi	21,500	21,500
Gordon Neilly	21,500	21,500
Clive Spears	21,500	21,500
Peter Yates (Chairman of the Audit Committee)	25,000	25,000
Total	119,500	119,500

Conflicts of Interest

A Director must avoid a situation where he has, or can have a direct or indirect interest that conflicts, or has the potential to conflict, with the Company's interests. The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply when Directors decide whether to do so. First, only Directors who have no interest in the matter being considered are able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors can impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. Any potential conflicts of interest are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The register of potential conflicts of interest is kept at the registered office of the Company. The Directors will advise the company secretary as soon as they become aware of any potential conflict of interest.

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.

Stewardship

The Board considers that the Company has a responsibility as an investor towards ensuring that high standards of Corporate Governance are maintained in the companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are exercised on an informed and independent basis.

The Company's stewardship functions have been delegated to the Manager. The Manager 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. A copy of the Manager's Policy on Corporate Governance and Stewardship can be found at *www.invescoperpetual.co.uk*

Greenhouse Gas Emissions

The Company has no employees or property, it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes. All services are outsourced on a fee basis that is independent of any energy expended on its behalf and it is not practical, or required, for the Company to attempt to quantify emissions in respect of such proxy energy use.

Share Capital

Under the Articles of Association, 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 134,196,779 ordinary shares at the year end (2015: 122,746,779 shares). During the year 11,450,000 ordinary shares were issued at an average share price of 73.25p per share. Since the year end, a further 1,859,677 ordinary shares were issued at an average price of 76.78p per share.
- 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 shown below.
- The Board's current powers to buy back shares are stated above and proposals for their renewal are disclosed on page 34. No ordinary shares were bought back during the year.
- 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.

Substantial Shareholders

The Company has been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	AS AT 31 OCTOBER 2016 SHARES	%	AS AT 30 SEPTEMBER 2016 SHARES	%
Invesco Perpetual	27,823,365	20.5	27,823,365	20.7
Hargreaves Lansdown, stockbrokers (EO)	17,249,078	12.7	16,821,448	12.5
Alliance Trust Savings	7,935,967	5.8	7,500,975	5.6
Barclays Stockbrokers (EO)	5,016,151	3.7	4,867,011	3.6
GAM	4,950,388	3.6	4,950,388	3.7
AJ Bell, stockbrokers (EO)	4,891,220	3.6	4,414,533	3.3
TD Waterhouse, stockbrokers (EO)	4,087,459	3.0	4,072,087	3.0
Capital International, stockbrokers	4,020,000	3.0	4,015,500	3.0

Disclosure Required by Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the annual financial report. For the year ended 30 September 2016 only one item of this information applies – disclosure around the issue of shares – and this is covered by note 16 on page 50 (share capital).

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 its 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 daily publication of the net asset value of the Company's ordinary shares; monthly and daily factsheets and information on the Manager's website. A presentation is made by the Manager following the business of the AGM each year. Shareholders have the opportunity to address questions to the Chairman and the Chairmen of the Committees of the Board at the AGM. All shareholders are encouraged to attend the AGM.

There is regular dialogue between the Manager and individual major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help to develop a balanced understanding of their issues and concerns. General presentations to both institutional shareholders and analysts follow the publication 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 and the Chairman of the Audit and Management Engagement Committees, at the AGM.

It is the intention of the Board that the annual financial reports are issued to shareholders so as to provide 20 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 64. The Company responds to letters from individual shareholders on a range of issues.

Shareholders can also visit the Company's section of the Manager's website at *www.invescoperpetual.co.uk/enhancedincome* in order to contact the Company's Directors or Manager and to access copies of annual and half-yearly financial reports, 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.

The Manager

Investment Management Agreement

Invesco Fund Managers Limited was appointed Manager under an agreement dated 22 July 2014. The Directors have delegated to the Manager responsibility for the day-to-day investment management activities of the Company.

Management Fees

The terms of the agreement include a base management fee payable quarterly and an annual performance fee, and 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 base fee is calculated on shareholders' funds as follows: 1% on the first £80 million, 0.7% on the next £70 million and 0.6% on any excess over £150 million. All figures are on a 'per annum' basis. The base fee for the year is £848,000 (2015: £802,000).

The performance fee is payable at a rate of 20% of outperformance over a hurdle of LIBOR +1% reducing to 10% of outperformance in respect of shareholders' funds in excess of £80 million. In addition, any performance fee is subject to the following constraints: the performance fee payable in respect of any year will not exceed the aggregate base management fee paid in that year; the performance fee will only be earned if total returns exceed 7% for the year in question and a NAV high watermark is surpassed. For each year in respect of which a performance fee is earned, 30% of the fee will be deferred, and only be payable subject to the Company surpassing a NAV high watermark in any one of the next three accounting periods and maintaining a dividend payout of at least 5p per share for each accounting period up to the crystalisation of the deferred payment. A performance fee of £848,000 was earned for the year to 30 September 2016 (2015: £nil) of which £594,000 is payable and £254,000 is deferred.

The Manager's Responsibilities

The Directors have delegated to the Manager the responsibility for the day-to-day investment management activities of the Company, for seeking and evaluating investment opportunities and for analysing the accounts of the investee companies. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies as determined from time-to-time by the Board. Within the guidelines specified by the Board, the Manager has discretion over the investment portfolio. The Manager also advises on borrowings.

Assessment of the Manager

The Management Engagement Committee comprises all the Directors. The Committee meets at least annually, specifically to consider the ongoing investment management, secretarial and administrative requirements of the Company. The ongoing requirements of the Company and services received are assessed with reference to key performance indicators as set out on pages 11 to 13.

Performance is reviewed by reference to the 3 month LIBOR rate. The quality and timeliness of reports to the Board is also taken into account and the overall conduct of the Company's affairs by the Manager is considered. Based on its recent review of activities, and taking into account the performance of the portfolio, the other services provided by the Manager, and the risk and governance environment in which the Company operates, the Board believes that the continuing appointment of Invesco Fund Managers Limited remains in the best interests of the Company and its shareholders.

The Management Engagement Committee

The Board is considered small for the purposes of the AIC Code. All Directors are members of the Management Engagement Committee under the Chairmanship of Peter Yates. The Management Engagement Committee has written terms of reference, which clearly define its responsibilities and duties. They will be available for inspection at the AGM and can be inspected on the Manager's website and at the registered office of the Company. The Committee meets annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager.

A statement of Invesco Fund Managers Limited's responsibilities as Manager of the Company and the assessment of the Manager by the Management Engagement Committee can be found above.

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, as well as attending on Directors at Board and shareholder meetings. The appointment and ongoing assessment and review of the Company Secretary is a matter for the Board as a whole.

Special Business at the Annual General Meeting (AGM)

Shareholders will find starting on page 60 the notice of the forthcoming AGM of the Company to be held on 31 January 2017. In addition to the ordinary business of the meeting, three resolutions are proposed as special business and are summarised below.

Special Resolution 5 seeks shareholders' authority to issue shares on a non-pre-emptive basis up to 10% of the existing shares in issue at the time of the AGM. This authority will not be exercised at a price below NAV so the interests of existing shareholders are not diluted and will expire at the AGM in 2017 or at such earlier date as the authority is renewed by shareholders.

Special Resolution 6 is to renew the authority for the Company to purchase its own ordinary shares. Your Directors are seeking the authority to purchase up to 20,394,862 ordinary shares (14.99% of the Company's issued share capital as at 30 November 2016) subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2017. These powers, if approved, will allow the Company to buy back 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.

Special Resolution 7 is to permit the Company to hold general meetings (other than annual general meetings) on 14 days' notice. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless certain conditions are met. The first condition is that the Company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that the flexibility will be used only where the Board believed it is in the interests of shareholders as a whole.

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 31 January 2017 at 10 a.m.

R&H Fund Services (Jersey) Limited
Company Secretary

30 November 2016

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

The Directors are responsible for ensuring that the annual financial report is prepared 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 give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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 the 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 Strategic Report, a Corporate Governance Statement and a Directors' Report 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;
- 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; and
- the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Donald Adamson
Chairman

Signed on behalf of the Board of Directors

30 November 2016

Electronic Publication

The annual financial report is published on *www.invescoperpetual.co.uk/enhancedincome*. 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 and Jersey 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 Perpetual Enhanced Income Limited

Opinion on the Financial Statements of Invesco Perpetual Enhanced Income Limited

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer-term viability of the Company contained within the Strategic Report, on pages 16 and 17.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on pages 13 to 16 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 51 to 58 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on pages 16 and 17 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit and in evaluating the results of our work.

We determined materiality for the Company to be £1 million (2015: £0.84 million), which was approximately 1% (2015: 1%) of the Net Asset Value of the Company. The reason for using Net Asset Value is that this is the key performance indicator for investments in the Company. There has been no change to the percentage applied to materiality in the current year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000 (2015: £16,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee any significant disclosure matters that we identify when assessing the overall presentation of the financial statements. We confirmed to the Audit Committee that we had no significant misstatement and disclosure matters to report.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Our assessment of risks of material misstatement

Our risk assessment process continues throughout the audit. The assessed risk of material misstatement described below, are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. Last year our report did not include one other risk which is included in our report this year, the calculation of performance fee. This is included in the current year as a performance fee was earned by the Manager because the NAV watermark was met. The procedures described in our response to each risk are not exhaustive and we have focused on those procedures that we consider address areas of judgement or subjectivity.

Risk	How the scope of our audit responded to the risk
Valuation of investment portfolio and recording of resultant gains or losses As detailed on pages 18 to 20, the portfolio of investments at the year end comprised of investments of £115 million which are measured at fair value and fair value is determined based on market prices. Where there is no active market, illiquid investments are valued at valuations determined by the directors using appropriate valuation techniques in accordance with the accounting policy in note 2(c) to the financial statements. Valuation involves judgements around fair value determination and has a significant impact on the Net Asset Value (NAV) which is the most significant Key Performance Indicator (KPI) of the Company.	Our procedures on the investment portfolio included evaluation of design and implementation of key controls around valuations and testing 100% of the valuations of investments by comparing the prices directly to independent third party sources. We also obtained trading volume information directly from independent third party sources to assess the frequency of trade to support the valuation. There were no illiquid investments where valuations were determined by the Directors.
Ownership of investments Investments are held with the custodian except securities transferred under sale and repurchase (repo) financing arrangements to the repo counterparty which are registered in the name of the counterparty until these are repurchased by the Company. Ensuring that the depositary and custodian record all the investments correctly under the Company's name is critical since the investment portfolio is the single largest asset on the balance sheet and impacts the NAV of the Company.	Our procedures on the investments ownership included evaluation of design and implementation of key controls around the depositary and custody functions and testing 100% ownership of investments by confirming the holdings at year end with the independent custodian. Positions held under repo arrangements were verified to confirmations directly received from the independent repo counterparties.
The calculation of performance fee As detailed on page 33, a performance fee is payable to the Manager and is equal to 20% of the amount by which the total return (including any underperformance component) exceeds the hurdle return. The calculation of the performance fee is based on manually added inputs and in accordance with terms set out in the investment management agreement. Errors in manually added inputs or calculations not in accordance with the investment management agreement may lead to a significant misstatement.	We reviewed management's calculation of the performance fee to determine whether the fee had been calculated in accordance with the terms set out in the investment management agreement. This included checking the accuracy of inputs used and re-performing the calculation.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 28 and 29.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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 Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

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 Company'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 financial report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Isham, BA, FCA
for and on behalf of Deloitte LLP

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

30 November 2016

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000
Profit/(loss) on investments at fair value	11	—	14,760	14,760	—	(5,586)	(5,586)
Exchange differences		—	(2,081)	(2,081)	—	428	428
(Loss)/profit on derivative instruments – currency hedges		—	(3,442)	(3,442)	—	832	832
Income	4	6,729	—	6,729	6,697	—	6,697
Investment management fees and performance fee	5	(424)	(1,272)	(1,696)	(401)	(401)	(802)
Other expenses	6	(346)	(1)	(347)	(311)	(1)	(312)
Profit/(loss) before finance costs and taxation		5,959	7,964	13,923	5,985	(4,728)	1,257
Finance costs	7	(123)	(123)	(246)	(151)	(151)	(302)
Profit/(loss) before taxation		5,836	7,841	13,677	5,834	(4,879)	955
Taxation	8	(93)	—	(93)	(81)	—	(81)
Profit/(loss) after taxation		5,743	7,841	13,584	5,753	(4,879)	874
Return/(loss) per ordinary share	9	4.5p	6.3p	10.8p	4.9p	(4.2)p	0.7p

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards. The profit/(loss) after taxation is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the 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 30 September 2014		5,618	114,390	(51,367)	12,932	81,573
Total comprehensive income for the year		—	—	(4,879)	5,753	874
Shares issued		519	7,217	—	—	7,736
Dividends paid	10	—	(65)	—	(5,796)	(5,861)
At 30 September 2015		6,137	121,542	(56,246)	12,889	84,322
Total comprehensive income for the year		—	—	7,841	5,743	13,584
Shares issued		573	7,730	—	—	8,303
Dividends paid	10	—	(39)	—	(6,206)	(6,245)
At 30 September 2016		6,710	129,233	(48,405)	12,426	99,964

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

BALANCE SHEET

AS AT 30 SEPTEMBER

	NOTES	2016 £'000	2015 £'000
Non-current assets			
Investments held at fair value through profit or loss	11	115,438	105,118
Current assets			
Other receivables	12	2,417	7,727
Cash and cash equivalents		8,737	4,631
		11,154	12,358
Total assets		126,592	117,476
Current liabilities			
Other payables	13	(920)	(293)
Derivative financial instruments – unrealised loss	14	(283)	(207)
Securities sold under agreements to repurchase		(25,171)	(32,654)
		(26,374)	(33,154)
Total assets less current liabilities		100,218	84,322
Provision	15	(254)	—
Net assets		99,964	84,322
Issued capital and reserves attributable to equity holders			
Share capital	16	6,710	6,137
Share premium	17	129,233	121,542
Capital reserve	17	(48,405)	(56,246)
Revenue reserve	17	12,426	12,889
Total shareholders' funds		99,964	84,322
Net asset value per ordinary share	18	74.5p	68.7p

These financial statements were approved and authorised for issue by the Board of Directors on 30 November 2016.

Donald Adamson
Chairman

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2016 £'000	2015 £'000
Cash flow from operating activities			
Profit before taxation		13,677	955
Tax		(93)	(81)
Adjustments for:			
Purchases of investments		(24,671)	(33,976)
Sales of investments		34,629	25,356
		9,958	(8,620)
Decrease from securities sold under agreements to repurchase		(7,483)	(737)
(Profit)/loss on investments		(14,760)	5,586
Exchange differences		(296)	701
Net cash movement from derivative instruments – currency hedges		76	591
Finance costs		246	302
Operating cash flows before movements in working capital		1,325	(1,303)
Decrease/(increase) in receivables		250	(27)
Increase/(decrease) in payables		896	(1,355)
Net cash flows from operating activities after taxation		2,471	(2,685)
Cash flows from financing activities			
Finance cost paid		(261)	(299)
Net proceeds from issue of shares		7,845	7,736
Net equity dividends paid	10	(6,245)	(5,861)
Net cash generated by financing activities		1,339	1,576
Net increase/(decrease) in cash and cash equivalents		3,810	(1,109)
Exchange differences		296	(701)
Cash and cash equivalents at beginning of year		4,631	6,441
Cash and cash equivalents at end of year		8,737	4,631
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:			
Cash held at custodian		2,047	1,172
Short-Term Investment Company (Global Series) plc, money market fund		6,690	3,459
Cash and cash equivalents		8,737	4,631
Cash flow from operating activities includes:			
Deposit interest received		2	9
Dividend received		90	71
Bond interest received		6,449	6,860
		6,541	6,940

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 describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

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 30 in the Directors' Report 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) as adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee. 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 is consistent with the requirements of IFRS, the Directors have prepared 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 the SORP.

(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 9: Financial Instruments (2014) (effective 1 January 2018).
- Amendment to IAS 7: Disclosure initiative – Statement of cash flows (effective 1 January 2017).

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.

(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 make judgement, estimates and assumptions, in the process of applying the accounting policies. There have been no significant judgements, estimates or assumptions for the current or preceding financial year, except for the allocation of management fee and finance costs (see note 2(h)).

2. Principal Accounting Policies (continued)

(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 are 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.

(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.

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 at 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period.

(d) Derivatives

Derivative instruments are valued at fair value in the balance sheet.

Forward currency contracts 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 recognised as capital in the statement of comprehensive income.

Any profits and losses on the closure or revaluation of futures contracts positions are recognised as capital in the statement of comprehensive income.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits and investment in the Short-Term Investments Company (Global Series) plc, all 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.

(h) Expenses and Finance Costs

All expenses and finance costs are accounted for on an accruals basis and are recognised in the statement of comprehensive income. The base investment management fee 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 in the statement of comprehensive income.

(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

No segmental reporting is provided as 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.

4. Income

This note shows the income generated from the portfolio (investment assets) of the Company and income received from any other source.

	2016 £'000	2015 £'000
Income from investments		
UK bond interest	2,690	2,949
Overseas bond interest	3,947	3,668
	6,637	6,617
UK dividends	71	51
Overseas dividends	19	20
	6,727	6,688
Other income		
Deposit interest	2	9
Total income	6,729	6,697

5. Investment Management and Performance Fees

This note shows the fees paid to the Manager. These are made up of the base management fee payable per annum and a performance fee calculated annually.

	2016			2015		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee	424	424	848	401	401	802
Performance fee	—	848	848	—	—	—
	424	1,272	1,696	401	401	802

Details of the investment management agreement are disclosed in the Directors' Report. At the year end the management fee accrued was £225,000 (2015: £202,000).

A performance fee of £848,000 (2015: £nil) is accrued at the year end of which 30% is deferred and only becomes payable if positive total returns are achieved at the balance sheet date of any one of the next three years. The excess carried forward for the year is £254,000 (2015: nil) and is shown as a provision in note 15.

6. Other Expenses

The other expenses of the Company are presented below; those paid to the Directors and the auditor are separately identified.

	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000
General expenses – note (i)	199	1	200	165	1	166
Directors' fees	120	—	120	120	—	120
Auditor's remuneration:						
– for audit of the financial statements	27	—	27	26	—	26
	346	1	347	311	1	312

(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 £12,000 (2015: £11,000) per annum for company secretarial services and £23,000 (2015: £23,000) per annum for Administration Services. In addition, custodian dealing costs of £1,000 (2015: £1,000) are charged wholly to capital.

7. Finance Costs

Finance costs arise on any borrowing that the Company has, with the main borrowing being in the form of repo financing (see note 2(f)).

	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000
Interest due under repo financing	122	122	244	149	149	298
Overdraft interest	1	1	2	2	2	4
	123	123	246	151	151	302

8. Taxation

As a Jersey investment company no tax is payable on capital gains and, as the Company principally invests in assets which do not result in a revenue tax, the only overseas tax arises on the few assets domiciled in countries with which Jersey has no double-taxation treaty, e.g. Italy and Portugal.

	2016 £'000	2015 £'000
Overseas taxation	93	81

The Company is subject to Jersey income tax at the rate of 0% (2015: 0%). The overseas tax charge consists of irrecoverable withholding tax suffered.

9. Return per Share

Return per share is the amount of profit (or loss) generated for the financial year divided by the weighted average number of ordinary shares in issue.

The basic revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation and on 126,281,410 (2015: 118,346,693) ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

10. Dividends

Dividends represent the return of income less expenses to shareholders. Dividends are paid as an amount per ordinary share held.

	2016 PENCE	2016 £'000	2015 PENCE	2015 £'000
Dividends paid and recognised in the year:				
Fourth interim	1.25	1,534	1.25	1,405
First interim	1.25	1,545	1.25	1,460
Second interim	1.25	1,558	1.25	1,487
Third interim	1.25	1,608	1.25	1,510
	5.00	6,245	5.00	5,862
Return of unclaimed dividends from previous years	—	—	—	(1)
	5.00	6,245	5.00	5,861

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

	2016 PENCE	2016 £'000	2015 PENCE	2015 £'000
Dividends in respect of the year:				
First interim	1.25	1,545	1.25	1,460
Second interim	1.25	1,558	1.25	1,487
Third interim	1.25	1,608	1.25	1,510
Fourth interim	1.25	1,686	1.25	1,534
	5.00	6,397	5.00	5,991

Dividends paid in respect of the year have been charged to revenue except for £39,000 (2015: £65,000) which was charged to share premium. This amount is equivalent to the income accrued on the new shares issued in the year. This income accrued represented the income element of the net asset value at the time of each individual new share issue.

The fourth interim dividend for 2016 was paid on 28 October 2016 to shareholders on the register on 7 October 2016.

11. Investments Held at Fair Value Through Profit and Loss

The portfolio is made up of investments which are traded on regulated exchanges. Gains and losses are either:

- **realised, usually arising when investments are sold; or**
- **unrealised, being the difference from cost on the investments held at the year end.**

(a) Analysis of investments:

	2016 £'000	2015 £'000
Investments listed on a recognised investment exchange	115,438	105,118

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

	2016 UK LISTED £'000	2016 OVERSEAS LISTED £'000	2016 TOTAL £'000	2015 UK LISTED £'000	2015 OVERSEAS LISTED £'000	2015 TOTAL £'000
Opening valuation	50,306	54,812	105,118	47,072	60,625	107,697
Movements in the year:						
Purchases at cost	5,856	18,815	24,671	16,116	17,860	33,976
Sales – proceeds	(6,213)	(22,898)	(29,111)	(11,870)	(19,099)	(30,969)
– net realised profit	868	2,519	3,387	1,124	20	1,144
Movement in investment holding profit/(loss) in the year	1,451	9,922	11,373	(2,136)	(4,594)	(6,730)
Closing valuation	52,268	63,170	115,438	50,306	54,812	105,118
Closing book cost	48,298	54,240	102,538	47,787	55,804	103,591
Closing investment holding profit/(loss)	3,970	8,930	12,900	2,519	(992)	1,527
Closing valuation	52,268	63,170	115,438	50,306	54,812	105,118
Realised profit in the year	868	2,519	3,387	1,124	20	1,144
Movement in investment holding profit/(loss) in the year	1,451	9,922	11,373	(2,136)	(4,594)	(6,730)
Total profit/(loss) in the year	2,319	12,441	14,760	(1,012)	(4,574)	(5,586)

(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 re-registered in the name of the Company.

(d) Securities under agreements to repurchase had a market value of £34,374,000 (2015: £43,080,000).

(e) The transaction costs on investments amount to £6,000 on purchases and £nil for sales (2015: £3,000 on purchases and £nil for sales).

12. Other Receivables

Other receivables are amounts which are due to the Company, such as income which has been earned (accrued) but not yet received and monies due from brokers for investments sold.

	2016 £'000	2015 £'000
Amounts due from brokers	95	5,613
Proceeds due from issue of new shares	458	—
Margin held at brokers	—	348
Prepayments and accrued income	1,864	1,766
	2,417	7,727

13. Other Payables

Other payables are amounts which must be paid by the Company, and include any amounts due to brokers for the purchase of investments or amounts owed to suppliers, such as the Manager and auditor.

	2016 £'000	2015 £'000
Accruals	298	293
Margin due to brokers	28	—
Performance fee	594	—
	920	293

14. Derivative Financial Instruments

Derivative financial instruments are financial instruments that derive their value from the performance of another item, such as an asset or exchange rates. They are used to manage the risk associated with fluctuations in the value of certain assets and liabilities. In accordance with Board approved policies, the Company can use derivatives to manage its exposure to fluctuations in foreign exchange rates.

Derivative financial instruments comprise forward currency contracts.

	2016 £'000	2015 £'000
Forward currency contracts – unrealised loss	283	207

15 Provisions

The Company makes a provision when a potential obligation exists, relating to events in the future that will probably result in payment of the amount.

	2016 £'000	2015 £'000
Performance fee deferred	254	—

Details of the performance fee provision is given in note 5.

16. Share Capital

The share capital represents the total number of shares in issue, for which dividends accrue.

	2016 £'000	2015 £'000
Authorised:		
200,000,000 ordinary shares of 5p each (2015: 200,000,000 shares)	10,000	10,000
Allotted, called-up and fully paid:		
134,196,779 ordinary shares of 5p each (2015: 122,746,779 shares)	6,710	6,137

During the year 11,450,000 (2015: 10,379,253) ordinary shares were issued at an average share price of 73.25p per share (2015: 75.45p).

Subsequent to the year end 1,859,677 ordinary shares were issued at an average price of 76.78p per share.

17. Reserves

This note explains the different reserves that have arisen over the years. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

The share premium arises from the excess of consideration received on the issue of shares over the nominal 5p value. 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 and share buy backs. The revenue reserve is formed from the aggregate of income received less expenses and any dividends paid from revenue. All reserves, including the share premium, are distributable.

18. Net Asset Value per Share

The Company's total net assets (total assets less total liabilities) are often termed shareholders' funds and are converted into net asset value per ordinary share by dividing by the number of shares in issue.

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	
	2016 PENCE	2015 PENCE	2016 £'000	2015 £'000
Ordinary shares	74.5	68.7	99,964	84,322

Net asset value per ordinary share is based on net assets at the year end and on 134,196,779 (2015: 122,746,779) ordinary shares, being the number of ordinary shares in issue at the year end.

19. Financial Instruments

Financial instruments comprise the Company's investment portfolio and derivative financial instruments (for the latter see note 14) as well as its cash, borrowings (i.e. securities sold under agreements to repurchase otherwise known as 'repo financing', and overdraft), other receivables and other payables.

The Company's financial instruments comprise its investment portfolio (as shown on pages 18 to 20), 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 Company has an uncommitted bank overdraft facility, which is available for settlement purposes only, of up to 10% of net assets. 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.

19. Financial Instruments (continued)

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 undertaken by the Company as more fully described in the Directors' Report.

Investments include, but are not restricted to, corporate bonds, government bonds, 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 are detailed overleaf.

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 in the Business Review on page 15, 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 sterling value of the Company's assets, liabilities and income which are denominated in currencies other than sterling will be affected by movements in exchange rates.

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, the Company can use non-sterling credit default swaps ('CDSs') to mitigate or increase currency risk depending on whether the Company has sold or bought the CDSs. At this, and the previous year end the company had no exposure to CDSs.

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.

	2016		2015	
	EURO £'000	US DOLLAR £'000	EURO £'000	US DOLLAR £'000
Investments at fair value through profit or loss that are monetary items (fixed and floating interest)	32,031	27,876	32,785	19,455
Cash and cash equivalents	1,276	61	(3,917)	(612)
Other receivables (due from brokers, dividends receivable and accrued income)	672	501	1,762	1,189
Other payables (due to brokers and accruals)	(34)	(2)	(11)	(5)
Securities sold under agreement to repurchase	(11,071)	(4,893)	(15,621)	(5,898)
Forward currency contracts	(15,212)	(15,438)	(8,129)	(1,654)
Foreign currency exposure on net monetary items	7,662	8,105	6,869	12,475
Investments at fair value through profit or loss that are equities	—	3,263	—	2,572
Total net foreign currency exposure	7,662	11,368	6,869	15,047

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.

Cash and cash equivalents figures include amounts at custodian that have a right of offset. Sterling cash at the year end was £7,400,000 (2015: £9,160,000).

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 and £ to US dollar based on the following:

	2016	2015
£/Euro	±6.1%	±4.1%
£/US dollar	±5.4%	±2.2%

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:

	2016		2015	
	EURO £'000	US DOLLAR £'000	EURO £'000	US DOLLAR £'000
Income statement – loss after taxation				
Revenue return	(137)	(52)	(94)	(25)
Capital return	(429)	(594)	(258)	(325)
Total loss after taxation for the year	(566)	(646)	(352)	(350)

If sterling had weakened against the euro or dollar to this extent, the effect would have been the exact opposite.

19. Financial Instruments (continued)

Market Risk (continued)

(a) *Currency Risk (continued)*

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. 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 custodian cash or overdraft 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. Holdings in the Short-Term Investments Company (Global Series) plc ('STIC') are subject to interest rate changes.

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

	2016			2015		
	WITHIN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000	WITHIN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Exposure to floating interest rates:						
Investments at fair value through profit or loss	—	20,987	20,987	—	27,305	27,305
Cash and cash equivalents*	8,737	—	8,737	4,631	—	4,631
	8,737	20,987	29,724	4,631	27,305	31,936
Exposure to fixed interest rates:						
Investments at fair value through profit or loss	—	89,355	89,355	1,227	72,973	74,200
Securities sold under agreements to repurchase	(25,171)	—	(25,171)	(32,654)	—	(32,654)
	(25,171)	89,355	64,184	(31,427)	72,973	41,546
Net exposure to interest rates	(16,434)	110,342	93,908	(26,796)	100,278	73,482

*Includes £6,690,000 (2015: £3,459,000) held on STIC.

The nominal interest rates on the investments at fair value through profit or loss are shown in the portfolio statement on pages 18 to 20. The weighted average effective interest rate on these investments is 6.3% (2015: 6.0%).

Interest rate sensitivity

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

	2016 INCREASE IN RATE £'000	2015 INCREASE IN RATE £'000
Income statement – profit/(loss) after taxation		
Revenue return	87	46
Capital return	(5,462)	(4,720)
Total loss after taxation for the year	(5,375)	(4,674)
Effect on net asset value	(4.0)p	(3.8)p

The effect would have been the exact opposite if interest rates had decreased by the same amount.

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:

	2016 £'000	2015 £'000
Fixed asset investments at fair value through profit or loss		
– Bonds	110,342	101,505
– Equity[1] – convertible preference shares	1,833	1,041
– Warrants[2]	3,263	2,572
Investments	115,438	105,118
Cash and cash equivalents	8,737	4,631
	124,175	109,749

(1) Equity comprised solely Balfour Beatty (in £) and, for the previous year, Balfour Beatty and Premier Farnell (in £).

(2) Warrants comprise General Motors warrants (in $) for both years.

19. Financial Instruments (continued)

Market Risk (continued)

(c) *Other Price Risk (continued)*

Concentration of exposure to other price risks

The Company's investment portfolio on pages 18 to 20 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 £5,096,000 (2015: £3,613,000). 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 £510,000 (2015: £361,000). 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 may 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 11 in the Business Review, which also discusses the risks arising from repo financing and gearing of the investment portfolio.

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:

	2016			2015		
	LESS THAN THREE MONTHS £'000	MORE THAN ONE YEAR £'000	TOTAL £'000	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	TOTAL £'000
Current liabilities						
Other payables	326	—	326	293	—	293
Unrealised loss on forward currency contracts	283	—	283	207	—	207
Performance fee:						
– accrued	594	—	594	—	—	—
– provision	—	254	254	—	—	—
Securities sold under agreement to repurchase	25,171	—	25,171	32,654	—	32,654
	26,374	254	26,628	33,154	—	33,154

Credit Risk

The Company's principal credit risk is the risk of default on the non-investment grade debt. 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.

Credit risk also 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 also includes transactions involving derivatives.

The portfolio may be adversely affected if the custodian of the Company's assets suffers insolvency or other financial difficulties. The portfolio in this instance covers both investments and any cash held at the custodian.

Exposure to and Management of Credit Risk

The Company's portfolio of investments on pages 18 to 20 shows the Moody and Standard & Poor ratings and an analysis of this is also shown by the graph on page 4. Where the Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account to manage the Company's exposure to risk of default. Investments in bonds are across a variety of industrial sectors and geographical markets, to avoid concentration of credit risk.

The Company has exposure to credit risk on securities pledged under repo financing held with three other counterparties: Barclays (rated: A2/A–), Citibank (A1/A) and Credit Suisse (A1/A2/A). At the balance sheet date the aggregate credit exposure on these securities was £9.2 million (2015: £10.4 million), being the difference in the market value of securities pledged of £34.4 million (2015: £43.1 million) and the amounts borrowed of £25.2 million (2015: £32.7 million) under repo financing. On this date there was no impairment in the market value of the investments held or pledged under repo financing. The Company manages the credit risk inherent in repo financing by only dealing with good quality counterparties whose credit-standing is reviewed periodically by the Manager. There is a maximum limit allowed with any one counterparty.

Transactions in derivatives, including forward currency contracts (the exposure to which is shown in this note, under currency risk) are entered into only with investment banks, the credit rating of which is taken into account to manage default risk. Failure by counterparties is mitigated by using only approved counterparties.

As part of the Board's risk management and control monitoring, the Board reviews the custodian's annual control report and the Manager's management of the relationship with the custodian.

The risk associated with failure of the custodian is mitigated by the depositary, which is ultimately responsible for safekeeping of the Company's assets and is strictly liable for the recovery of financial instruments in the event of loss. Additionally, the depositary reconciles both stock and cash held at the custodian to custodian records throughout the year and reports to the audit committee at the year end.

Cash balances are limited to a maximum of £10 million with any one deposit taker, with only approved deposit taker being used, and a maximum of £10 million for holdings in the Short-Term Investments Company (Global Series) plc a triple A rated money market fund.

Fair Values of Financial Assets and Financial Liabilities

The financial assets are either carried 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 and cash and cash equivalents). Total gains and losses on investments, represents the total carrying amount of gains and losses on financial assets designated by the Company as financial assets at fair value through profit and loss.

The financial liabilities are carried at amortised cost except for derivatives which are carried at fair value.

20. Classification Under Fair Value Hierarchy

Nearly all of the Company's portfolio of investments are in the Level 2 category as defined in IFRS 7 'Financial Instruments: Disclosures'. The three levels set out in IFRS 7 follow:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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, if not all, of the investments are non-equity investments. These securities are priced using evaluated prices from a third party vendor, together with a price comparison made to secondary and tertiary evaluated third party sources. Evaluated prices are in turn based on a variety of sources, including broker quotes and benchmarks. As a result 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. No Level 3 investments were held in the year, or the previous year.

	2016 LEVEL 1 £'000	2016 LEVEL 2 £'000	2016 TOTAL £'000
Financial assets designated at fair value through profit or loss			
Debt securities	—	110,342	110,342
Equities – convertible preference shares	—	1,833	1,833
Warrants	3,263	—	3,263
Total for financial assets	3,263	112,175	115,438
Financial liabilities designated at fair value through profit or loss			
Derivative financial instruments – currency hedges	—	283	283
Total for financial liabilities	—	283	283

	2015 LEVEL 1 £'000	2015 LEVEL 2 £'000	2015 TOTAL £'000
Financial assets designated at fair value through profit or loss			
Debt securities	—	101,505	101,505
Equities – convertible preference shares	—	1,041	1,041
Warrants	2,572	—	2,572
Total for financial assets	2,572	102,546	105,118
Financial liabilities designated at fair value through profit or loss			
Derivative financial instruments – currency hedges	—	207	207
Total for financial liabilities	—	207	207

21 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 £25,171,000 (2015: £32,654,000), together with interest thereon of £30,000 (2015: £53,000). 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.

22 Capital Management

The Company's total capital employed at 30 September 2016 was £125,135,000 (2015: £116,976,000) comprising repo financing of £25,171,000 (2015: £32,654,000) and equity share capital and other reserves of £99,964,000 (2015: £84,322,000).

The Company's total capital employed is managed to achieve the Company's objective and investment policy as set out on pages 10 and 11.

The main risks to the Company's investments are shown in the Business Review under the 'Principal Risks and Uncertainties' section on pages 13 to 16. These also explain that the Company is able to gear its portfolio by borrowing in the form of repo financing and that gearing will amplify the effect on equity of changes in the value of the portfolio. At the balance sheet date, net borrowing was 16% (2015: 33%). Net borrowings cannot exceed 50% of shareholders' funds. The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

The Board can also manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy back shares and it also determines dividend payments.

The Company is subject to counterparty imposed requirements with respect to the repo financing and the terms imposed by the lenders with respect to the short term overdraft facility. The Board regularly monitors, and has complied with, these requirements and are unchanged from the prior year.

23. Contingent Liabilities

Contingent liabilities that the Company will or has given would be disclosed in this note if any existed.

There were no material outstanding contingent liabilities as at 30 September 2016 (2015: nil).

24. Related Party Transactions and Transactions with the Manager

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. The Manager is not considered a related party.

Under International Financial Reporting Standards, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on pages 30 and 31 with additional disclosure in note 6. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on page 33 and in note 5.

25. Post Balance Sheet Events

Any significant events that occurred after the end of the reporting period but before the signing of the statement of financial position will be shown here.

There are no significant events after the end of the reporting period requiring disclosure.

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 Perpetual Enhanced Income 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 Perpetual Enhanced Income Limited (the 'Company') will be held at 10 a.m. on 31 January 2017 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 and consider the Annual Financial Report for the year ended 30 September 2016.
2. To re-elect Mr. Donald Adamson a Director of the Company.
3. To appoint PricewaterhouseCoopers CI LLP as auditor of the Company.
4. To authorise the Audit Committee to determine the remuneration of the auditor.

Special Business

To consider and if thought fit, to pass the following resolutions as special resolutions:

5. THAT, in substitution for all existing powers, the Company may disapply pre-emption rights and issue equity securities up to a maximum of 13,605,645 shares representing 10% of the total number of shares in issue as at the date of this resolution, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by special resolution passed by three quarters of shareholders voting thereon) at the earlier of the conclusion of the annual general meeting of the Company to be held in 2018 or 15 months from the date of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be issued after such expiry and the directors of the Company may issue equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.
6. 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 shall be 14.99% of the Company's listed ordinary shares, this being 20,394,862 on the date of this notice;
      (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.
7. THAT the period of notice required for general meetings of the Company (other than AGMs) shall not be less than 14 days.

Dated 30 November 2016
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 Asset Services website www.capitashareportal.com; or
   - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; 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 a.m. on 27 January 2017.

   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 30 November 2016 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 136,056,456 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/enhancedincome*

SHAREHOLDER INFORMATION

The shares of Invesco Perpetual Enhanced Income 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 Company's section of the Manager's website.

Share Price Listings

The price of your shares can be found in the Financial Times, Daily Telegraph and The Times.

In addition, share price information can be found under the ticker IPE and on the Company's section of the Managers' website of www.invescoperpetual.co.uk/enhancedincome

Savings Plan and ISA

Invesco Perpetual Enhanced Income Limited is 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 £20 per month or through lump sum investments from £500.

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to the current ISA limit. For the tax year 2016/17 this is £15,240. Investors can also choose to make lump sum investments from £500, or regular investments from £20 per month.

For further details of these Invesco Perpetual investment schemes contact the Invesco Perpetual Client Services team free on ☎ 0800 085 8677.

Website

Information relating to the Company can be found on the Company's section of the Manager's website, which can be located at www.invescoperpetual.co.uk/enhancedincome

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
Year End	30 September
Dividends Payable	January, April, July and October
Annual General Meeting	January

Annual General Meeting

The AGM will be held at 10 a.m. on 31 January 2017 at:

R&H Fund Services (Jersey) Limited
Ordnance House
31 Pier Road
St. Helier
Jersey
JE4 8PW.

ADVISERS AND PRINCIPAL EXTERNAL SERVICE PROVIDERS

Manager and Alternative Investment Fund Manager

Invesco Fund Managers Limited
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH
☎ 01491 417000

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

Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT
☎ 0871 664 0300

Shareholders holding shares directly and not through a savings scheme or ISA and have queries relating to their shareholding, should contact the registrar on the above number.

Calls cost 12p per minute plus your phone company's access charge. From outside the UK: +44 (0)20 8639 3399. Calls from outside the UK will be charged at the applicable international rate. Lines are open Monday to Friday from 9 a.m. to 5.30 p.m. (excluding Bank Holidays).

Shareholders can also access their details via Capita's website: www.capitaassetservices.com or www.capitashareportal.com

The registrar provides 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 ☎ 0371 664 0454
Calls cost 10p per minute plus network charges.
☎ +44 (0)20 3367 2699 (from outside the UK).
Lines are open 8am to 4.30pm Monday to Friday (excluding UK bank holidays).

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 registrar.

Depositary

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

Auditor

Deloitte LLP
PO Box 403
44 Esplanade
St Helier
Jersey JE4 8WA

Corporate Broker

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

Invesco Perpetual Client Services

Invesco Perpetual has a Client Services Team available from 8.30am to 6pm every working day. Please feel free to take advantage of their expertise by ringing
☎ 0800 085 8677.
Website:
www.invescoperpetual.co.uk/investmenttrusts

The Association of Investment Companies

The Company is a member of the Association of Investment Companies.

Contact details are as follows:
☎ 020 7282 5555
Email: enquiries@theaic.co.uk
Website: www.theaic.co.uk

GLOSSARY OF TERMS

Borrowing

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 has no borrowings.

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

Gross Borrowing

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 Borrowing

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

Premium/Discount

A description of the situation when the share price is lower or higher than the NAV per share. The size of the premium/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 is called a premium, and if the share price is lower than the NAV this is called a discount.

Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk. These are offset against the underlying exposure.

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. The one year total return NAV is calculated by adding dividends paid in the year to the year end NAV, and dividing this total by the NAV at the start of the period.

Ongoing Charges

The total expenses excluding interest incurred by the Company, including those charged to capital, as a percentage of average net assets (shareholders' funds).

GLOSSARY OF TERMS
continued

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.

NA: not available.

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

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURE

Alternative Investment Fund Manager (AIFM) and the Alternative Investment Fund Managers Directive (the 'AIFMD', the Directive)

Invesco Fund Managers Limited (IFML) was authorised as an AIFM, and appointed by the Company as such, with effect from 22 July 2014. IFML is an associated company of Invesco Asset Management Limited (IAML), the previous Manager, and IAML continues to manage the Company's investments under delegated authority from IFML. In accordance with the Directive, the Company qualifies as an Alternative Investment Fund (AIF).

Amongst other things, the AIFMD requires certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invescoperpetual.co.uk/enhancedincome) in a downloadable document entitled 'AIFMD Investor Information'. There have been no material changes to this information in the year to 30 September 2016 or up to the date of this report. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

In addition, the Directive requires information in relation to the remuneration of the Company's AIFM, IFML, and the Company's leverage (both 'gross' and 'commitment' – see Glossary on page 65) and to be made available to investors.

Accordingly:

– the leverage calculated for the Company at its year end was 176% for gross and 146% commitment (2015: gross 180% and commitment 169%). The limits the AIFM has set for the Company remain unchanged at 350% and 300%, respectively;

– the AIFM remuneration policy is available from the Company's company secretary, on request (see contact details on page 64); and

– the AIFM remuneration paid for the year to 31 December 2015 is set out below.

AIFM Remuneration

The AIFM remuneration paid is based on the financial year of the AIFM, which is 31 December 2015.

IFML does not employ staff directly. All staff involved in the AIF related activities of IFML are employed and paid by Invesco UK Limited or other entities in the Invesco Limited Group. Remuneration for staff involved in AIF related activities has been apportioned based on the average assets under management of £3,759 million for the nine AIFs managed by IFML during the reporting period.

The aggregate total remuneration apportioned to IFML's AIF related activities for performance year 2015 is £6,899,615, of which £3,634,486 is fixed remuneration and £3,265,129 is variable remuneration. The number of beneficiaries is 40.

IFML has identified individuals considered to have a material impact on the risk profile of IFML or the AIFs it manages ('AIFMD Code Staff'), including Board members of IFML, senior management, head of control functions and other risk takers whose professional activities can exert material influence on IFML's risk profile or on an AIF it manages.

The aggregate total remuneration paid to the AIFMD Code Staff of IML for AIF related activities is £1,257,880 of which £368,220 is paid to senior management and £889,660 is paid to other AIFMD Code Staff. Please note the total remuneration for AIFMD Code Staff excludes remuneration for staff employed by delegates.

The Manager of Invesco Perpetual Enhanced Income Limited is Invesco Fund Managers Limited.

Invesco Fund Managers Limited is a wholly owned subsidiary of Invesco Limited and is authorised and regulated by the Financial Conduct Authority.

Invesco Perpetual is a business name of Invesco Fund Managers Limited.

Invesco is one of the largest independent global investment management firms, with funds under management of $807.5 billion.*

Invesco aims 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 2016.*

INVESTMENT COMPANIES MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust Limited

A Jersey-incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments. The Company may use bank borrowings.

Invesco Income Growth Trust plc

Aims to produce income and capital growth superior to that of the UK stock market and a stream of dividends paid quarterly that, over time, grows at above the rate of inflation. The Company may use bank borrowings.

Invesco Perpetual Enhanced Income 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 Company uses repo financing to enhance returns.

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

Aims to provide shareholders with an attractive real long term total return by investing primarily in UK quoted equities.

Keystone Investment Trust plc

Aims to provide shareholders with long-term growth of capital mainly from UK investments. The Company has debenture stocks in issue.

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 equity and fixed interest markets. The Company has secured loan stock in issue and, in addition, may use bank borrowings.

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 Company has a debenture stock in issue and, in addition, may use bank borrowings.

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 pursuit of income is of secondary importance. The Company may use bank borrowings.

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 MSCI AC Asia Ex Japan Index, total return, in sterling terms. The Company may use bank borrowings.

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

Aims 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 use bank borrowings.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

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

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Portfolio
- Global Equity Income 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 will not normally pay dividends.

Please contact Invesco Perpetual's Client 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.

Linkway Financial Printers
Typeset & Printed in London (UK) 16658