Annual Financial Report

Year Ended 30 September 2020

Invesco Enhanced Income Limited

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.

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Shareholder

Total dividend for the year of 5.00p, same as the previous year.
Shares yielding 7.6%[2] at 30 September 2020 closing price.

-6.0%
share price total return[1]

+4.6%
NAV total return[1]

+0.5%
3 month LIBOR rate

[1] Alternative Performance Measure as detailed on page 65.

[2] Yield is based on the total dividend of 5.00p divided by share price of 65.70p.

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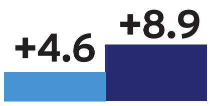
Strategy

Financial Information and Performance Statistics

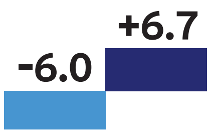
Total Return Statistics[1]
(dividends reinvested)

Change for the year (%)
2020
2019

Net asset value (NAV)[2][3]



Share price[2]



3 month LIBOR rate

Total Return[1]

Change for the year	2020	2019
Net asset value ('NAV')[2][3]	+4.6%	+8.9%
Share price[2]	-6.0%	+6.7%
3 month LIBOR rate	+0.5%	+0.8%

Capital

As at 30 September	2020	2019	% Change
Shareholders' funds (£'000)[4]	125,990	126,157	-0.1
Net asset value[2] per ordinary share	72.21p	74.18p	-2.7
Share price[1][2]	65.70p	75.20p	-12.6
(Discount)/premium per ordinary share[2]	(9.0)%	1.3%	
Gross borrowing[2]	23%	19%	
Net borrowing[2]	22%	15%	

Revenue

Year Ended 30 September	2020	2019
Gross income (£'000)	8,876	8,688
Net revenue return (£'000)	7,868	7,808
Revenue return per ordinary share	4.54p	4.69p
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[2]	1.05%	1.04%

(1) Source: Refinitiv.
(2) Alternative Performance Measure (APM). See Glossary of Terms and Alternative Performance Measures on pages 64 to 66 of the financial report for details of the explanation and reconciliations of APMs.
(3) The increase in total return NAV includes a 0.08% enhancement to NAV generated by the issue of ordinary shares at a premium to NAV during the year.
(4) Reflects the proceeds from 4,400,000 (2019: 5,075,000) ordinary shares issued in the year.

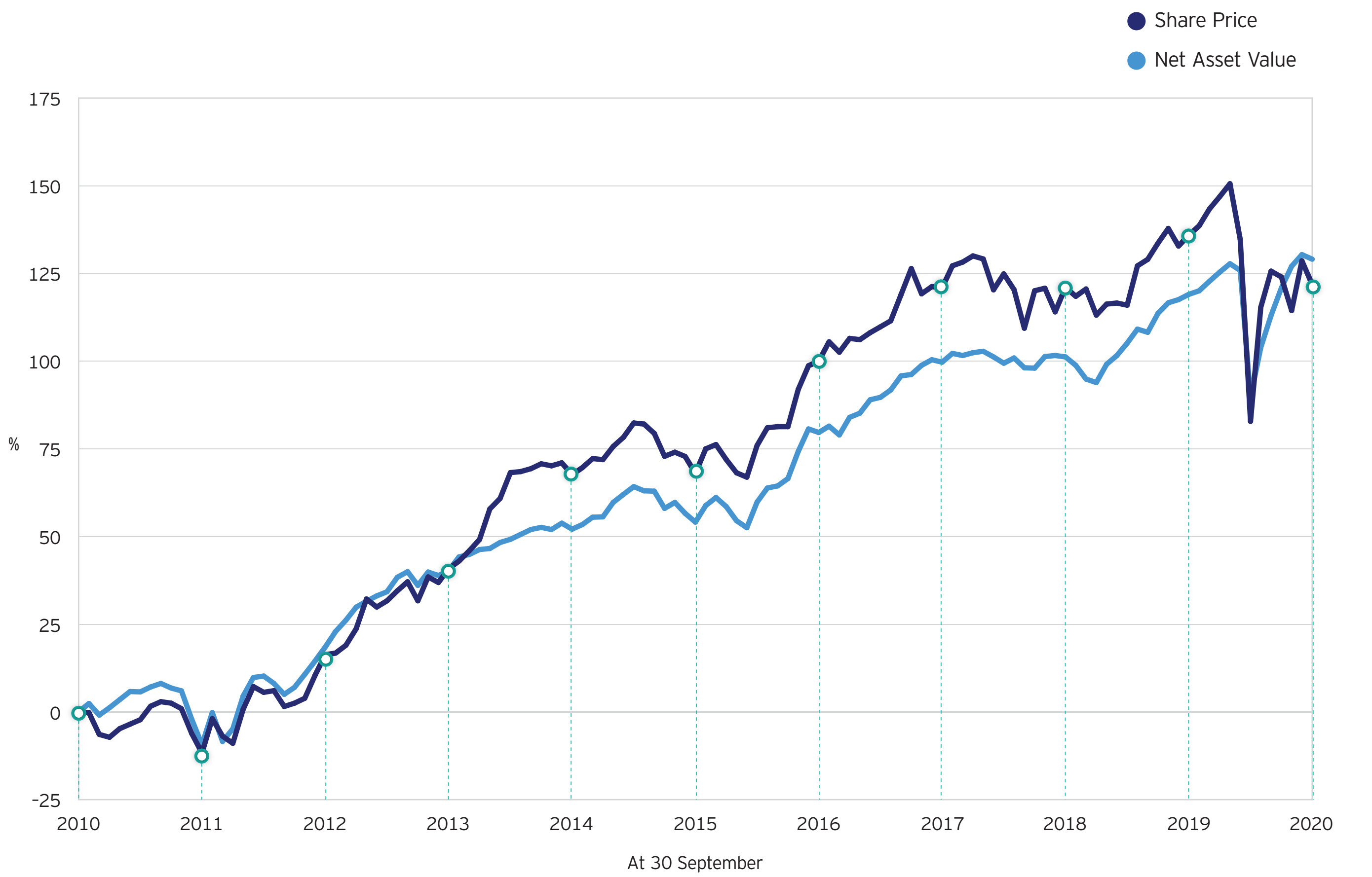
Ten Year Historical Record

Year to 30 September	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
2011	7,203	6,283	5,570	5.00	101,701	54.29	50.00
2012	6,879	5,988	5,565	5.00	100,163	65.05	59.88
2013	6,905	6,056	5,564	5.00	113,511	71.71	67.00
2014	6,550	5,578	5,583	5.00	114,964	72.59	74.38
2015	6,697	5,753	5,991	5.00	116,976	68.70	69.75
2016	6,729	5,743	6,397	5.00	125,389	74.49	77.38
2017	7,499	6,484	7,423	5.00	153,854	77.47	80.25
2018	8,917	7,602	8,240	5.00	143,092	73.14	75.40
2019	8,688	7,808	8,363	5.00	150,624	74.18	75.20
2020	**8,876**	**7,868**	**8,682**	**5.00**	**155,160**	**72.21**	**65.70**

(1) Dividends are in respect of the year and are paid on a quarterly basis.
(2) Excludes repo financing.

Ten Year Total Return Performance

Rebased as at 30 September 2010



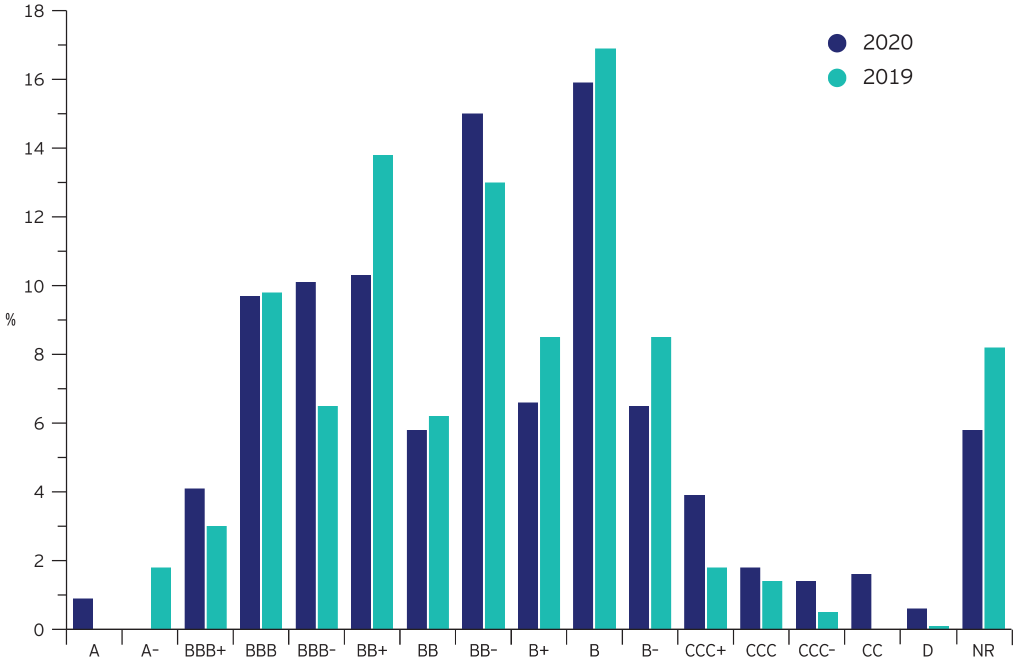
Source: Refinitiv.

Bond Rating Analysis

At 30 September

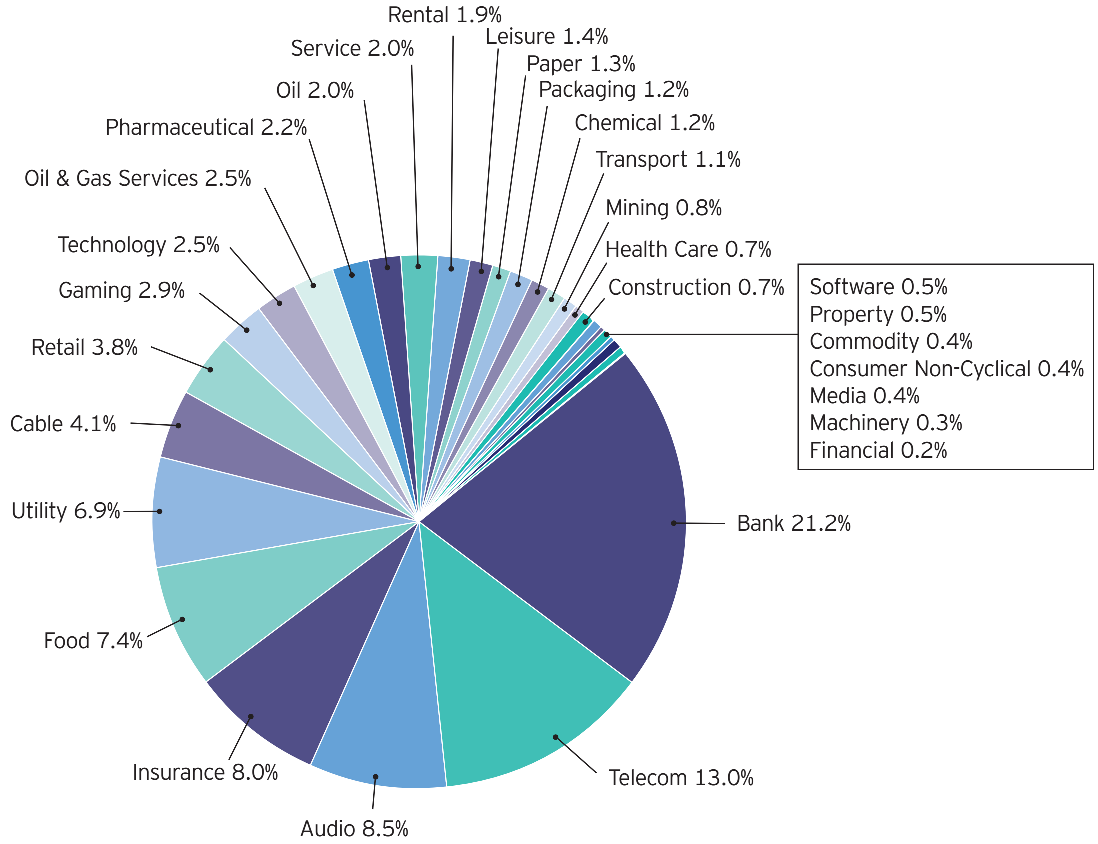
Standard & Poor's (S&P) ratings. Where S&P ratings are not available, an equivalent average rating has been used. Investment grade is BBB- and above.

For the definitions of these ratings see the Glossary of Terms and Alternative Performance Measures on page 66.



Split of Investments by Sector

At 30 September 2020



Chairman's Statement

"This has been an unprecedented year for the world's economies and markets."

"The Company's share price, with dividends reinvested on a total return basis, fell by 6.0%. Despite this, the total dividend for the year has been maintained at 5p per share."

I hope that during these rather turbulent and unprecedented times that this statement finds you well.

On 21 September 2020, the Company announced that Michael Lombardi had resigned from the Board with immediate effect. It is with great sadness that I report that Michael passed away on 21 October 2020. My fellow Directors and I would like to take this opportunity to record our thanks to him for his valuable contribution over his tenure as a Director. Our thoughts are with his family.

Results for the Year

The Portfolio Manager's Report which follows explains the market background and portfolio strategy during the year which provides context for the Company's results.

For the year to 30 September 2020, the Company's share price with dividends reinvested on a total return basis fell by 6.0%. The dividend was maintained at 5.00p per share, whilst the share price fell from 75.20p at the start of the year to 65.70p at the year end, a decrease of 12.6%. The NAV total return was +4.6% for the year and the NAV per share after distributions fell by 2.7% to 72.21p.

This has been an unprecedented period for the world's economies and markets. Bond markets have benefited from governments' monetary and fiscal response to the pandemic which took markets from their lows in March through a dramatic rally to the end of August. During that time, issuance was extensive as investors continued to seek out yield and, in response, companies took the opportunity to begin to repair the damage to their balance sheets. Towards the end of the period under review that exuberance was tempered by the rise in Covid-19 cases.

In the current economic and market 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 considered debt positions. Market yields remain at historically low levels but, despite this, your portfolio managers have generated a net revenue return of 4.54p per share. During a period when many companies have been forced to suspend dividends, the Board has maintained the 5.00p annual dividend for the year and a fourth interim dividend of 1.25p per share was declared on 22 September 2020.

The shortfall of net revenue earned versus dividend paid was 0.46p which is the equivalent of £793,000 (2019: £525,000). This has been funded from revenue reserves which the Company has accumulated over a number of years. Our dividend policy has served investors well, but the medium term effects of Covid-19 will likely bring a prolonged period of very low interest rates. With that in mind the Board will be reviewing whether the policy is sustainable, balancing the need for current income against the requirement to preserve investors' capital to earn that income in coming years.

Borrowings

The Portfolio Manager uses borrowings to gear the portfolio during most market conditions. The Company's upper limit for net gearing is 50% of shareholders' funds and the portfolio manager, working with the Board, will vary the level from time to time according to their view of prevailing market conditions. During the year to 30 September 2020 the level of gearing has averaged 18.4%, well below the permitted level. It should be noted that preservation of the Company's NAV remains a key consideration. As a result, the portfolio managers are focussing the Company's holdings towards generally lower risk bonds as a way to mitigate capital risk.

The Company uses repo financing, which the Board believes remains a flexible and relatively low-cost method of providing additional capital when appropriate. The level of gearing is carefully monitored by the Board which is fully cognisant of the need to carefully match risk and reward.

The repricing of high yield bonds to reflect the severe economic shock of Covid-19 led to attractive investment opportunities for the portfolio manager. The Company started the year with gross borrowings of 19% and that level was increased so that at the year end gross borrowings were 23%. Taking the Company's cash position into account, net borrowings were 22%, and average net borrowings for the year were 18.4% (2019: 17.5%). As at 24 November 2020, the latest practical date before publication, the level of borrowing is 25% (gross) and 22% (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. During the year the shares traded within the range of -28.4% (discount) at the peak of the Covid-19 pandemic on 19 March 2020 to +5.1% (premium). Over the period, the discount averaged 2.2%. In order to satisfy market demand the Company issued 4,400,000 new shares at an average price of 74.84p (excluding costs) during the year to 30 September 2020. This enhanced the NAV by 0.08%.

At the Company's Annual General Meeting (AGM) your Directors will be seeking to renew the authority granted by shareholders at the last AGM to authorise the issue of up to 10% of the Company's issued share capital in order to provide additional flexibility to increase the size of the Company when the Board considers the circumstances to be appropriate. 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 the cum dividend NAV. In determining the appropriate premium, the Board will aim for a minimum premium of 3.0% before expenses.

"Looking ahead, the prolonged period of contraction and the permanent changes that the crisis has brought will make business models unsustainable and debt restructuring will be necessary."

Board Composition and Corporate Governance

Given the combination of Michael's departure from the Board, the impacts of Covid-19 and subsequent travel restrictions, the Board have deferred the hiring of a new Director until 2021. The Board has therefore requested that Clive Spears remain on the Board for a further year. He will retire at the Company's AGM in 2022. Following Michael's departure, Clive Spears has been appointed Chairman of the Nomination and Remuneration Committee.

Third Party Service Providers

The Covid-19 global pandemic has made 2020 an unprecedented year. During this time when many organisations were required to alter staff working arrangements and close offices, the Board has frequently reviewed the efficiency and quality of work by its third party service providers and would like to record their appreciation for the seamless transitions that took place and the continued delivery of service to a high standard. In particular, the Board would like to thank the Portfolio Manager, Rhys Davies, for the excellent work that he has done during market turbulence to keep shareholders and the Board up to date with his investment approach.

AGM

This year, with many travel and meeting restrictions in place in a response to Covid-19, the Board has taken the decision to postpone the date of the AGM until later in 2021, as permitted by Jersey law. Shareholders will be notified as soon as possible and Invesco will provide details via the Company's website at www.invesco.co.uk/enhancedincome once the date is decided. A separate announcement will also be made to the market and Notice of Meeting sent to shareholders.

Outlook

In the weeks since the end of September the market's appetite for risk has continued to fluctuate, remaining sensitive both to news on the virus and on monetary and fiscal measures. While the Portfolio Manager has continued to add positions, the portfolio is cautiously positioned for a slow recovery that will leave many companies with weakened credit profiles. As additional lockdowns and social restrictions are announced this winter such an approach feels warranted. Looking ahead, the prolonged period of contraction and the permanent changes that the crisis has brought will make business models unsustainable and debt restructuring will be necessary. The twin obligations of avoiding these casualties and sustainable income generation will play a part in guiding future strategy. We remain confident in Invesco's ability to address these uncertainties with their normal rigour.

Kate Bolsover
Chairman

26 November 2020

Portfolio Manager's Report

Market background

The twelve months to the 30 September 2020 have been an extraordinary period both for society and financial markets. Both have been dominated by Covid-19.

High yield bond markets ended 2019 with their highest annual return since 2012. They then sold-off significantly during February and March 2020, as economies were shuttered in response to Covid-19. However, from late March financial markets have rebounded with European high yield delivering a sterling hedged total return in Q2 2020 of 11.35% – its best quarterly return since 2012. The catalyst for the change in sentiment was the extraordinary monetary and fiscal policy response to the virus from central banks and governments.

These measures included the US Federal Reserve directly purchasing corporate bonds. Unlike other central bank asset purchase schemes, the eligible securities for the US programme included bonds downgraded to high yield since the onset of the pandemic. The European Central Bank also extended its quantitative easing programme. For the first time European governments also agreed to a mutualisation of debt through a €750 billion joint recovery fund. The fund includes €390 billion of loans and €350 billion of debt.

The rally continued until the end of August 2020. Then as autumn began, a resurgence of Covid-19 cases in Europe, as well as rising US political uncertainty, led to some consolidation in the high yield bond market.

Nonetheless, demand for high yield has remained very strong in the six months since March 2020. In response to this demand for yield, corporate bond issuance levels have soared as issuers have sought to build up cash surpluses and repair their balance sheets.

To put the move in credit spreads into some context, in March, at the height of concerns over Covid-19, European currency high yield credit spreads had widened to 854bps. This was their widest level since the sovereign debt crisis in 2012. By 30 September 2020, credit spreads had fallen back to a level of 485bps. It was a similar story in the US high yield market. There, spreads widened from 360bps at the start of 2020 to 1087bps in late March. They then fell back to 541bps by 30 September 2020.

Portfolio strategy

The Company entered the Covid-19 crisis on a relatively strong footing. The portfolio was cautiously positioned by the end of 2019, with increased levels of cash and reduced levels of leverage. This was a natural response to yields having fallen so much and our sober view on valuations.

The NAV of the Company ended September 2020 at 72.21p from 74.18p at 30 September 2019. In a period in which many companies have been forced to suspend dividend payments, the Company paid a total dividend of 5p over the period.

In March, high yield bonds repriced to reflect the severe economic shock that Covid-19 is inflicting. A lack of market liquidity exacerbated price moves and created some very attractive opportunities that we sought to exploit across both financial and non-financial issuers. To further capitalise on the investment opportunities available leverage was increased to 29% by the end of April 2020.

We were able to purchase bonds from good quality companies that had dramatically fallen in price, in some cases by over 20 or even 30 points. For example, the Company purchased bonds from Dutch cable operator, Ziggo, that had fallen 25 points below their February issue price.

As well as opportunities within the high yield market, we were able to add some higher yielding investment grade names to the portfolio as issuance re-started in that market. For example, BMW came to the market in April with a 5-year bond offering a coupon of 3.9%. This is more than some high yield issuers were paying to raise capital at the start of the year. Another investment grade name we added was Dell Technologies, which was offering 10-year and 7-year bonds with coupons of 6.2% and 6.1% respectively.

In the high yield market itself, bonds were added across many sectors and included new issues such as Ford. The US car manufacturer was downgraded by the rating agencies as a result of the disruption to production and sales due to Covid-19. It subsequently came to the market to shore up its balance sheet offering bonds with coupons of 8.5% and 9.625%, which we viewed as compelling.

Following purchases made during this period of market weakness, at a sector level the portfolio's largest exposure remains financials (both subordinated bank and subordinated insurance bonds). As at 30 September 2020, 29% of the portfolio is invested in this area of the market. Elsewhere, the portfolio's largest allocations are to telecoms, autos and food companies. We hope that shareholders are pleased with the Company's NAV performance through such turbulent markets.

Outlook

Markets have rallied significantly from the lows of March 2020. Whilst this year's volatility provided a fantastic opportunity to add future income to the portfolio, yields in the high yield market are once again heading lower, driven by the prospect of a prolonged period of low interest rates. Although we will continue to seek out attractive income opportunities, such an environment does create challenges for future income. Furthermore, there are undoubtedly difficult times ahead for many high yield companies and default rates are likely to increase. As we seek out appropriately priced income opportunities, we will continue to apply a thorough and comprehensive analysis of each issuer and we will maintain a diversified portfolio. We believe this approach has served shareholders well during 2020.

Rhys Davies **Edward Craven**

26 November 2020

Portfolio Managers

Rhys Davies

Rhys Davies was named as the lead portfolio manager for the Company on 22 July 2020. He joined Invesco in 2002 and has 18 years' experience in fixed income markets.

He has been associated with the Company's portfolio for many years and was appointed portfolio co-manager in May 2016.

Edward Craven

Edward Craven is a senior credit analyst having been part of the Fixed Interest team for more than nine years. He has more than 17 years' financial services experience.

Investment Team update

On 31 August 2020 Senior Credit Analyst Edward Craven expanded his responsibilities to become Deputy Fund Manager of the Company. Although Paul Read and Paul Causer are no longer named managers of the Company, they remain Co-Heads of the Henley fixed interest team and continue to play an important part of the wider strategies adopted by the team, they also continue to manage a number of other funds directly.

Top Ten Investments

		2020		2019	
Issuer	**Issue**	**At Fair Value £'000**	**% of Portfolio**	**At Fair Value £'000**	**% of Portfolio**
Telecom Italia	5.25% 17 Mar 2055	2,112	2.2	1,999	2.3
	5.303% 30 May 2024	1,255		1,313	
Volkswagen Financial Services	4.25% 09 Oct 2025 (SNR)	1,244	2.1	-	-
	3.875% FRN Perpetual	1,093		-	
	3.5% FRN Perpetual	826		-	
Barclays	7.875% FRN Perpetual	1,734	2.0	1,806	2.5
	6.375% FRN Perpetual	795		573	
	8% FRN Perpetual	408		555	
	2.75% FRN Perpetual	135		122	
	7.125% FRN Perpetual	-		487	
Vodafone Group	6.25% 03 Oct 2078	1,167	2.0	1,228	2.2
	4.875% 03 Oct 2078	1,056		1,059	
	7% FRN 04 Apr 2079	667		681	
	1.5% Cnv 12 Mar 2022	167		251	
Teva Pharmaceutical Finance	6.75% 01 Mar 2028 (SNR)	1,584	2.0	1,306	0.9
	7.125% 31 Jan 2025 (SNR)	1,028		-	
	6% 31 Jan 2025 (SNR)	427		-	
Altice	SFR 7.375% 01 May 2026	2,511	2.0	2,702	2.9
	7.5% 15 May 2026	515		543	
	6.625% 15 Feb 2023	-		1,000	
Lloyds Banking Group	7.5% FRN Perpetual	1,907	1.9	902	0.7
	7.875% FRN Perpetual	458		-	
	7.625% FRN Perpetual	414		-	
	6.375% FRN Perpetual	144		147	
NatWest	2.62788% FRN Perpetual	1,472	1.8	-	1.8
	8.625% FRN Perpetual	823		383	
	8% Cnv FRN Perpetual	427		448	
	7.64% FRN Perpetual	-		1,533	
	7.5% Cnv FRN Perpetual	-		174	
AT&T	4.65% 01 Jun 2044 (SNR)	2,645	1.7	2,626	1.8
Dell Technologies	6.1% 15 Jul 2027 (SNR)	1,829	1.7	-	-
	6.2% 15 Jul 2030 (SNR)	811		-	
		29,654	19.4	21,838	15.1

Business Review

Purpose, Business Model and Strategy

The Company is a Jersey based, London listed investment company which at the year end had a portfolio of investments with a fair value in excess of £151 million. The Company's investment objective is shown alongside. 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 Company's purpose is to provide shareholders with a high level of income whilst seeking to maximise total return by investing in a diversified portfolio of high yielding corporate and government bonds. 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
- JTC Fund Solutions (Jersey) Limited ('JTC') 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 JTC, the Company has contractual arrangements with Link Market Services (Jersey) Limited to act as Registrar and The Bank of New York Mellon (International) Limited (BNYMIL) as Depositary and Custodian.

The Board maintains oversight of the Company's service providers, and monitors them on a formal and regular basis. On 22 July 2020, Rhys Davies was named as lead portfolio manager and Edward Craven appointed as deputy portfolio manager. Paul Read and Paul Causer have stepped back as co-fund managers but continue to provide support along with the wider fixed interest team.

For the purposes of the Alternative Investment Fund Managers Directive, the Company is an alternative investment fund.

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 net borrowings may not exceed 50% of shareholders' funds. 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).

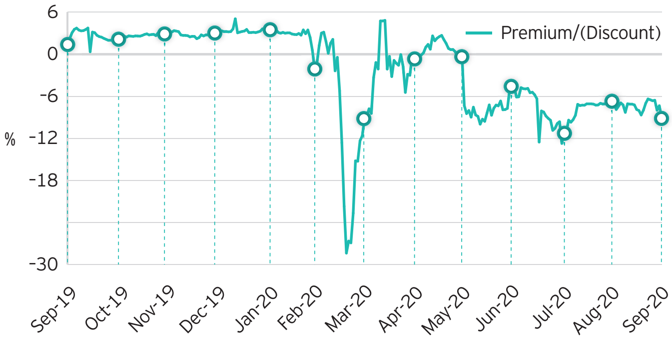
Performance and Key Performance Indicators

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;
- 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 7 and 8 and, in more detail, in the Portfolio Managers' Report on page 9. These also set out the **NAV** per share and **share price** total return performance for the year, with the NAV per share increasing 4.6% (2019: 8.9%) and the share price decreasing 6.0% (2019: increasing 6.7%). For a longer term view, the graph on the bottom of page 5 shows the movements in these for the ten years ended 30 September 2020.

The Board monitors the price of the Company's shares in relation to their NAV and the share price **premium/discount** to NAV at which they trade. Over the year the shares have traded at a discount/premium within the range, discount 28.4% to premium 5.1%, and ended the year at a discount of 9.0%. The graph below shows the premium/discount throughout the year.



The Board and Manager closely monitor movements in the Company's ordinary share price and dealings in the Company's ordinary shares. The Board seeks approvals from shareholders every year to allow for the issue of new ordinary shares and the buy back of ordinary shares (for cancellation or to be held as treasury shares). This may assist in the management of any premium or discount at which the Company's shares may trade, although the primary reason for buying back ordinary shares is to enhance investor value.

Any issues of new ordinary shares will be at a price above NAV per share so the interests of existing shareholders are not diluted and where the Board considers it is in shareholders' interests to do so.

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.

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 ten financial years to 30 September 2020. 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 was 1.05% which compares with 1.04% for the previous year, excluding borrowing costs.

Financial Position

As at 30 September 2020, the Company's net assets were £126 million (2019: £126 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, proceeds from the issue of shares 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 2020, net borrowing was 22% (2019: 15%).

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 page 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. As part of this process, new and emerging risks are considered. These are not currently principal risks for the Company, but may have the potential to be in the future.

Investment Policy (incorporating the Investment Objective) Risk: There is no guarantee that the Company's investment objective will be achieved or provide the returns sought by shareholders.

Mitigation: 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 extreme volatility experienced in March 2020 from the market reaction to the Covid-19 global pandemic has had an effect on the Company's portfolio and the discount to net asset value at which the shares trade.

Mitigation: 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 11. 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 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).

Mitigation: 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 Board also considers reports from the Manager which includes VaR, portfolio contribution and performance attribution reports, at each Board meeting.

The Portfolio Manager's Report sets out the portfolio's 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.

The Manager is expected to operate within the investment limits as set out on page 12.

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.

Mitigation: 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 Price and Dividends Risk: 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 market value of the ordinary shares may not always reflect the NAV per ordinary share.

Mitigation: 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.

The Board monitors the level of net revenue available for distribution at each Board meeting and prior to the declaration of each dividend. The Company will only pay dividends in respect of a year to the extent that it has accumulated revenue reserves available for that purpose.

Gearing Returns Using Borrowings Risk: 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.

There is no guarantee that it will be possible to re-finance the repo financing arrangements 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.

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.

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.

Mitigation: Net borrowing may not exceed 50% of shareholders' funds and this is monitored on a daily basis by the Manager. The Company currently has arranged facilities for repo financing with four counterparties. All borrowings, including repo financing, are actively managed by the Manager and monitored by the Board.

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.

High Yield Corporate Bonds Risk: 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.

Mitigation: 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 regularly receives reports which it reviews throughout the year.

Derivatives Risk: 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.

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.

Mitigation: 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.

Reliance on External Service Providers Risk: 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 (TPPs) for its executive function. Operational capability relies upon the ability of its TPPs to continue working throughout the disruption caused by a major event such as the Covid-19 global pandemic.

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 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.

Mitigation: The Manager's business continuity plans are reviewed on an ongoing basis and the Directors are satisfied that the Manager has in place robust plans and infrastructure to minimise the impact on its operations.

As the Covid-19 global pandemic continues, the Manager has mandated work from home arrangements and implemented split team working for those whose work is deemed necessary to be carried out on business premises. Any meetings are held virtually or via conference calls. Other similar working arrangements are in place for the Company's TPPs.

The Board receives regular updates from the Board and TPPs on business continuity processes. 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.

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 Rhys Davies. On 22 July 2020, Rhys Davies was named as lead portfolio manager and Edward Craven appointed as deputy portfolio manager. Mr Davies joined Invesco in 2002 and has 18
associated with the Company's portfolio for many years. Edward Craven is a senior credit analyst having been part of the Fixed Interest team for more than nine years. He has more than 17 years' financial services experience. Paul Read and Paul Causer have stepped back as co-fund managers but continue to provide support along with the wider fixed interest team. 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 Fixed Interest team.

Regulatory Risk: The Company is subject to various laws and regulations by virtue of its status as a Company registered under the Companies (Jersey) Law 1991, under Alternative Investment Fund Regulations and Collective Investment Funds (Jersey) Law 1998, and 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.

Mitigation: 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 especially during the Covid-19 global pandemic this year. Performance has been strong for many years and through different, and difficult, market cycles as shown by the ten year total return performance graph on page 5, and the stable level of dividend paid by the Company over the last ten years, also as set out on page 5. Throughout these times there has been no change in Manager and the five-yearly continuation vote in 2019 was passed with 99.9% of voting shareholders in favour. The next continuation vote is due in 2024.

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 may have 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 pages 6 and 22. Even though a majority of the portfolio is formally ranked as non-investment grade, the portfolio remains defensively positioned. The Portfolio Manager's Report on page 9 sets out the current portfolio strategy, with exposure positioned towards higher quality issuers where risk of default is considered low, and who have 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 22% and thus four and half 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's Duty to Promote the Success of the Company

The Directors have a duty to promote the success of the Company. The AIC Code of Corporate Governance, codifies this duty and also widens the responsibility to incorporate the consideration of wider relationships that are necessary for the Company's sustainability. As a UK listed Company it is necessary for the Company to report against this UK statutory duty (Section 172). This is not an obligation under Jersey Law.

In fulfilling these duties, and in accordance with the Company's nature as an investment company with no employees and no customers in the traditional sense, the Board's principal concern has been, and continues to be, the interests of the Company's shareholders taken as a whole. Notwithstanding this, the Board has a responsible governance culture and also has due regard for broader matters so far as they apply. In particular, the Board engages with the Manager at every Board meeting, reviews the Company's relationships with the other service providers, such as the Registrar, Depositary and Custodian, at least annually. At every Board meeting the Directors receive an investor relations update from the Manager, which details any significant changes in the Company's shareholder register, shareholder feedback, as well as notifications of any publications or press articles.

Environment, Social and Governance considerations are dealt with in a separate section below.

Shareholder relations are given a high priority by the Board. The prime medium by which the Company communicates with shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the publication of monthly factsheets and the NAV of the Company's ordinary shares, which is published daily via the London Stock Exchange and on the Company's section of the current Manager's website at www.invesco.co.uk/enhancedincome.

Shareholders normally have the opportunity to communicate directly with the Directors at the AGM. The forthcoming AGM has been postponed and will be held at a later date in 2021. The details will be communicated to shareholders. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card, via the current Manager's website (www.invesco.co.uk/enhancedincome) or in writing to the Company Secretary at the address given on page 63, stating name and postal address. At other times the Company responds to queries from shareholders on a range of issues.

There is a clear channel of communication between the Board and the Company's shareholders via the Company Secretary. The Company Secretary has no express authority to respond to enquiries addressed to the Board and all such communication, other than junk mail, is redirected to the Chairman as appropriate.

There is a regular dialogue with individual major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to develop a balanced understanding of their issues and concerns.

Shareholders can visit the Company's section of the current Manager's website (www.invesco.co.uk/enhancedincome) in order to access copies of annual and half-yearly financial reports, pre-investment information, key information document (KID), shareholder circulars, factsheets, Stock Exchange announcements, schedule of matters reserved for the Board, terms of reference of Board Committees, Directors' letters of appointment, the Company's share price and proxy voting results.

Environment, Social and Governance (ESG) Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited direct application. A greenhouse gas emissions statement is included in the Directors' Report on page 30. In relation to the portfolio, the Company has, for the time being, delegated the management of the Company's investments to the current Manager, who has an ESG Guiding Framework which sets out a number of principles that are intended to be considered in the context of its responsibility to manage investments in the financial interests of shareholders.

The Manager is committed to being a responsible investor and applies, and is a signatory to, the United Nations Principles for Responsible Investment, which demonstrates its extensive efforts in terms of ESG integration, active ownership, investor collaboration and transparency. The Manager is also a signatory to the FRC Stewardship Code 2020, which seeks to improve the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The Manager's investment team incorporates ESG considerations in its investment process as part of the evaluation of new opportunities, with identified ESG concerns feeding into the final investment decision and assessment of relative value. The Portfolio Managers make their own conclusions about the ESG characteristics of each investment held and about the overall ESG characteristics of the portfolio, although third party ESG ratings may inform their view. Additionally, the Manager's ESG team provides ESG monitoring.

Regarding 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 Company's stewardship functions have been delegated to the Manager. The current Manager has adopted a clear and considered policy towards its responsibility as an investor 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 current Manager's Stewardship Policy, which is updated annually, can be found at www.invesco.co.uk.

Board Diversity

The Board takes into account many factors, including the balance of skills, knowledge, diversity (including gender) and experience, amongst other factors when reviewing its composition and appointing new directors. The Board has considered the recommendations of the Davies and Hampton-Alexander review as well as the Parker review, but does not consider it appropriate to establish targets or quotas in this regard. The Board comprises four non-executive directors, two male and two female, thereby constituting 50% female representation. There are no set targets in respect of diversity, including gender. However, diversity forms part of both the Nominations and Remuneration Committee and main Board's deliberations when considering new appointments. The Company's success depends on suitably qualified candidates who are willing, and have the time, to be a director of the Company. Summary biographical details of the Directors are set out on page 25. The Company has no employees.

Modern Slavery Act 2015

The Company is an investment vehicle and does not provide goods or services in the normal course of business, or have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Approved by the Board of Directors on 26 November 2020.

JTC Fund Solutions (Jersey) Limited
Company Secretary

Investment Portfolio

AT 30 SEPTEMBER 2020

All investments are fixed interest bonds unless otherwise stated; floating rates notes are depicted by FRN.
The definitions of the Moody/Standard & Poor's ratings below are set out on page 66.

Bonds and Equity Investments

Issuer	Issue	Rating[1]	Fair Value £'000	% of Portfolio
Euro				
Banco BPM	5% FRN 14 Sep 2030	B1/NR/B	1,368	1.5
	8.75% FRN Perpetual	B3/NR/B	875	
Telecom Italia	5.25% 17 Mar 2055	Ba1/BB+/BB	2,112	1.4
Achmea	6% 04 Apr 2043	NR/BBB-/BBB	2,010	1.3
Banco Santander	6.25% FRN Perpetual	Ba1/NR/BB	1,809	1.3
	4.375% FRN Perpetual	Ba1/NR/BB	164	
Volkswagen Financial Services	3.875% FRN Perpetual	Baa2/BBB-/BBB	1,093	1.2
	3.5% FRN Perpetual	Baa2/BBB-/BBB	826	
Codere Finance	6.75% 01 Nov 2021 (SNR)	Caa3/CC/CCC	786	0.9
	12.75% 30 Sep 2023 (SNR)	B3/CCC-/CCC	670	
Burger King France	8% 15 Dec 2022 (SNR)	NR/CCC/CCC	722	0.9
	FRN 01 May 2023	B3/B-/B	459	
	6% 01 May 2024 (SNR)	B3/B-/B	213	
Banco BVA	6% FRN Perpetual	Ba2/NR/BB	1,280	0.8
Permanent TSB	8.625% FRN Perpetual	NR/NR/NR	1,197	0.8
La Financière ATALIAN	4% 15 May 2024 (SNR)	Caa2/B/CCC	1,147	0.8
Commerzbank	6.125% FRN Perpetual	Ba2/BB-/BB	884	0.7
	4% FRN 05 Dec 2030	Baa3/BB+/BB	186	
IM Group	6.625% 01 Mar 2025	B3/B-/B	1,030	0.7
Frigoglass Finance	6.875% 12 Feb 2025	B3/B-/B	1,026	0.7
Loxam SAS	5.75% 15 Jul 2027	NR/CCC+/CCC	523	0.6
	3.75% 15 Jul 2026 (SNR)	NR/B/B	484	
Picard	FRN 30 Nov 2023	B3/B/B	880	0.6
Tereos Finance	4.125% 16 Jun 2023 (SNR)	NR/B+/B	837	0.6
Intesa Sanpaolo	7% Perpetual	Ba3/BB-/BB	825	0.5
Banca Monte Dei Paschi - Siena	8% FRN 22 Jan 2030	Caa1/NR/CCC	455	0.5
	10.5% 23 Jul 2029 (SUB)	Caa1/NR/CCC	368	
Banco Sabadell	6.5% FRN Perpetual	B2/NR/B	810	0.5
HEMA	6.25% FRN 15 Jul 2022 (SNR)	Caa3/CC/CC	805	0.5
Banco Comercial Portugues	9.25% 30 Apr 2067	B2/CCC+/B	797	0.5
Deutsche Bank	5.625% FRN 19 May 2031	Ba2/BB+/BB	777	0.5
DKT Finance	7% 17 Jun 2023 (SNR)	Caa1/CCC+/CCC	766	0.5
Ziggo Bond Finance	3.375% 28 Feb 2030 (SNR)	B3/B-/B	733	0.5
IQVIA	3.25% 15 Mar 2025 (SNR)	Ba3/BB/BB	730	0.5
Bank Of Ireland	7.5% FRN Perpetual	Ba2/B/B	729	0.5
El Corte Inglés	3.625% 15 Mar 2024 (SNR)	NR/NR/NR	689	0.5
INEOS Group	5.375% 01 Aug 2024 (SNR)	B2/B+/B	497	0.4
	2.875% 01 May 2026 (SNR)	Ba2/BB+/BB	174	

Issuer	Issue	Rating[1]	Fair Value £'000	% of Portfolio
CNP Assurances	FRN Perpetual	NR/NR/NR	644	0.4
Virgin Money	2.875% FRN Perpetual	Baa3/BBB-/BBB	629	0.4
Gamma	6.25 % 15 Jul 2025	B1/B/B	603	0.4
Aegon	5.625% FRN Perpetual	Baa3/BBB-/BBB	590	0.4
PrestigeBidCo	6.25% 15 Dec 2023 (SNR)	B2/B/B	552	0.4
National Bank Of Greece	8.25% FRN 18 Jul 2029	Caa2/CCC/CCC	549	0.4
Crystal Almond	4.25% 15 Oct 2024 (SNR)	NR/B/B	543	0.4
Yew Grove REIT	Common stock	NR/NR/NR	534	0.4
Platin	5.375% 15 Jun 2023 (SNR)	B3/B/B	512	0.3
Crown European Holdings	2.875% 01 Feb 2026 (SNR)	Ba2/BB+/BB	488	0.3
VMED O2	3.25% 31 Jan 2031 (SNR)	Ba3/BB-/BB	484	0.3
Motion Finco	7% 15 May 2025 (SNR)	B1/CCC+/CCC	434	0.3
UniCredit International Bank	3.875% FRN Perpetual	Ba3/NR/B	430	0.3
Faurecia	3.75% 15 Jun 2028 (SNR)	Ba2/BB/BB	429	0.3
Teva Pharmaceutical Finance	6% 31 Jan 2025 (SNR)	NR/BB-/BB	427	0.3
EDP - Energias de Portugal	4.496% 30 Apr 2079	Ba2/BB/BB	392	0.3
Plantronics	4.625% 05 Jan 2026 (SNR)	B2/B/B	377	0.3
IHO Verwaltungs	3.625% 15 May 2025 (SNR)	Ba2/BB-/BB	363	0.2
Trafigura	7.5% FRN Perpetual (SUB)	NR/NR/NR	362	0.2
Ford Motor Credit	FRN 14 May 2021	Ba2/BB+/BB	355	0.2
BNP Paribas	Cnv FRN Perpetual	Baa3/BB+/BBB	324	0.2
Motion Bondco	4.5% 15 Nov 2027 (SNR)	Caa1/CCC-/CCC	308	0.2
Volvo	2.5% 07 Oct 2027 (SNR)	NR/NR/NR	275	0.2
Bayer AG	3.125% FRN 12 Nov 2079 (SUB)	Baa3/BB+/BBB	274	0.2
Parts Europe	6.5% 16 Jul 2025	Caa1/B-/CCC	271	0.2
Aviva	6.125% FRN 05 Jul 2043	A3/BBB+/BBB	246	0.2
Odyssey Europe	8% 15 May 2023 (SNR)	Caa1/CCC+/CCC	241	0.2
Synthomer	3.875% 01 Jul 2025 (SNR)	Ba2/BB/BB	233	0.2
ASR Nederland	4.625% Cnv FRN Perpetual	NR/BB+/BB	186	0.1
Lloyds Banking Group	6.375% FRN Perpetual	Baa3/BB-/BBB	144	0.0
			43,935	**28.9**
Sterling				
Barclays	7.875% FRN Perpetual	Ba2/B+/BB	1,734	1.6
	6.375% FRN Perpetual	Ba2/B+/BB	795	
NGG Finance	5.625% FRN 18 Jun 2073	Baa3/BBB/BBB	2,478	1.6
NWEN Finance	5.875% 21 Jun 2021 (SNR)	NR/BB+/BB	2,400	1.6
Arqiva Broadcast Finance	6.75% 30 Sep 2023	B1/NR/B	2,163	1.4
Premier Foods Finance	6.25% 15 Oct 2023	B1/B/B	1,750	1.4
	FRN 15 Jul 2022 (SNR)	B1/B/B	365	
Eléctricité De France	6% Perpetual	Baa3/BB-/BBB	1,399	1.4
	5.875% Perpetual	Baa3/BB-/BBB	643	
Virgin Money	8.75% FRN Perpetual	Ba2/B/BB	1,881	1.2
Co-Operative Bank	9.5% FRN 25 Apr 2029	NR/NR/NR	1,373	1.2
	5.125% 17 May 2024 (SNR)	NR/BB/BB	481	
Aviva	6.125% Perpetual	A3/BBB+/BBB	1,612	1.1
Pension Insurance	7.375% FRN Perpetual	NR/NR/BBB	1,584	1.0
VMED O2	4% 31 Jan 2029 (SNR)	Ba3/BB-/BB	1,507	1.0
Wagamama Finance	4.125% 01 Jul 2022 (SNR)	B2/B-/B	1,382	0.9
Matalan Finance	6.75% 31 Jan 2023 (SNR)	B3/CCC-/CCC	800	0.9
	9.5% 31 Jan 2024 (SNR)	Caa3/CC/CC	313	
	16.5% 25 Jul 2022 (SNR)	NR/CCC+/CCC	229	
SSE	3.74% FRN Perpetual (SUB)	Baa3/BBB-/BBB	1,290	0.9
Time Warner Cable	5.25% 15 Jul 2042	Ba1/BBB-/BBB	1,282	0.9
Volkswagen Financial Services	4.25% 09 Oct 2025 (SNR)	A3/BBB+/BBB	1,244	0.9
Vodafone Group	4.875% 03 Oct 2078	Ba1/BB+/BB	1,056	0.8
	1.5% Cnv 12 Mar 2022	NR/NR/NR	167	

Issuer	Issue	Rating[1]	Fair Value £'000	% of Portfolio
Orange	5.875% Perpetual	Baa3/BBB-/BBB	1,175	0.8
Nationwide	5.75% FRN Perpetual	Ba1/BB+/BB	796	0.7
	5.875% FRN Perpetual	Ba1/BB+/BB	369	
William Hill	4.75% 01 May 2026	Ba3/BB-/BB	1,085	0.7
BP Capital	4.25% FRN Perpetual	A3/BBB/BBB	1,024	0.7
Drax Finco	4.25% 01 May 2022 (SNR)	NR/BB+/BB	934	0.6
Legal & General	5.625% FRN Perpetual	Baa3/BBB/BBB	349	
	4.5% FRN Perpetual	A3/BBB+/BBB	308	0.6
	5.5% 27 Jun 2064 FRN (SUB)	A3/BBB+/BBB	235	
Scottish Widows	5.5% 16 Jun 2023	Baa1/BBB+/BBB	880	0.6
Lloyds Banking Group	7.875% FRN Perpetual	Baa3/BB-/BBB	458	0.6
	7.625% FRN Perpetual	Baa3/BB-/BBB	414	
CPUK FINANCE	4.25% 28 Feb 2047 (SNR)	NR/B-/B	514	0.5
	6.5% 28 Aug 2050 (SNR)	NR/B-/B	330	
Miller Homes	5.5% 15 Oct 2023 (SNR)	NR/BB-/BB	644	0.5
	FRN 15 Oct 2023 (SNR)	NR/BB-/BB	170	
Sainsbury's	6% FRN 23 Nov 2027	NR/NR/NR	809	0.5
Bupa Finance	5% 08 Dec 2026	Baa1/NR/BBB	808	0.5
Enel	6.625% FRN 15 Sep 2076	Ba1/BBB-/BBB	795	0.5
OneSavings Bank	9.125% FRN Perpetual	NR/NR/NR	652	0.4
Deutsche Bank	7.125% Perpetual	B1/B+/B	640	0.4
Iron Mountain	3.875% 15 Nov 2025	Ba3/BB-/BB	605	0.4
Pinewood	3.25% 30 Sep 2025 (SNR)	NR/BB/BB	597	0.4
AXA	5.453% FRN Perpetual	Baa1/BBB+/BBB	567	0.4
Petroleos Mexicanos	8.25% 02 Jun 2022 (SNR)	Ba2/BBB/BB	551	0.4
Jaguar Land Rover	2.75% 24 Jan 2021 (SNR)	B1/B/B	490	0.3
La Financière ATALIAN	6.625% 15 May 2025 (SNR)	Caa2/B/CCC	423	0.3
Hurricane Finance	8% 15 Oct 2025 (SNR)	B3/NR/B	416	0.3
B&M	3.625% 15 Jul 2025 (SNR)	Ba3/BB-/BB	400	0.3
Intesa	5.148% 10 Jun 30	Ba1/BB+/BB	330	0.2
Rothesay Life	8% 30 Oct 2025	NR/NR/BBB	310	0.2
Jupiter Fund Management	8.875% 27 Jul 2030	NR/NR/BBB	302	0.2
CYBG	9.25% Perpetual	Ba2u/B/BB	279	0.2
Direct Line Insurance	4% 05 Jun 2032	Baa1/NR/BBB	220	0.2
John Lewis	4.25% 18 Dec 2034 (SNR)	NR/NR/NR	176	0.1
Aroundtown	4.75% FRN Perpetual (SUB)	NR/BBB-/BBB	170	0.1
			49,153	**32.4**
US Dollar				
Altice	SFR 7.375% 01 May 2026	B2/B/B	2,511	2.0
	7.5% 15 May 2026	B2/B/B	515	
NatWest	2.62788% FRN Perpetual	Ba2/BB-/BB	1,472	
	8.625% FRN Perpetual	Ba2u/B+/BB	823	1.8
	8% Cnv FRN Perpetual	Ba2u/B+/BB	427	
AT&T	4.65% 01 Jun 2044 (SNR)	Baa2/BBB/BBB	2,645	1.7
Dell Technologies	6.1% 15 Jul 2027 (SNR)	Baa3/BBB-/BBB	1,829	1.7
	6.2% 15 Jul 2030 (SNR)	Baa3/BBB-/BBB	811	
Teva Pharmaceutical Finance	6.75% 01 Mar 2028 (SNR)	Ba2/BB-/BB	1,584	1.7
	7.125% 31 Jan 2025 (SNR)	Ba2/BB-/BB	1,028	
Stora Enso	7.25% 15 Apr 2036	Baa3/NR/BBB	1,910	1.3
Lloyds Banking Group	7.5% FRN Perpetual	Baa3/BB-/BBB	1,907	1.3
Ziggo Bond Finance	6% 15 Jan 2027 (SNR)	B3/B-/B	1,590	1.2
	4.875% 15 Jan 2030 (SNR)	B1/B+/B	263	
Vodafone Group	6.25% 03 Oct 2078	Ba1/BB+/BB	1,167	1.2
	7% FRN 04 Apr 2079	Ba1/BB+/BB	667	
Aker BP	5.875% 31 Mar 2025 (SNR)	Ba1/BBB-/BB	1,610	1.1
Panther BF Aggregator	8.5% 15 May 2027 (SNR)	Caa1/CCC+/CCC	1,527	1.0

Issuer	Issue	Rating[1]	Fair Value £'000	% of Portfolio
Adient	7% 15 May 2026 (SNR)	Ba3/B+/B	1,321	0.9
	9% 15 Apr 2025 (SNR)	Ba3/B+/B	46	
DKT Finance	9.375% 17 Jun 2023 (SNR)	Caa1/CCC+/CCC	1,348	0.9
Neptune Energy	6.625% 15 May 2025 (SNR)	B1/BB-/BB	1,313	0.9
BMW US Capital	3.9% 09 Apr 2025 (SNR)	A2/A/A	1,298	0.9
Telecom Italia	5.303% 30 May 2024	Ba1/BB+/BB	1,255	0.8
Beazley	5.875% 04 Nov 2026	NR/NR/BBB	1,186	0.8
XPO Logistics	6.5% 15 Jun 2022 (SNR)	Ba3/BB-/BB	621	0.8
	6.25% 01 May 2025 (SNR)	Ba3/BB-/BB	564	
Algeco Scotsman	8% 15 Feb 2023 (SNR)	B2/B-/B	1,019	0.7
Marfrig Global Foods	7% 15 Mar 2024	NR/BB-/BB	976	0.6
Petra Diamonds	7.25% 01 May 2022 (SNR)	Ca/D/D	647	0.6
	7.25% 01 May 2022 (SNR)	Ca/D/D	272	
Trinseo	5.375% 01 Sep 2025 (SNR)	B2/B/B	904	0.6
Ford	8.5% 21 Apr 2023 (SNR)	Ba2/BB+/BB	488	0.6
	9% 22 Apr 2025 (SNR)	Ba2/BB+/BB	382	
Goodyear Tire & Rubber	9.5% 31 May 2025 (SNR)	B2/B+/B	840	0.6
IHO Verwaltungs	6% 15 May 2027 (SNR)	Ba2/BB-/BB	807	0.5
Lamb Weston	4.625% 01 Nov 2024	Ba2/BB+/BB	801	0.5
Verizon Communications	4.272% 15 Jan 2036	Baa1/BBB+/BBB	800	0.5
Société Genérale	7.375% 31 Dec 2065	Ba2/BB/BB	792	0.5
Sigma Holdco	7.875% 15 May 2026 (SNR)	B3/B-/B	789	0.5
VIVAT	6.25% Perpetual	NR/NR/BB	779	0.5
Brink's	4.625% 15 Oct 2027	Ba3/BB-/BB	495	0.5
	5.5% 15 Jul 2025 (SNR)	Ba3/BB-/BB	249	
FAGE International	5.625% 15 Aug 2026 (SNR)	B2/B+/B	741	0.5
General Motors	6.8% 01 Oct 2027 (SNR)	Baa3/BBB/BBB	342	0.5
	5.2% 20 Mar 2023 (SNR)	Baa3/BBB/BBB	219	
	5.4% 02 Oct 2023 (SNR)	Baa3/BBB/BBB	171	
DNO ASA	8.375% 29 May 2024	NR/NR/NR	427	0.5
	8.75% 31 May 2023	NR/NR/NR	291	
UBS	7% FRN Perpetual	NR/BB+/BB	386	0.4
	5% Perpetual	Ba1u/BB/BB	295	
Ithaca Energy	9.375% 15 Jul 2024 (SNR)	B3/CCC/B	655	0.4
Codere Finance	7.625% 01 Nov 2021 (SNR)	Caa3/CC/CCC	649	0.4
Walnut Bidco	9.125% 01 AUG 2024 (SNR)	B1/B/B	617	0.4
MHP	6.95% 03 Apr 2026 (SNR)	NR/B/B	584	0.4
Barclays	8% FRN Perpetual	Ba2/B+/BB	408	0.4
	2.75% FRN Perpetual	Ba1/BB+/BB	135	
Rothschilds Continuation Finance	FRN Perpetual	NR/NR/NR	540	0.4
Avis Budget Car Rental	10.5% 15 May 2025 (SNR)	Ba2/BB-/BB	533	0.4
Stena	7% 01 Feb 2024 (SNR)	Caa1/B+/CCC	526	0.3
Marb Bondco	6.875% 19 Jan 2025 (SNR)	NR/BB-/BB	520	0.3
Motion Bondco	6.625% 15 Nov 2027 (SNR)	Caa1/CCC-/CCC	482	0.3
CIRSA Finance	7.875% 20 Dec 2023	B3/B-/B	442	0.3
Diamond 1	5.45% 15 Jun 2023	Baa3/BBB-/BBB	424	0.3
Petroleos Mexicanos	6.95% 28 Jan 2060 (SNR)	Ba2/BBB/BB	212	0.2
	6.75% 21 Sep 2047 (SNR)	Ba2/BBB/BB	206	
Puma International	5% 24 Jan 2026	B1/NR/B	377	0.2
VTR Finance	5.125% 15 Jan 2028 (SNR)	Ba3/B+/BB	178	0.2
	6.375% 15 Jul 2028 (SNR)	B1/B/B	162	
UniCredit International Bank	8% FRN Perpetual	NR/NR/B	328	0.2
Owens-Brockway	6.625% 13 May 2027 (SNR)	B1/B/B	308	0.2
Hertz	7.625% 01 Jun 2022	NR/NR/NR	307	0.2
Avantor Funding	4.625% 15 Jul 2028 (SNR)	B3/B/B	306	0.2

Issuer	Issue	Rating[1]	Fair Value £'000	% of Portfolio
Metinvest	7.65% 01 Oct 2027 (SNR)	NR/B/B	302	0.2
Expedia	6.25% 01 May 2025 (SNR)	Baa3/BBB-/BBB	177	0.2
	7% 01 May 2025 (SNR)	Baa3/BBB-/BBB	93	
CEMEX	7.375% 05 Jun 2027 (SNR)	NR/BB/BB	235	0.2
PGH Capital	5.375% 06 Jul 2027	NR/NR/BBB	234	0.2
Millicom International Cellular	5.125% 15 Jan 2028	Ba2/NR/BB	233	0.2
Tesco	6.15% 15 Nov 2037 (SNR)	Baa3/BBB-/BBB	233	0.2
Nyrstar	0% 31 Jul 2026 (SNR)	NR/NR/NR	195	0.1
EG Global Finance	8.5% 30 Oct 2025 (SNR)	B2/B-/B	161	0.1
Hanesbrands	5.375% 15 May 2025 (SNR)	Ba3/BB/BB	161	0.1
Credit Suisse	7.125% FRN Perpetual	Ba2u/BB-/BB	161	0.1
Turk Telekomunikas	6.875% 28 Feb 2025 (SNR)	NR/BB-/BB	158	0.1
Marriott International	5.75% 01 May 2025 (SNR)	Baa3/BBB-/BBB	126	0.1
Trafigura	5.25% 19 Mar 2023 (SNR)	NR/NR/NR	105	0.1
Clarios	6.75% 15 May 2025 (SNR)	B1/B/B	63	0.0
Yum Brands	7.75% 01 Apr 2025 (SNR)	B1/B+/B	33	0.0
			58,719	**38.7**
Total investments			**151,807**	**100.0**

(1) Moody/Standard & Poor's (S&P)/Equivalent average rating.

Bond Rating Analysis

AT 30 SEPTEMBER

Standard & Poor's (S&P) ratings. Where a S&P rating is not available, an equivalent average rating has been used. Investment grade is BBB- and above.

For the definitions of these ratings see the Glossary of Terms and Alternative Performance Measures on page 66.

	2020		2019	
RATING	% of Portfolio	Cumulative Total %	% of Portfolio	Cumulative Total %
Investment Grade:				
A	0.9	0.9	-	-
A-	-	0.9	1.8	1.8
BBB+	4.1	5.0	3.0	4.8
BBB	9.7	14.7	9.8	14.6
BBB-	10.1	24.8	6.5	21.1
Non-investment Grade:				
BB+	10.3	35.1	13.8	34.9
BB	5.8	40.9	6.2	41.1
BB-	15.0	55.9	13.0	54.1
B+	6.6	62.5	8.5	62.6
B	15.9	78.4	16.9	79.5
B-	6.5	84.9	8.5	88.0
CCC+	3.9	88.8	1.8	89.8
CCC	1.8	90.6	1.4	91.2
CCC-	1.4	92.0	0.5	91.7
CC	1.6	93.6	-	91.7
D	0.6	94.2	0.1	91.8
NR (including equities)	5.8	100.0	8.2	100.0
	100.0		**100.0**	
Summary of Analysis				
Investment Grade	24.8		21.1	
Non-investment Grade	69.4		70.7	
NR (including equities)	5.8		8.2	
	100.0		**100.0**	

2

Governance

Directors

Kate Bolsover

(Chairman)
Appointed a Director and Chairman of the Company on 16 January 2019

Ms. Bolsover was previously Chairman and trustee of Tomorrow's People, non-executive director of JPMorgan American Investment Trust, director of corporate communications at Cazenove Group plc and JPMorgan Cazenove, managing director at Signature Financial Group and Baring Fund Managers. She is currently a director of TR Property Investment Trust plc, Baillie Gifford & Co Limited and Chairman of Fidelity Asian Values Trust.

Christine Johnson

(Chairman of the Management Engagement Committee)
Appointed a Director of the Company on 16 January 2019

Ms. Johnson was formerly Head of Fixed Income at Old Mutual Global Investors, Senior Fund Manager at HSBC Group ((HALBIS) Capital Management) and fund manager at Investec Asset Management. Ms. Johnson is currently a non-executive director of CCLA and Golden Charter Trust Limited.

Peter Yates

(Jersey resident)

(Chairman of the Audit Committee)
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 32 years. He is currently a non-executive director of Standard Bank Jersey.

Clive Spears

(Jersey resident)

(Chairman of the Nomination and Remuneration Committee)
Appointed a Director of the Company on 18 May 2011

He is a career qualified corporate banker, having had with 32 years' experience with the Royal Bank of Scotland Group of which the last 18 years were spent in Jersey until retirement in 2003.

Relevant experience has spanned Corporate Finance, Treasury Products, Global Custody and Trust & Fund Administration. Additional experience in audit and compliance has also accrued during the period.

His main portfolio appointments are with the Nordic Capital Limited where he is local chairman and a series of ICG plc sponsored funds, other institutional relationships include EPE Special Opportunities Limited and Kreos Fund Management.

All Directors are independent and non-executive.

Directors' Report

Introduction

The Directors present their Report for the year ended 30 September 2020.

Corporate Governance

The Corporate Governance Statement on page 34 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. JTC Fund Solutions (Jersey) Limited is the corporate Company Secretary providing company secretarial and general administration services.

Life of the Company

The Articles of the Company require an ordinary resolution to approve the continuation of the Company as a closed-ended investment company, be proposed every five years and was passed by shareholders at the Annual General Meeting in 2019. The next continuation vote will be put to shareholders at the AGM in 2024.

The financial statements have been drawn up on a going concern basis as detailed in note 2 to the financial statements.

The Board

The Board currently consists of four non-executive Directors, all of whom are considered wholly independent of the Company's Manager and advisers. There are circumstances that may appear to impair this view in respect of Clive Spears, being that he has served on the Board for more than nine years. However, the Board is satisfied that he remains independent in character and judgement. Indeed, given his experience and recent changes to the Board composition, he has been invited to remain on the Board for a further year and he will then retire at the AGM in 2022. The Directors have a range of investment, commercial and professional experience relevant to their positions as Directors as can be seen from the biographical details on page 25.

Chairman

The Chairman of the Company is Kate Bolsover, an independent non-executive Director who has no conflicting relationships.

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. 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 investment 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 25.

Board Responsibilities

The Directors direct and supervise the Company's 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.

The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company and has a zero tolerance approach towards the criminal facilitation of tax evasion. In addition, the Board is responsible for ensuring that the Company's policies and activities are in the interests of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered.

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; dividend 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 seek legal advice at the Company's expense up to an initial cost of £10,000, having first consulted the Chairman.

Nominations and Remuneration Committee

All Directors are members of the Nomination and Remuneration Committee with Clive Spears as Chairman. The main responsibilities of the Committee are to review the size, structure and skills of the Board, to make recommendations with regard to any changes considered necessary or new appointments and to plan for the Board's succession.

Individual members of the Committee are all independent and they would not be involved in the selection of their successor. The Committee is also responsible for 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 and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The Committee has written terms of reference which are reviewed regularly and clearly define its responsibilities and duties. The terms of reference will be available for inspection at the AGM and can be inspected at the registered office of the Company as well as on the Company's section of the Manager's website.

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.

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

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. However, the Board has resolved that all Directors shall stand for annual re-election. In line with the 2019 AIC Code an outline of the reasons why their contributions and skills continue to be important to the Company's long-term sustainable success will be detailed in the Notice of Meeting. A Director's tenure of office will normally be for nine years, except that the Board may determine otherwise if it is considered that the continued service on the Board of an individual Director is in the best interests of the Company and its shareholders. As noted earlier, Clive Spears has served on the Board for over nine years and has been invited to stay on the Board for a further year as a result of Michael Lombardi's resignation and the Covid-19 pandemic. He will retire at the AGM in 2022. The Chairman's tenure of office will also normally be for up to nine years, except that the Board may determine otherwise if it is considered that the continued service on the Board of a Chairman, who has in addition served a period of time as a Director, is in the best interests of the Company and its shareholders.

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.

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.

Meeting:	Board	Audit Committee	Management Engagement Committee	Nomination and Remuneration Committee
Number of Meetings Held (year ended 30 September 2020):	4	2	1	n/a
Meetings Attended:				
Kate Bolsover	4	2	1	n/a
Christine Johnson	4	2	1	n/a
Clive Spears	4	2	1	n/a
Peter Yates	4	2	1	n/a

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

Audit Committee

Composition and Terms of Reference

All Directors are members of the Audit Committee with Peter Yates as Chairman. 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. Committee members are all independent and also 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 the AGM and can be inspected at the registered office of the Company or on the Company's page on the Manager's website at www.invesco.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 2020. 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

The responsibilities of the Audit Committee (the 'Committee') 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; and
- management of the relationship with the external Auditor, including their appointment, and the scope, effectiveness, independence and objectivity of their audit.

Work Undertaken by the Audit Committee

The Committee met twice in respect of the year being reported on 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 were reviewed. Likewise, representatives of PricewaterhouseCoopers CI LLP, the Company's Auditor, attended the Committee meeting at which the draft annual financial report was reviewed and spoke to Committee members without the presence of representatives of the Manager. The audit programme and timetable had been drawn up and agreed with the Company's Auditor in advance of the financial year end. Items for audit focus were discussed, agreed and given particular attention by the Committee during the audit process. The Auditor reported to the Committee on these items, among other matters, in their report which was considered by the Committee and discussed with the Auditor and the Manager prior to approval and signature of the annual financial report. The Committee also reviewed the Depositary's comprehensive report for the year to 30 September 2020 and the Committee's chairman reported on his discussions with the Depositary to the Committee and confirmed that there were no matters to bring to the Committee's attention.

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 were 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*.
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 significant areas 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 2020 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.

In normal circumstances, the Chairman of the Audit Committee is present at the AGM to deal with questions relating to the financial statements. As a consequence of Covid-19 this may not be possible this year.

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

The Committee evaluated the performance and effectiveness of the external Auditor for the work connected with the audit of the financial statements of the year to 30 September 2020. 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.

PricewaterhouseCoopers CI LLP (PwC) was appointed the Auditor of the Company on 31 January 2017 and this year's audit is the fourth they have undertaken for the Company. Resolutions re-appointing PwC and for the Committee to determine its remuneration will be put to shareholders at the forthcoming AGM.

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 they ought to have taken as a Director to make themselves 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 Audit Committee (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 Company has no employees, therefore the Board places reliance on the Manager's whistleblowing policy. The Board has reviewed and accepted the Manager's 'Whistleblowing' policies 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 page 15.

Directors

Directors' Disclosable Interests

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

	30 September 2020	30 September 2019
Number of Ordinary Shares Held		
Kate Bolsover (Chairman)	13,110	13,110
Peter Yates (Chairman of the Audit Committee)	100,000	100,000
Christine Johnson (Chairman of the Management Engagement Committee)	6,645	6,645
Michael Lombardi (Resigned 21 September 2020)	n/a	165,660
Clive Spears	70,905	66,146

Following the year end, Clive Spears purchased an additional 1,350 shares via a Dividend Re-Investment Plan.

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

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 2021 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 applied from 1 January 2017: Chairman £33,000 pa; Audit Committee Chairman £27,500 pa; and other Directors £23,650 pa. The Board considered the level of fees to be appropriate for the year ended 30 September 2020.

Annual Statement and Report on Directors' Remuneration

For the year to 30 September 2020, the Directors were paid the fee rates effective from 1 January 2017. During the year no additional discretionary payments were made to the Directors (2019: £1,000).

Directors Remuneration for the Year

The single total figure of remuneration for each Director who served during the year is detailed below, together with the prior year comparative.

	2020 £	2019 £
Kate Bolsover (Chairman)	33,000	23,375
Peter Yates (Chairman of the Audit Committee)	27,500	29,104
Christine Johnson (Chairman of the Management Engagement Committee)	23,650	17,752
Clive Spears	23,650	24,773
Michael Lombardi*	29,563	23,650
Total	**137,363**	**118,654**

* Resigned on 21 September 2020 and paid to 31 December 2020, covering his notice period. The expense is included within the year ended 30 September 2020.

Conflicts of Interest

A Director must avoid a situation where they have, 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. The Manager's approach to corporate governance and the UK Stewardship Code can be found on the Manager's website at www.invesco.co.uk, together with a copy of the Manager's Stewardship Policy and the Manager's global proxy voting policy.

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 174,469,855 ordinary shares at the year end (2019: 170,069,855 shares). During the year 4,400,000 ordinary shares were issued at an average share price of 74.84p per share. Since the year end, no ordinary shares have been issued by the Company.
- 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. 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:

Fund Manager/ Registered Holder	15 November 2020 Shares	%	30 September 2020 Shares	%
Hargreaves Lansdown, stockbrokers (EO)	34,514,787	19.78	33,638,011	19.28
Invesco	27,823,365	15.95	27,823,365	15.95
Interactive Investor (EO)	16,619,125	9.53	16,669,153	9.55
AJ Bell, stockbrokers (EO)	10,835,848	6.21	10,792,778	6.19
HSDL, stockbrokers (EO)	8,505,876	4.88	8,513,650	4.88
Charles Stanley	7,345,977	4.21	7,274,670	4.17
Canaccord Genuity Wealth Management (ND)	6,780,449	3.89	6,756,949	3.87

EO: Execution only
ND: Non-Discretionary

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 2020 only one item of this information applies – disclosure around the issue of shares – and this is covered by note 16 on page 52 (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. In normal circumstances, 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. For the forthcoming AGM, shareholders may be required to address their questions in writing via the Company Secretary.

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. 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 63. 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.invesco.co.uk/enhancedincome in order to contact the Company's Directors or Manager and to access copies of annual and half-yearly financial reports, pre-investment information, Key Information Documents (KIDs), proxy voting results, 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 provides investment services to the Company under an Investment Management Agreement dated 27 June 2018. The Directors have delegated to the Manager responsibility for the day-to-day investment management activities of the Company.

A management fee is payable on the basis of 0.80% on first £80 million of net asset value, 0.70% on the next £70 million and 0.60% for amounts above £150 million. Accordingly, the fee for this year is £932,000 (2019: £926,000).

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 page 12.

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. 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, JTC Fund Solutions (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.

By order of the Board

JTC Fund Solutions (Jersey) Limited
Company Secretary

26 November 2020

The Company's Corporate Governance Framework

AT 30 SEPTEMBER 2020

The Board and Committees

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 JTC Fund Solutions (Jersey) Limited.

The Board

Chairman: Kate Bolsover

Members: All NEDs

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.

Nomination and Remuneration Committee Function

(page 26)

Chairman: Clive Spears
Members: All NEDs

Key objectives:

- to review regularly the Board's structure and composition; and
- to make recommendations for any new appointments.
- to set the remuneration policy of the Company.

Management Engagement Committee

(page 31)

Chairman: Christine Johnson
Members: All NEDs

Key objective:

- to review the performance of the Manager.
- to review the performance of other external service providers.

Audit Committee

(page 27)

Chairman: Peter Yates
Members: All NEDs

Key objectives:

- to oversee financial reporting and the control environment; and
- to review and report on the effectiveness of the external Auditor.

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

The Manager is defined as Invesco Fund Managers Limited.

Portfolio managers are defined as Rhys Davies and Edward Craven.

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 has considered the principles and recommendations of the 2019 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 2019 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 the Company.

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 Directors' 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 the Company, being an externally managed investment company with no executive employees and, in relation to the last one, in view of the Manager 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 33.

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 page 31.

The Company's capital structure and voting rights are summarised on page 30.

Details of the substantial shareholders of the Company are listed on page 31.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 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

JTC Fund Solutions (Jersey) Limited
Company Secretary

26 November 2020

Directors' Responsibilities Statement

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 as adopted by the European Union ('IFRSs'). 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 confirm that they have complied with the above requirements in preparing these financial statements.

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 financial statements 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.

Peter Yates
Director

Signed on behalf of the Board of Directors

26 November 2020

Electronic Publication

The annual financial report is published on www.invesco.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.

3

Financial

Independent Auditor's Report

To the Members of Invesco Enhanced Income Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Invesco Enhanced Income Limited (the "Company") as at 30 September 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 30 September 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the Company, as required by the Crown Dependencies' Audit Rules and Guidance, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are also independent in accordance with SEC Independence Rules.

Our audit approach

Overview

Materiality

- Overall materiality was £1.25 million which represents 1% of net assets.

Audit scope

- The Company is an investment company, incorporated and based in Jersey, with ordinary shares listed on the London Stock Exchange.
- We conducted our audit of the financial statements using information provided by JTC Fund Solutions (Jersey) Limited (the "Administrator") and Invesco Fund Managers Limited (the "Manager").
- Our audit work was performed in Jersey. We tailored the scope of our risk-based audit taking into account the types of investments held by the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

- Valuation and ownership of investments.
- Income recognition.
- The consideration of the Board of Directors of the Company of the potential impact of Covid-19.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	£1.25 million (2019: £1.26 million).
How we determined it	1% of net assets.
Rationale for the materiality benchmark	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £62,500 (2019: £63,000), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

Key audit matter	How our audit addressed the Key audit matter
Valuation and ownership of investments *Refer to page 28 (Audit Committee), page 47 (Principal Accounting policies) and page 50 (Note 11 of the financial statements).* We focused on the valuation and ownership of investments because investments represent the principal element of the net asset value as disclosed on the balance sheet in the financial statements. The valuation of investments drives a number of key performance indicators, such as net asset value, which is of significant interest to investors. Bonds and equities are valued using broker prices which are based on active stock market prices. The nature of the investment valuations is not complex as these are based primarily on quoted prices from independent pricing sources. However, the magnitude of the amounts involved means that there is potential for material misstatement. There is a risk that the investments recorded may not represent the property of the Company, this could have a significant impact on the financial statements.	We tested 100% of the valuation of the bond and equity portfolio by agreeing the prices used by management to independent third party sources. We also tested a sample of the purchase and sale transactions during the year. A recalculation of both the total unrealised and realised gain or loss was performed. We independently obtained a confirmation of 100% of investments held by the Company's Custodian at 30 September 2020, and compared this to the investments recorded by the Company in the Company's ledger. We tested the existence of the investments held under repo financing by agreeing the holdings as recorded by the Company to the confirmation from the counterparties. No misstatements were identified by our testing which required reporting to those charged with governance.

Key audit matter	How our audit addressed the Key audit matter
Income recognition	
Refer to page 48 (Principal Accounting policies) and (Note 4 to the financial statements). Income is earned primarily through bond interest income, with an immaterial amount of dividend income recognised in the year. This represents a material balance in the statement of comprehensive income. Accordingly, we identified the accuracy, occurrence and completeness of investment income from the investment portfolio as an area of focus, because the incomplete or inaccurate recognition of income could have a material impact on the Company's net asset value. Income is received from various bonds by way of interest receipts, and the calculation and recognition of accrued income is not considered to be complex.	We assessed the accounting policy for income recognition for compliance with applicable accounting standards and ensured that income had been accounted for in accordance with the stated accounting policy. For a sample of bonds, we traced the rates of interest to independent sources and recalculated the income recognised by the Company. We also traced the sample to bank statements for interest received and the accrued income listing for items accrued at the year-end. To ensure appropriate coverage, our sample included interest received and accrued from bonds held at the financial year-end, as well as bonds that had been purchased and sold during the year. For a sample of investments which were purchased and sold during the year, we recalculated the split of interest income and realised gain/loss, based on the date it was purchased and sold during the year, and the corresponding independent rate of interest. No misstatements were identified by our testing which required reporting to those charged with governance.
The consideration by the Board of Directors of the Company of the potential impact of Covid-19	
Refer to pages 13 to 15 (Principal Risks and Uncertainties). The Board, in conjunction with the Manager, have considered the potential impact of events that have been caused by the Covid-19 pandemic, on the current and future operations of the Company. In doing so, the Board together with the Manager have made estimates and judgements relating to the outcomes of these considerations, including on the Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. As a result of the impact of Covid-19 on the wider financial markets and the Company's share price, we have determined the Board's consideration of the potential impact of Covid-19 (including their associated estimates and judgements) to be a key audit matter.	In assessing the Board's consideration of the potential impact of Covid-19, we have undertaken the following audit procedures: We obtained the latest financial reports from management regarding market (price) risk, liquidity risk, and the impact on the income of the Company. We inspected the latest financial reports to assess their consistency with our understanding of the operations of the Company, the investment portfolio and with market commentary already made by the Company. We considered the appropriateness of the disclosures made in the financial statements in respect of the impact of the pandemic during the year and the current and potential impact of the pandemic on the Company. We reviewed relevant items in the information presented in the Annual Report but outside of the financial statements for any inconsistencies with the information included in the financial statements. In discussing and evaluating the estimates and judgements made by management, we noted the following factors that were considered to be fundamental by management in their consideration of the potential impact of the pandemic on the current and future operations of the Company and which support the statements of going concern and viability: ■ As at the balance sheet date, the Company had Securities sold under agreements to repurchase of £29.17 million and the investment portfolio (including cash) was sufficiently liquid to offset this and all other liabilities. ■ The Company has received no significant notices of default within the portfolio. ■ Management has identified that investments in the hospitality and travel sector are the most exposed to current negative market sentiment. Management note the investment portfolio is not significantly exposed to these sectors. Based on our procedures, we have not identified any matters to report relating to the considerations of management of the impact of the pandemic on the current and future operations of the Company.

Other information

The Directors are responsible for the other information. The other information comprises all the information included in the Annual Financial Report (the "Annual Report") but does not include the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Jersey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This independent Auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Company Law exception reporting

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;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Listing Rules of the Financial Conduct Authority (FCA)

The Company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the Company's obligations, as an investment company, under the Listing Rules of the FCA.

We have nothing material to add or draw attention to in respect of the following matters which we have reviewed based on the requirements of the Listing Rules of the FCA:

- The Directors' confirmation that they have carried out a robust assessment of the principal and emerging risks facing the Company, including a description of the principal risks, what procedures are in place to identify emerging risks, and an explanation of how those risks are being managed or mitigated.
- The Directors' explanation 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 have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal and emerging risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit.

Additionally, we have nothing to report in respect of our responsibility to report when:

- The Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.
- The statement given by the directors that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the Auditors.

Michael Byrne
For and on behalf of PricewaterhouseCoopers CI LLP

Chartered Accountants and Recognised Auditor
Jersey
Channel Islands

26 November 2020

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
(Loss)/profit on investments held at fair value	11	-	(3,894)	(3,894)	-	5,548	5,548
Profit/(loss) on derivative instruments – currency hedges		-	2,136	2,136	-	(2,416)	(2,416)
Exchange differences		-	(684)	(684)	-	(391)	(391)
Income	4	8,876	-	8,876	8,688	-	8,688
Investment management and performance fees	5	(466)	(160)	(626)	(463)	(463)	(926)
Other expenses	6	(445)	(5)	(450)	(320)	(1)	(321)
Profit before finance costs and taxation		7,965	(2,607)	5,358	7,905	2,277	10,182
Finance costs	7	(81)	(81)	(162)	(97)	(97)	(194)
Profit before taxation		7,884	(2,688)	5,196	7,808	2,180	9,988
Tax on ordinary activities	8	(16)	-	(16)	-	-	-
Profit after taxation		7,868	(2,688)	5,180	7,808	2,180	9,988
Return per ordinary share	9	4.54p	(1.55)p	2.99p	4.69p	1.31p	6.00p

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The profit 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 of the Company. No operations were acquired or discontinued in the year.

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

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 2018		8,250	151,560	(50,484)	11,351	120,677
Total comprehensive income for the year		-	-	2,180	7,808	9,988
Dividends paid	10	-	(30)	-	(8,269)	(8,299)
Net proceeds from issue of new shares		253	3,538	-	-	3,791
At 30 September 2019		8,503	155,068	(48,304)	10,890	126,157
Total comprehensive income for the year		-	-	(2,688)	7,868	5,180
Dividends paid	10	-	(21)	-	(8,606)	(8,627)
Net proceeds from issue of new shares		220	3,060	-	-	3,280
At 30 September 2020		8,723	158,107	(50,992)	10,152	125,990

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

Balance Sheet

AS AT 30 SEPTEMBER

	Notes	2020 £'000	2019 £'000
Non-current assets			
Investments held at fair value through profit or loss	11	151,807	144,528
Current assets			
Other receivables	12	3,349	2,718
Derivative financial instruments – unrealised net profit	13	74	–
Cash and cash equivalents		1,546	4,623
		4,969	7,341
Total assets		156,776	151,869
Current liabilities			
Other payables	14	(1,616)	(305)
Derivative financial instruments – unrealised net loss	13	–	(940)
Securities sold under agreements to repurchase		(29,170)	(24,161)
		(30,786)	(25,406)
Total assets less current liabilities		125,990	126,463
Provision	15	–	(306)
Net assets		125,990	126,157
Capital and reserves			
Share capital	16	8,723	8,503
Share premium	17	158,107	155,068
Capital reserve	17	(50,992)	(48,304)
Revenue reserve	17	10,152	10,890
Total shareholders' funds		125,990	126,157
Net asset value per ordinary share	18	72.21p	74.18p

The financial statements were approved and authorised for issue by the Board of Directors on 26 November 2020.

Signed on behalf of the Board of Directors

Peter Yates
Director

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

Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
Profit before finance costs and taxation		5,358	10,182
Tax on overseas income		(16)	-
Adjustments for:			
Purchase of investments		(72,572)	(44,749)
Sale of investments		62,662	43,721
		(9,910)	(1,028)
Increase from securities sold under agreements to repurchase		5,009	2,052
Loss/(profit) on investments held at fair value		3,894	(5,548)
Net movement from derivative instruments – currency hedges		(1,014)	1,233
Increase in receivables		(631)	(328)
Decrease in payables		(268)	(13)
Net cash inflow from operating activities		2,422	6,550
Cash flow from financing activities			
Finance cost paid		(152)	(194)
Net proceeds from issue of new shares		3,280	3,791
Dividends paid	10	(8,627)	(8,299)
Net cash outflow from financing activities		(5,499)	(4,702)
Net (decrease)/increase in cash and cash equivalents		(3,077)	1,848
Cash and cash equivalents at start of the year		4,623	2,775
Cash and cash equivalents at the end of the year		1,546	4,623
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:			
Cash held at Custodian		1,476	1,473
Invesco Liquidity Funds plc – Sterling (formerly Short Term Investment Companies (Global Series) plc)		70	3,150
Cash and cash equivalents		1,546	4,623
Cash flow from operating activities includes:			
Dividends received		199	185
Interest received		8,643	8,290

	At 1 October 2019 £'000	Cash Flows £'000	At 30 September 2020 £'000
Analysis of changes in net debt:			
Cash and cash equivalents	4,623	(3,077)	1,546
Securities sold under agreements to repurchase	(24,161)	(5,009)	(29,170)
Total	(19,538)	(8,086)	(27,624)

The accompanying accounting policies and 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 financial statements have been prepared on a going concern basis as noted below.

(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 in October 2019, 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) Going Concern

The Directors have determined that the financial statements should be prepared on a going concern basis as reported on page 29. In reaching this conclusion, the Directors considered the level of borrowings; cash balances; portfolio risk and liquidity; and income forecasts. Accordingly, the financial statements have been prepared on a going concern basis and the Directors are satisfied that the Company has adequate resources to continue in operational existence for at least twelve months after signing the balance sheet.

(iii) 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).

The following standards and amendments to existing standards became effective during the year:

- IAS 1 and IAS 8 Amendments (effective 1 January 2020) – definition of Material. The amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and consequential amendments to other IFRSs require companies to:
  - (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  - (ii) clarify the explanation of the definition of material; and
  - (iii) incorporate some of the guidance of IAS 1 about immaterial information.
- IFRS 3 Amendment (effective 1 January 2020) – definition of a Business. This amendment revises the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.
- IFRS 9 and IFRS 7 Amendments (effective 1 January 2020) – Interest Rate Benchmark Reform. These amendments provide certain reliefs in connection with the interest rate benchmark reform.
- IAS 1, 8, 34, 37, 38 and IFRS 2, 3, 6, 14, IFRIC 12, 19, 20, 22 and SIC 32 (effective 1 January 2020) – amendment to References to the Conceptual Framework.

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.

(iv) Critical Accounting Estimates and Judgements

The preparation of the financial statements may require the Directors to make estimations where uncertainty exists. It also requires the Directors to make judgements, 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 year, except for the allocation of management fee and finance costs (see note 2(h)).

(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 is the currency in which the Company's share capital and the predominant currency in which the Company's shares are traded.

(ii) Transactions and Balances

Transactions in foreign currency, whether of a revenue or capital nature, 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 profits 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 profits 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/expected credit losses.

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

Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as they arise. If capital in nature, the associated change in value is presented as a capital item in the Statement of Comprehensive Income.

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.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits and investment in Invesco Liquidity Funds plc – Sterling (formerly Short-Term Investments Company (Global Series) plc), all with an original maturity date of three months or less.

2. Principal Accounting Policies (continued)

(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 finance costs 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. All other expenses, except for Custodian dealing costs, are charged through revenue in the statement of comprehensive income.

(i) Taxation

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.

	2020 £'000	2019 £'000
Income from investments:		
UK bond interest	3,402	3,540
UK dividends	170	170
Overseas bond interest	5,263	4,954
Overseas dividends	35	15
	8,870	8,679
Other income:		
Deposit interest	6	8
Other	-	1
	6	9
Total income	8,876	8,688

5. Investment Management Fee

This note shows the fees paid to the Manager. This is made up of the base management fee payable per annum.

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Investment management fee	466	466	932	463	463	926
Performance fee	-	(306)	(306)	-	-	-
	466	160	626	463	463	926

Details of the investment management agreement are given on page 31 in the Directors' Report.

At 30 September 2020, £240,000 (2019: £241,000) was accrued in respect of the investment management fee.

The deferred performance fee of £306,000 earned for the year to 30 September 2017, was written-back in the current year, details are given 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.

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Directors' remuneration[(i)]	137	-	137	119	-	119
Auditors' fees[(ii)]:						
- for audit of the Company's annual financial statements	34	-	34	30	-	30
General expenses[(iii)]	274	5	279	171	1	172
	445	5	450	320	1	321

(i) The Director's Remuneration Report provides further information on Directors' fees.

(ii) Auditor's fees include out of pocket expenses.

(iii) General expenses include:

- Custodian transaction charges of £5,400 (2019: £1,000). These are charged to capital.
- amounts due to JTC Fund Solutions (Jersey) Limited (previously: R&H Fund Services (Jersey) Limited) who acted as Administrator and Company Secretary to the Company under an agreement starting from 10 December 2019. The fee is calculated at the rate of £70,000 per annum for company secretarial and Administration Services.
- £73,000 (2019: £nil) premium payable on Credit Default Swaps.

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)).

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Interest due under repo financing	75	75	150	96	96	192
Overdraft interest	6	6	12	1	1	2
	81	81	162	97	97	194

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 assets domiciled in countries with which Jersey has no double-taxation treaty.

	2020 £'000	2019 £'000
Overseas taxation	16	-

The Company is subject to Jersey income tax at the rate of 0% (2019: 0%). The overseas tax charge consists of irrecoverable withholding tax suffered.

9. Return per Ordinary 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 173,132,358 (2019: 166,398,417) ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

10. Dividends on Ordinary Shares

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

	2020 Pence	2020 £'000	2019 Pence	2019 £'000
Dividends paid and recognised in the year:				
Fourth interim from prior year	1.25	2,126	1.25	2,062
First interim	1.25	2,147	1.25	2,062
Second interim	1.25	2,173	1.25	2,062
Third interim	1.25	2,181	1.25	2,113
	5.00	8,627	5.00	8,299

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

	2020 Pence	2020 £'000	2019 Pence	2019 £'000
Dividends in respect of the year:				
First interim	1.25	2,147	1.25	2,062
Second interim	1.25	2,173	1.25	2,062
Third interim	1.25	2,181	1.25	2,113
Fourth interim	1.25	2,181	1.25	2,126
	5.00	8,682	5.00	8,363

Dividends paid in respect of the year have been charged to revenue except for £21,000 (2019: £30,000) 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 2020 was paid on 30 October 2020 to shareholders on the register on 2 October 2020.

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:

	2020 £'000	2019 £'000
Investments listed on a recognised investment exchange	151,807	144,528

(b) Analysis of investment (loss)/profit in the year

	2020 UK listed £'000	2020 Overseas listed £'000	2020 Total £'000	2019 UK listed £'000	2019 Overseas listed £'000	2019 Total £'000
Opening valuation	61,292	83,236	144,528	63,787	76,125	139,912
Movements in year:						
Purchases at cost	19,267	54,568	73,835	17,270	25,519	42,789
Sales – proceeds	(30,382)	(32,280)	(62,662)	(20,409)	(23,312)	(43,721)
(Loss)/profit on investments in the year	(1,024)	(2,870)	(3,894)	644	4,904	5,548
Closing valuation	49,153	102,654	151,807	61,292	83,236	144,528
Closing book cost	46,999	96,560	143,559	59,297	74,913	134,210
Closing investment holding profit	2,154	6,094	8,248	1,995	8,323	10,318
Closing valuation	49,153	102,654	151,807	61,292	83,236	144,528

The Company received £62,662,000 (2019: £43,721,000) from investments sold in the year. The book cost of these investments when they were purchased was £64,486,000 (2019: £41,077,000) realising a loss of £1,824,000 (2019: profit £2,644,000). These investments have been revalued over time and until they were sold any unrealised profits/losses were included in the fair value of the investments.

(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 £37,341,000 (2019: £29,850,000).

(e) The transaction costs on investments amount to £nil for both purchases and sales (2019: £nil for both purchases and 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.

	2020 £'000	2019 £'000
Amounts due from brokers	582	-
Margin held at brokers	224	189
Prepayments and accrued income	2,543	2,529
	3,349	2,718

13. 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.

	2020 £'000	2019 £'000
Forward currency contracts – net unrealised profit/(loss)	74	(940)

14. 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.

	2020 £'000	2019 £'000
Amounts due to brokers	1,263	-
Accruals	353	305
	1,616	305

15. Provision

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.

	2020 £'000	2019 £'000
Provision for performance fee brought forward	306	306
Performance fee provision written-back in the year	(306)	-
Provision for performance fee carried forward	-	306

Performance fee arrangements have been removed with effect from 1 October 2017. The deferred performance fee, earned for the year to 30 September 2017, was written back in the current year as the conditions required for the payment to occur, were not met in each of the three years since 30 September 2017.

16. Share Capital

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

	2020 Number	2020 £'000	2019 Number	2019 £'000
Authorised:				
Ordinary shares of 5p each	200,000,000	10,000	200,000,000	10,000
Allotted, called-up and fully paid ordinary shares of 5p each:				
Brought forward	170,069,855	8,503	164,994,855	8,250
Issued in the year	4,400,000	220	5,075,000	253
Carried forward	174,469,855	8,723	170,069,855	8,503

During the year 4,400,000 (2019: 5,075,000) ordinary shares were issued at an average share price excluding costs of 74.84p per share (2019: 75.02p).

Subsequent to the year end no ordinary shares were issued.

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 profits and losses (being the difference between cost and market value at the balance sheet date), realised profits and losses on disposals of investments, profits and losses on derivatives and expenses allocated to capital. 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 share and the net asset values attributable at the year end were as follows:

	Net asset value per ordinary share		Net assets attributable	
	2020 Pence	2019 Pence	2020 £'000	2019 £'000
Ordinary shares	72.21	74.18	125,990	126,157

Net asset value per ordinary share is based on net assets at the year end and on 174,469,855 (2019: 170,069,855) ordinary shares, being the number of ordinary shares in issue (excluding treasury) at the year end.

19. Financial Instruments

Financial instruments comprise the Company's investment portfolio and derivative financial instruments (for the latter see note 13) 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 17 to 21), cash, securities sold under agreements to repurchase (repo financing), derivative financial instruments, other receivables and other payables that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 2 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 2 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The principal risks that an investment company faces in its portfolio management activities are set out below:

Market risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

> ***Currency risk*** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;
>
> ***Interest rate risk*** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and
>
> ***Other price risk*** – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

Liquidity risk – arising from any difficulty in meeting obligations associated with financial liabilities.

Credit risk – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

Risk Management Policies and Procedures

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities, management of borrowings and hedging 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 14, 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.

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.

	2020		2019	
	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)	43,401	58,719	29,655	53,419
Forward currency contracts	(25,885)	(51,860)	(10,159)	(46,297)
Other receivables (due from brokers and dividends)	812	1,160	797	885
Cash and cash equivalents	466	849	176	496
Other payables (due to brokers and accruals)	(956)	(315)	-	-
Securities sold under agreement to repurchase	(10,786)	(6,090)	(13,343)	-
Foreign currency exposure on net monetary items	7,052	2,463	7,126	8,503
Investments at fair value through profit or loss	534	-	162	-
Total net foreign currency	7,586	2,463	7,288	8,503

Cash and cash equivalent figures include amounts at Custodian that have a right of offset. Sterling cash at the year end was £231,000 (2019: £3,951,000).

19. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Market Risk (continued)

(a) *Currency Risk (continued)*

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:

	2020 %	2019 %
£/Euro	±2.9%	±2.0%
£/US dollar	±2.7%	±2.5%

The above percentages have been determined based on the market volatility in exchange rates in the year. The sensitivity analysis is based on the Company's monetary foreign currency financial instruments held at each balance sheet date and takes account of any forward foreign exchange contracts that offset the effects of changes in currency exchange rates. The effect of the strengthening or weakening of sterling against currencies to which the Company is exposed is calculated by reference to the volatility of exchange rates during the year using the standard deviation of currency fluctuations against the mean.

If sterling had strengthened by the changes in exchange rates shown in the table above, this would have had the following effect:

	2020		2019	
	Euro £'000	US Dollar £'000	Euro £'000	US Dollar £'000
Income statement – loss after taxation				
Revenue return	(60)	(92)	(34)	(80)
Capital return	(196)	(35)	(129)	(190)
Total loss after taxation for the year	(256)	(127)	(163)	(270)

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

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, The Bank of New York Mellon (International) Limited. Holdings in the Invesco Liquidity Funds plc – Sterling ("STIC") (formerly Short Term Investment Companies (Global Series) plc) 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.

	2020 Within one year £'000	2020 More than one year £'000	2020 Total £'000	2019 Within one year £'000	2019 More than one year £'000	2019 Total £'000
Exposure to floating interest rates:						
Investments held at fair value through profit or loss	355	44,844	45,199	-	38,740	38,740
Cash and cash equivalents*	1,546	-	1,546	4,623	-	4,623
	1,901	44,844	46,745	4,623	38,740	43,363
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	2,890	103,184	106,074	1,643	102,339	103,982
Securities sold under agreements to repurchase	(29,170)	-	(29,170)	(24,161)	-	(24,161)
	(26,280)	103,184	76,904	(22,518)	102,339	79,821
Net exposure to interest rates	(24,379)	148,028	123,649	(17,895)	141,079	123,184

*Includes £70,000 (2019: £3,150,000) held on STIC.

The nominal interest rates on investments at fair value through profit or loss are shown in the portfolio statement on pages 17 to 21. The weighted average effective interest rate on these investments is 6.0% (2019: 6.3%).

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 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 financial instruments held at the balance sheet date, with all other variables held constant.

	2020 Increase in rate £'000	2019 Increase in rate £'000
Income statement – profit/(loss) after taxation		
Revenue return	15	46
Capital return	(6,353)	(5,609)
Total loss after taxation for the year	(6,338)	(5,563)
Effect on NAV	(3.6)p	(3.3)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.

19. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Market Risk (continued)

(c) Other Price Risk *(continued)*

Management of other price risk (continued)

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:

	2020 £'000	2019 £'000
Bonds	151,273	142,722
Equity* – convertible preference share and common stock	534	1,806
Investments	151,807	144,528
Cash and cash equivalents	1,546	4,623
	153,353	149,151

*Equity comprised of Yew Grove REIT ordinary shares of £534,000. For the previous year, Balfour Beatty 10.75p Convertible Preference of £1,644,000 and CGG ordinary shares of £162,000.

Concentration of exposure to other price risks

The Company's investment portfolio on pages 17 to 21 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 investments of £534,000 (2019: £1,806,000). 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 £53,000 (2019: £181,000). 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 12 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:

	2020			2019		
	Less than three months £'000	More than one year £'000	total £'000	Less than three months £'000	More than one year £'000	total £'000
Other payables (note 14)	1,616	-	1,616	305	-	305
Unrealised loss on forward currency contracts (note 13)	-	-	-	940	-	940
Performance fee provision (note 15)	-	-	-	-	306	306
Securities sold under agreements to repurchase	29,170	-	29,170	24,161	-	24,161
	30,786	-	30,786	25,406	306	25,712

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 17 to 21 shows the Moody's and Standard & Poor's ratings and an analysis of this is also shown by the graph on page 6. 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 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, and have a maturity tenor of three months or less. The Company has exposure to credit risk on securities pledged under repo financing held, with four counterparties, as follows:

			2020			2019		
Counterparty	Rating	Location	Amounts borrowed under repo financing £'000	Market value of securities pledged under repo financing £'000	Net credit exposure to counter-party £'000	Amounts borrowed under repo financing £'000	Market value of Securities pledged under repo financing £'000	Net credit exposure to counter-party £'000
Barclays	A1/A+	UK	5,100	5,816	716	4,339	5,218	879
CitiBank	Aa3/A+	UK	6,524	8,373	1,849	3,785	4,550	765
Credit Suisse	A1/A+	UK	14,352	19,080	4,728	7,286	9,305	2,019
HSBC	Aa3/AA-	UK	3,194	4,072	878	8,751	10,777	2,026
			29,170	37,341	8,171	24,161	29,850	5,689
Net credit exposure as % of net assets					6.5%			4.5%

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 takers being used, and a maximum of £10 million for holdings in the Invesco Liquidity Funds plc – Sterling (formerly Short Term Investment Companies (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 and there have been no transfers between levels during the year.

		2020	
	Level 1 £'000	Level 2 £'000	Total £'000
Financial assets designated at fair value through profit or loss			
Debt securities	-	151,273	151,273
Equities	534	-	534
Derivative financial instruments: Currency hedges	-	74	74
Total for financial assets	534	151,347	151,881

		2019	
	Level 1 £'000	Level 2 £'000	Total £'000
Financial assets designated at fair value through profit or loss			
Debt securities	-	142,722	142,722
Equities – convertible preference shares and common stock	162	1,644	1,806
Total for financial assets	162	144,366	144,528
Financial liabilities designated at fair value through profit or loss			
Derivative financial instruments: Currency hedges	-	940	940
Total for financial liabilities	-	940	940

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 £29,170,000 (2019: £24,161,000), together with interest thereon of £18,000 (2019: £9,000). Other liabilities may include forward currency contracts, 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 2020 was £155,160,000 (2019: £150,318,000) comprising repo financing of £29,170,000 (2019: £24,161,000) and equity share capital and other reserves of £125,990,000 (2019: £126,157,000).

The Company's total capital employed is managed to achieve the Company's objective and investment policy as set out on pages 11 and 12.

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 15. 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 22% (2019: 15%). 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 contingencies, guarantees or other financial commitments of the Company as at 30 September 2020 (2019: 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' interests and remuneration have been disclosed on pages 29 and 30 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 31, 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.

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Shareholder

Shareholder Information

History of Invesco Enhanced Income Limited (the 'Company')

The Company was launched on 15 October 1999, originally as Invesco Leveraged High Yield Fund Limited; its name and investment policy were changed on 11 November 2013. The Company is Jersey-domiciled and is regulated as an Unclassified Fund and as an Alternative Investment Fund by the Jersey Financial Services Commission.

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.

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.invesco.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.

How to invest in the Company

The Company's shares are listed and traded on the London Stock Exchange. There are a variety of ways by which investors can buy the shares including through the following: independent financial advisers, brokers and platforms. The Manager's website contains a list of some of the larger dealing platforms as well as a link to unbiased.co.uk, for those seeking financial advice, and to the AIC's website for detailed information on investment companies.

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 under Resources: www.invesco.co.uk/uk/resources/prices

Financial Calendar

In addition, the Company publishes information according to the following calendar:

Announcements	
Half-yearly financial report	May
Annual financial report	November/December
Year End	30 September
Dividends Payable	1st Interim – January 2nd Interim – April 3rd Interim – July 4th Interim – October
Annual General Meeting	January/February

Annual General Meeting

The Annual General Meting has been postponed to later in 2021. Details of the date, time and location will be published on the Company's website at www.invesco.co.uk/enhancedincome.

General Data Protection Regulation (GDPR)

The Company has a privacy notice which sets out what personal data is collected and how and why it is used. The privacy notice can be found at www.invesco.co.uk/enhancedincome under the 'Literature' section, or a copy can be obtained from the Company Secretary whose correspondence address is found on the next page.

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

FCA FINANCIAL CONDUCT AUTHORITY

Advisers and Principal Service Providers

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

JTC Fund Solutions (Jersey) Limited
28 Esplanade
St. Helier
Jersey JE2 3QA
Company Secretarial Contact: Hilary Jones
☎ 01534 700000
Registered in Jersey No. 32203

Dividend Re-investment Plan

Link also manage a Dividend Re-investment Plan for the Company.

Shareholders wishing to re-invest their dividends should contact the Registrar.

Depositary, Custodian & Banker

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

Independent Auditor

PricewaterhouseCoopers CI LLP
37 Esplanade
St Helier
Jersey JE1 4XA

Corporate Broker

JPMorgan Cazenove
25 Bank Street
London E14 5JP

Registrar

Link Market Services (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT

☎ 0371 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 are charged at the standard geographic rate and will vary by provider. From outside the UK: +44 (0)371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Lines are open Monday to Friday from 9am to 5.30pm (excluding UK Bank Holidays).

Shareholders can also access their details via Link's website: www.signalshares.com

Link Asset Services 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.linksharedeal.com or by ringing ☎ 0371 664 0445
Calls are charged at the standard geographic rate and will vary by provider.
☎ +44 (0)20 3367 2699 (from outside the UK).
Lines are open 8am to 4.30pm Monday to Friday (excluding UK bank holidays).

Link Asset Services is the business name of Link Market Services (Jersey) Limited.

Invesco Client Services

Invesco 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.invesco.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 and Alternative Performance Measures

Alternative Performance Measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The calculations shown in the corresponding tables are for the years ended 30 September 2020 and 2019. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability.

(Discount)/Premium (APM)

Discount is a measure of the amount by which the mid-market price of an investment company share is lower than the underlying net asset value (NAV) of that share. Conversely, Premium is a measure of the amount by which the mid-market price of an investment company share is higher than the underlying net asset value of that share. In this annual financial report the discount is expressed as a percentage of the net asset value per share and is calculated according to the formula set out below. If the shares are trading at a premium the result of the below calculation will be positive and if they are trading at a discount it will be negative.

	Page		2020	2019
Share price	4	a	65.70p	75.20p
Net asset value per share (note 18)	52	b	72.21p	74.18p
(Discount)/Premium		c = (a-b)/b	(9.0)%	1.3%

Gearing

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which net assets, or shareholders' funds, would move if the value of a company's investments were to rise or fall. A positive percentage indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested and is holding net cash as described below.

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

Gross Gearing (APM)

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 net assets.

	Page		2020 £'000	2019 £'000
Securities sold under agreements to repurchase	44		29,170	24,161
Gross borrowings		a	29,170	24,161
Net asset value	44	b	125,990	126,157
Gross gearing		c = a/b	23%	19%

Net Gearing or Net Cash (APM)

Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents (incl. investments in money market funds). It is based on net borrowings as a percentage of net assets. Net cash reflects the net exposure to cash and cash equivalents, as a percentage of net assets, after any offset against total borrowings.

	Page		2020 £'000	2019 £'000
Securities sold under agreements to repurchase	44		29,170	24,161
Less: cash and cash equivalents	44		(1,546)	(4,623)
margin held at brokers (note 12)	51		(224)	(189)
Net borrowings		a	27,400	19,349
Net asset value	44	b	125,990	126,157
Net gearing		c = a/b	22%	15%

Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. 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. Accordingly, if a Company's exposure was equal to its net assets it would have leverage of 100%. 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, offsetting them against the underlying exposure.

Net Asset Value (NAV)

Also described as shareholder's funds the NAV is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The NAV per ordinary share is calculated by dividing the net assets by the number of ordinary shares in issue. For accounting purposes assets are valued at fair (usually market) value and liabilities are valued at par (their repayment – often nominal – value).

Ongoing Charges Ratio (APM)

The ongoing administrative costs of operating the Company are encapsulated in the ongoing charges ratio, which is calculated in accordance with guidance issued by the AIC. The calculation incorporates charges allocated to capital in the financial statements as well as those allocated to revenue, but excludes non-recurring costs, transaction costs of investments, finance costs, taxation, and the costs of buying back or issuing shares. The ongoing charges ratio is the aggregate of these costs expressed as a percentage of the daily average net asset value reported in the year.

	Page		2020 £'000	2019 £'000
Investment management fee (note 5)	49		932	926
Other expenses (note 6)	49		450	321
Less: costs in relation to custody dealing charges, premium on CDS and one off legal costs			(87)	(11)
Total recurring expenses		a	1,295	1,236
Average daily net assets		b	123,287	119,138
Ongoing charges ratio %		c = a/b	1.05%	1.04%

Total Return

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. In this annual financial report these return figures have been sourced from Refinitiv who calculate returns on an industry comparative basis.

Net Asset Value Total Return (APM)

Total return on net asset value per share, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend. Refer to table below for the reconciliation to the NAV on page 4.

Share Price Total Return (APM)

Total return to shareholders, on a mid-market price basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend. Refer to table below for the reconciliation to the share price on page 4.

2020	Page		Net Asset Value	Share Price
As at 30 September 2020	4		72.21p	65.70p
As at 30 September 2019	4		74.18p	75.20p
Change in year		a	-2.7%	-12.6%
Impact of dividend reinvestments(1)		b	7.3%	6.6%
Total return for the year		c = a+b	4.6%	-6.0%

2019	Page		Net Asset Value	Share Price
As at 30 September 2019	4		74.18p	75.20p
As at 30 September 2018	5		73.14p	75.40p
Change in year		a	1.5%	-0.3%
Impact of dividend reinvestments(1)		b	7.4%	7.0%
Total return for the year		c = a+b	8.9%	6.7%

(1) Total dividends paid during the year of 5.00p (2019: 5.00p) reinvested at the NAV or share price on the ex-dividend date. NAV or share price falls subsequent to the reinvestment date consequently further reduce the returns, vice versa if the NAV or share price rises.

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's 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.

Equivalent average rating is based on the following methodology of rating (using Moody's, Fitch and Standard & Poor's Ratings where available for each holding):

- if one rating available, use that rating;
- if two ratings, use the lower rating;
- if three ratings, use the middle rating.

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 was first 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.invesco.co.uk/enhancedincome) in a downloadable document entitled 'AIFMD Investor Information'. 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 211% for gross and 147% commitment (2019: gross 181% and commitment 138%). 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 63); and
- the AIFM remuneration paid for the year to 31 December 2019 is set out below.

AIFM Remuneration

The AIFM remuneration paid is based on the latest financial year of the AIFM, which was to 31 December 2019.

The aggregate total remuneration of Invesco staff involved in AIF related activities of the Manager in respect of the performance year (1 January 2019 to 31 December 2019) is £7.73 million, of which £4.57 million is fixed remuneration and £3.16 million is variable remuneration. The number of beneficiaries is 36.

The Manager has identified individuals considered to have a material impact on the risk profile of the Manager or the AIFs it manages ('Identified Staff'), who include board members of the Manager, senior management, heads of control functions, other risk takers and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers. Identified Staff of the Manager are employed by Invesco.

The aggregate total remuneration paid to the Identified Staff of the Manager for AIF related activities for the performance year (1 January 2019 to 31 December 2019) is £0.97 million, of which £0.22 million is paid to Senior Management and £0.75 million is paid to other Identified Staff. Please note that remuneration for AIFMD Identified Staff includes remuneration for staff employed by delegates (all delegates are employed by various entities of Invesco Ltd. Group).

Invesco's summary remuneration policy is available from the corporate policies section of its website (www.invesco.co.uk). Paper copies of the full remuneration policy can be obtained for free from the registered office of the Manager, Invesco Fund Managers Limited, Perpetual Park, Perpetual Park Drive, Hanley-on-Thames, Oxfordshire RG9 1HH, UK upon request.

The Manager of Invesco 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 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 $1,206.5 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 2020.