

Keystone Investment Trust plc

Half-Yearly Financial Report for the Six Months to 31 March 2015

KEY FACTS

Keystone Investment Trust plc is an investment trust company listed on the London Stock Exchange. The Company is managed by Invesco Fund Managers Limited.

Objective of the Company

The objective of Keystone Investment Trust plc is to provide shareholders with long-term growth of capital, mainly from UK investments.

Full details of the Company's investment policy, risk and limits can be found in the annual financial report for the year ended 30 September 2014.

Performance Statistics

	SIX MONTHS ENDED 31 MAR 2015 CHANGE %	SIX MONTHS ENDED 31 MAR 2014 CHANGE %	YEAR ENDED 30 SEPT 2014 CHANGE %
Total Return Statistics (capital growth with income reinvested) ⁽¹⁾			
Net asset value (NAV) per share:			
– debt at par	+8.2	+10.1	+11.7
– debt at fair value	+7.8	+10.6	+12.5
Share price (mid-market)	+7.2	+6.0	+7.4
FTSE All-Share Index	+5.3	+4.8	+6.1
Capital Statistics			
NAV per share:			
– debt at par	+5.3	+6.9	+8.1
– debt at fair value	+4.8	+7.3	+8.8
Share price ⁽¹⁾	+4.8	+3.6	+3.8
FTSE All-Share Index ⁽¹⁾	+3.7	+3.2	+2.6

(1) Source: Thomson Reuters Datastream and Morningstar.

Revenue Statistics

	SIX MONTHS ENDED 31 MAR 2015	SIX MONTHS ENDED 31 MAR 2014	% CHANGE
Revenue return per ordinary share	30.2p	29.1p	+3.8
Interim dividend per ordinary share	18.0p	18.0p	—

Period End

	AT 31 MAR 2015	AT 31 MAR 2014	AT 30 SEPT 2014
NAV per share:			
– debt at par	1948.6p	1831.2p	1851.3p
– debt at fair value	1892.5p	1781.8p	1806.2p
Share price	1791.0p	1705.0p	1709.0p
Discount of share price to net asset value per share:			
– debt at par	8.1%	6.9%	7.7%
– debt at fair value	5.4%	4.3%	5.4%
Gearing from borrowings:			
– gross	12.1%	12.9%	12.8%
– net	5.2%	4.5%	5.7%

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

Chairman's Statement

Performance

Over the six months from 30 September 2014 to 31 March 2015 the Company's shares gave a total return of 8.2%. The underlying net asset value (NAV) per ordinary share (with debt at fair value) gave a total return of 7.8%. These compare with a total return by the Company's benchmark for performance measuring purposes, the FTSE All-Share Index, of 5.3% (all these figures are with income reinvested). On 31 March 2015, the discount of the share price relative to NAV (debt at fair value) was 5.4%.

Gearing and Investment Guidelines

The Board sets guidelines for the Manager for gearing, the limit has not been changed over the course of the last six months and remains that market exposure should not exceed 105% of net assets through investment activity and the Manager must make sales if (as a result of market movements) equity exposure rises to more than 115% of net assets.

Dividend

The Board has declared a first interim dividend of 18p per ordinary share which will be paid on 30 June 2015 to shareholders on the register on 29 May 2015. The shares will be marked ex-dividend on 28 May 2015.

Beatrice Hollond
Chairman

11 May 2015

Manager's Report

Market Review

The six month period ended 31 March 2015 produced a return of 5.3% for the UK equity market, as measured by the FTSE All-Share index (total return). During the final quarter of 2014, the index was broadly flat as market performance was held back by concerns relating to future profit growth, the end to the Quantitative Easing (QE) programme in the US, rising geopolitical risk, and uncertainty surrounding the UK general election. The first quarter of 2015 saw the index rally as the market started to focus on the positive implications of the significant fall in the oil price and on the introduction of QE in Europe. The decline in the oil price and a slowing Chinese economy has resulted in falling inflation and the expectation that bank rates will rise later rather than sooner. This in turn fuelled optimism that consumer disposable income would rise as fuel and utility bills fell.

Portfolio Strategy & Review

The Company's net asset value, including reinvested dividends, rose by 7.8% during the six months to the end of March 2015, compared to the above index return. The portfolio's continued rise in value over a period which has seen some high profile profit warnings and pronounced swings in sentiment is encouraging.

The holdings in Reynolds American, Imperial Tobacco, Provident Financial and BT Group were significant contributors to the portfolio's performance.

The portfolio's holdings in tobacco companies delivered a significant positive contribution to performance over the period. A combination of continuing robust profit margins and solid dividend growth helped drive performance.

Reynolds American and Imperial Tobacco delivered total share price returns of 30% and 15% respectively over the period. Last summer Reynolds American announced the agreed acquisition of its North American competitor, Lorillard, which should further strengthen its position in the US market. Imperial Tobacco also stands to benefit from this deal, which is currently awaiting approval from the US Federal Trade Commission as it will make a strategic purchase of some of Lorillard's North American brands. Both companies continue to offer above average dividend yields, in spite of the strong share price performance over the last six months.

The tobacco industry's high barriers to entry for new competitors and the premium brands continue to demonstrate revenue growth despite an increasingly difficult operating environment. The advent of plain packaging in Australia has encouraged a greater focus on brand differentiation through quality of tobacco, innovation around packaging and filter technology. The prospect of plain packaging spreading across the globe is not considered a major threat given the significant existing restrictions on packaging in most jurisdictions.

The portfolio has significant exposure to the financials sector, with holdings in insurance companies, specialist lenders and property companies, and these all contributed positively to performance during the period. The portfolio has no exposure to banks.

Provident Financial, the largest UK non-standard lender, continued its positive run after an upbeat trading update in November 2014 followed, in February 2015, by solid final results which were accompanied by a 15% increase in its

dividend. The digital investment in its home credit business is nearing completion and its successful drive to improve credit quality and collections continues to have a positive impact on margins. Last year's acquisition of the Moneybarn car finance business is expected to open up opportunities for further synergies and for cross-selling the Vanquis credit card products, and vice versa. Also, an online instalment lending business, Satsuma, has been launched and demand has been encouraging.

There was positive news from BT Group regarding its agreed acquisition of mobile telephony company EE. The acquisition of EE for £12.5 billion provides BT with access to 31 million UK mobile telephone customers and 834,000 broadband customers as well as the largest 4G customer base of any operator in Europe. The combined business is expected to achieve attractive cost and capital expenditure synergies as well as provide greater scope for future product innovation. Furthermore, it will enable BT to offer a full range of communications services to the combined customer base including broadband, fixed line and pay-TV services. Significant cross-selling opportunities are expected and the acquisition is seen as a major milestone for the company.

Among the detractors to portfolio performance were Drax Group, Centrica and Game Digital. Whilst the portfolio's exposure to the oil and gas sector is relatively low, the impact of a falling oil price was felt through the holdings in UK utilities, Drax and Centrica, as earnings forecasts were downgraded and sentiment turned negative. Additionally, Drax was also impacted by the UK government's decision to change its method of subsidy for future biomass conversions and by the possibility of EU intervention. Centrica announced a reduced dividend in its final results and its recently appointed chief executive announced that he would conduct a strategic business review with a view to improving efficiencies and streamlining the business. The share price reacted negatively in the short term, but we remain positive on the longer term outlook for the company.

Game Digital, after a strong share price performance post flotation in June 2014, gave back some gains following a profit warning in January, when it reported that short-term profitability had been negatively impacted by Black Friday trading, and after a more muted start to 2015 than management had expected. The portfolio manager viewed the fall in share price as an additional opportunity to buy, remaining optimistic about the long term potential of the company and the attractive valuation point to which the shares had fallen.

In terms of portfolio activity, a number of positions were added to on weakness (such as Game Digital mentioned above) and such purchases were funded through trimming other portfolio holdings on less compelling valuations, with the modest borrowing level remaining fairly constant throughout.

Outlook

The recent performance of the UK equity market has seen further strong positive returns, with the FTSE All-Share Index recently hitting a new all-time high, which makes the near term outlook more subdued. The continued rerating of equities primarily as a result of the policies of central banks has resulted in boosting asset values to the point where the market looks more fully valued than for many years. This high level of valuation coupled with a low level of earnings growth is the primary risk to the current level of share prices. Furthermore, the increased probability of a change in monetary policy from the US central bank represents a more difficult back drop for government bond markets which will inevitably have a knock-on impact into equities. The unexpected outright Conservative victory in the general election was positive for business and for UK plc. Importantly, it removes the uncertainty that would have surrounded a hung parliament and fears of anti-business legislation. However, as a result of this outcome two new political risks have risen to prominence. First, the risk surrounding the successful integration of the Scottish Nationalist Party (SNP) into the UK parliamentary system and second, the longer term risk relating to the EU "in-out" referendum in 2017. The latter will certainly have an impact on financial markets and the domestic economy in due course.

Notwithstanding the challenging backdrop, the portfolio remains well positioned to prosper in this environment of continued low interest rates and low nominal GDP growth. Identifying companies that can cope with this environment and where the ability to fund a sustainable and growing dividend remains a key principle of corporate strategy is central to the portfolio manager's approach. The portfolio is well represented with businesses with these qualities which should, over the long term, provide the shareholders of the Company with a healthy total return from a combination of capital and income growth.

Mark Barnett
Portfolio Manager

11 May 2015

Related Party Transactions and Transactions with the Manager

Note 20 of the 2014 annual financial report gives details of related party transactions and transactions with the Manager. The basis of these has not changed for the six months being reported. The 2014 annual financial report is available on the Company's section of the Manager's website at www.invescoperpetual.co.uk/keystone

Principal Risks and Uncertainties

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

- Investment Objective – the Company may not achieve its published objective.
- Market Risk – a fall in the stock market as a whole will affect the performance of the portfolio and individual investments.
- Investment Risk – the active fund management approach employed can result in a portfolio that looks and behaves differently to the benchmark index.
- Shares – share price is affected by market sentiment, supply and demand, and dividends declared as well as portfolio performance.
- Gearing – borrowing will amplify the effect on shareholders' funds of portfolio gains and losses.
- Reliance on the Manager and Other Service Providers – failure by any service provider to carry out its obligations to the Company could have a materially detrimental impact on the operations of the Company and affect the ability of the Company to successfully pursue its investment policy.
- Regulatory – whilst compliance with rules and regulations is closely monitored, breaches could affect returns to shareholders.

A detailed explanation of these principal risks and uncertainties can be found on pages 8 to 10 of the 2014 annual financial report, which is available on the Company's section of the Manager's website.

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

Going Concern

This half-yearly financial report has been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the date of approval of these half year financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities, including the debentures, and ongoing expenses. The Directors also considered the revenue forecasts for the year and future dividend payments in concluding on the going concern basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the half-yearly financial report.

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

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within this half-yearly financial report have been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Report';
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FCA's Disclosure and Transparency Rules; and
- the interim management report includes a fair review of the information required on related party transactions.

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

Signed on behalf of the Board of Directors.

Beatrice Hollond
Chairman

11 May 2015

INVESTMENTS IN ORDER OF VALUATION AT 31 MARCH 2015

UK listed ordinary shares unless otherwise stated

Equity investments				Equity investments				
ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO	ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO	
Reynolds American – <i>US common stock</i>	Tobacco	13,265	4.8	N Brown	General Retailers	2,611	1.0	
British American Tobacco	Tobacco	12,094	4.4	Drax	Electricity	2,450	0.9	
BT Group	Fixed Line Telecommunications	11,754	4.2	Nimrod Sea Assets	Equity Investment Instruments	2,439	0.9	
AstraZeneca	Pharmaceuticals & Biotechnology	11,543	4.2	Imperial Innovations	Financial Services	2,336	0.9	
Imperial Tobacco	Tobacco	11,244	4.1	Napo Pharmaceuticals – <i>Unquoted</i>	Pharmaceuticals & Biotechnology	2,263	0.8	
Roche – <i>Swiss common stock</i>	Pharmaceuticals & Biotechnology	9,945	3.6	IP Group	Financial Services	2,250	0.8	
BAE Systems	Aerospace & Defence	9,272	3.3	Ladbroke	Travel & Leisure	2,241	0.8	
Provident Financial	Financial Services	7,621	2.8	Macau Property Opportunities Fund	Real Estate Investment & Services	2,138	0.8	
GlaxoSmithKline	Pharmaceuticals & Biotechnology	7,105	2.6	CLS	Real Estate Investment & Services	2,054	0.7	
Legal & General	Life Insurance	7,035	2.5	Vectura	Pharmaceuticals & Biotechnology	1,966	0.7	
Top Ten Investments		100,878	36.5	Top Fifty Investments		262,996	95.0	
BP	Oil & Gas Producers	6,717	2.4	Harworth (formerly Coalfield Resources)	Real Estate Investment & Services	1,716	0.6	
Beazley	Non-life Insurance	6,140	2.2	Doric Nimrod Air Two – <i>Preference Shares</i>	Equity Investment Instruments	1,567	0.6	
Capita	Support Services	5,896	2.1	Doric Nimrod Air Three – <i>Preference Shares</i>	Equity Investment Instruments	1,523	0.6	
BTG	Pharmaceuticals & Biotechnology	5,772	2.1	Smith & Nephew	Health Care Equipment & Services	1,401	0.5	
Compass	Travel & Leisure	5,685	2.1	Sherborne Investors	Financial Services	1,337	0.5	
Reed Elsevier	Media	5,663	2.1	Guernsey B – <i>A Shares</i>	Financial Services	1,173	0.4	
Bunzl	Support Services	5,479	2.0	Lombard Medical – <i>US common stock</i>	Health Care Equipment & Services	976	0.4	
Derwent London	Real Estate Investment Trusts	5,327	1.9	Damille Investments II Nexeon	Equity Investment Instruments	497	0.3	
London Stock Exchange	Financial Services	5,250	1.9	– <i>B Shares – Unquoted</i>	Electronic & Electrical Equipment	400		
Babcock International	Support Services	5,188	1.9	– <i>Preference C Shares</i>		4		
				– <i>Unquoted</i>				
				– <i>Ordinary shares</i>				
				– <i>Unquoted</i>				
Top Twenty Investments		157,995	57.2	Top Sixty Investments		273,590	98.9	
Rentokil Initial	Support Services	5,088	1.8	PuriCore	Health Care Equipment & Services	816	0.3	
Amlin	Non-life Insurance	5,071	1.8	Horizon Discovery	Pharmaceuticals & Biotechnology	780	0.3	
SSE	Electricity	5,050	1.8	Serco (including <i>Rights</i> <i>16 Apr 2015</i>)	Support Services	594	0.2	
Reckitt Benckiser	Household Goods & Home Construction	5,017	1.8	HaloSource	Chemicals	208	0.1	
Hiscox	Non-life Insurance	4,911	1.7	Altus Resource Capital	Equity Investment Instruments	194	0.1	
Thomas Cook	Travel & Leisure	4,833	1.7	XTL Biopharmaceuticals – <i>ADR</i>	Pharmaceuticals & Biotechnology	40	—	
Rolls-Royce	Aerospace & Defence	4,778	1.7	Mirada	Media	3	—	
Shaftesbury	Real Estate Investment Trusts	4,726	1.7					
Novartis – <i>Swiss common stock</i>	Pharmaceuticals & Biotechnology	4,680	1.7	Total Equity Investments (67)		276,225	99.9	
Workspace	Real Estate Investment Trusts	4,385	1.6					
Top Thirty Investments		206,534	74.5	Other investments				
G4S	Support Services	3,997	1.4	ISSUER AND ISSUE	SECTOR	MOODY'S&P RATING	MARKET VALUE £'000	% OF PORTFOLIO
TalkTalk Telecom	Fixed Line Telecommunications	3,858	1.4	Barclays Bank – <i>Nuclear Power Notes</i>	Electricity	NR/NR	166	0.1
NewRiver Retail	Real Estate Investment Trusts	3,771	1.4	<i>28 Feb 2019</i>				
A J Bell – <i>Unquoted</i>	Financial Services	3,504	1.3	Total Investments (68)			276,391	100.0
KCOM	Fixed Line Telecommunications	3,469	1.3					
GAME Digital	General Retailers	3,431	1.2					
Lancashire	Non-life Insurance	3,015	1.1					
HomeServe	Support Services	2,951	1.1					
Centrica	Gas, Water & Multiutilities	2,888	1.0					
P2P Global Investments (including <i>C Shares</i>)	General Retailers	2,830	1.0					
Top Forty Investments		240,248	86.7					

NR is non-rated.

CONDENSED INCOME STATEMENT

NOTE	SIX MONTHS TO 31 MARCH 2015			SIX MONTHS TO 31 MARCH 2014			YEAR ENDED 30 SEPTEMBER 2014	
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000	
Gains on investments	—	17,046	17,046	—	19,278	19,278	22,105	
Foreign exchange gains/(losses)	2	—	3	—	(9)	(9)	(11)	
Income:								
UK dividends – ordinary	2,628	—	2,628	2,922	—	2,922	6,644	
– special	532	—	532	471	280	751	767	
Overseas dividends – ordinary	1,061	—	1,061	965	—	965	1,641	
– special	547	—	547	351	—	351	631	
Scrip dividends	50	—	50	25	—	25	88	
Deposit interest	6	—	6	7	—	7	16	
Investment management and performance-related fees	3	(183)	(1,691)	(231)	(1,316)	(1,547)	(2,685)	
Other expenses		(182)	(182)	(171)	—	(171)	(344)	
Net return before finance costs and taxation		4,459	15,358	4,339	18,233	22,572	28,852	
Finance costs								
Interest payable		(274)	(1,096)	(274)	(822)	(1,096)	(2,191)	
Distributions in respect of non-equity shares		(6)	(6)	(6)	—	(6)	(12)	
Return on ordinary activities before taxation		4,179	14,536	4,059	17,411	21,470	26,649	
Tax on ordinary activities	4	(100)	(100)	(122)	—	(122)	(157)	
Net return on ordinary activities after tax		4,079	14,536	3,937	17,411	21,348	26,492	
Return per ordinary share								
Basic	5	30.2p	107.5p	29.1p	128.8p	157.9p	196.0p	

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

CONDENSED BALANCE SHEET

Registered number 538179

	NOTE	AT 31 MARCH 2015 £'000	AT 31 MARCH 2014 £'000	AT 30 SEPTEMBER 2014 £'000
Fixed assets				
Investments held at fair value through profit or loss		276,391	258,564	263,999
Current assets				
Amounts due from brokers		1,207	214	1,629
Prepayments and accrued income		1,305	1,358	741
Overseas withholding tax recoverable		392	356	357
Cash and cash funds		18,345	20,842	17,578
		21,249	22,770	20,305
Creditors: amounts falling due within one year				
Accruals and deferred income		(1,143)	(1,253)	(1,170)
Performance-related fee	3	—	—	(952)
		(1,143)	(1,253)	(2,122)
Net current assets		20,106	21,517	18,183
Total assets less current liabilities		296,497	280,081	282,182
Creditors: amounts falling due after more than one year				
Debenture stock	6	(31,678)	(31,652)	(31,665)
Cumulative preference shares		(250)	(250)	(250)
Provision	3	(1,146)	(623)	—
Net assets		263,423	247,556	250,267
Capital and reserves				
Called up share capital		6,760	6,760	6,760
Share premium		3,449	3,449	3,449
Capital redemption reserve		466	466	466
Capital reserve		244,094	228,490	229,558
Revenue reserve		8,654	8,391	10,034
Shareholders' funds		263,423	247,556	250,267
Net asset value per share				
Basic	7	1948.6p	1831.2p	1851.3p

CONDENSED CASH FLOW STATEMENT

	SIX MONTHS TO 31 MARCH 2015 £'000	SIX MONTHS TO 31 MARCH 2014 £'000	YEAR TO 30 SEPTEMBER 2014 £'000
Total return before finance costs and taxation	19,817	22,572	28,852
Adjustment for gains on investments and certificates of deposit	(17,046)	(19,278)	(22,105)
Cash outflow from forward currency contracts	—	—	1
Scrip dividends	(50)	(25)	(88)
Increase in debtors	(599)	(937)	(320)
Increase/(decrease) in creditors and provisions	167	(390)	(145)
Tax on overseas dividends	(100)	(122)	(157)
Cash inflow from operating activities	2,189	1,820	6,038
Servicing of finance	(1,089)	(1,089)	(2,177)
Capital expenditure and financial investment			
Purchases of investments	(8,045)	(35,835)	(49,011)
Proceeds from sale of investments	13,171	51,409	60,624
Net equity dividends paid – note 8	(5,459)	(5,272)	(7,705)
Net cash inflow before management of liquid resources and financing	767	11,033	7,769
Management of liquid resources	(2,801)	(5,700)	(5,700)
(Increase)/decrease in cash in the period	(2,034)	5,333	2,069
Cashflow from movement in liquid resources	2,801	5,700	5,700
Debenture stock non-cash movement	(13)	(13)	(26)
Movement in net debt in the period	754	11,020	7,743
Net debt at beginning of period	(14,337)	(22,080)	(22,080)
Net debt at period end	(13,583)	(11,060)	(14,337)
Analysis of changes in net debt			
Brought forward:			
Cash and cash funds	17,578	9,809	9,809
Debenture stock	(31,665)	(31,639)	(31,639)
Cumulative preference shares	(250)	(250)	(250)
Net debt brought forward	(14,337)	(22,080)	(22,080)
Movements in the period:			
Cash inflow from cash funds and short term deposits	767	11,033	7,769
Debenture stock non-cash movement	(13)	(13)	(26)
Net debt at period end	(13,583)	(11,060)	(14,337)

CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
For the six months ended 31 March 2015						
At 30 September 2014	6,760	3,449	466	229,558	10,034	250,267
Dividends paid – note 9	—	—	—	—	(5,459)	(5,459)
Net return on ordinary activities	—	—	—	14,536	4,079	18,615
At 31 March 2015	6,760	3,449	466	244,094	8,654	263,423
For the six months ended 31 March 2014						
At 30 September 2013	6,760	3,449	466	211,079	9,726	231,480
Dividends paid – note 8	—	—	—	—	(5,272)	(5,272)
Net return on ordinary activities	—	—	—	17,411	3,937	21,348
At 31 March 2014	6,760	3,449	466	228,490	8,391	247,556
For the year ended 30 September 2014						
At 30 September 2013	6,760	3,449	466	211,079	9,726	231,480
Dividends paid – note 8	—	—	—	—	(7,705)	(7,705)
Net return on ordinary activities	—	—	—	18,479	8,013	26,492
At 30 September 2014	6,760	3,449	466	229,558	10,034	250,267

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting Policies

The condensed financial statements have been prepared using the same accounting policies as those adopted in the annual financial report for the year ended 30 September 2014.

2. Forward Currency Contracts

The equity portfolio includes £33,805,000 (31 March 2014: £32,278,000; 30 September 2014: £34,789,000) of equities denominated in currencies other than pounds sterling. In order to manage the currency risk, the Manager may hedge part of the currency exposure into sterling through the use of forward foreign exchange contracts. If used, foreign exchange contracts are designated as fair value hedges through profit or loss. At the period end no forward foreign exchange contracts were held.

3. Base Management Fee, Finance Costs and Performance-related Fee

The base management fee and finance costs are allocated 75% to capital and 25% to revenue. With effect from 1 July 2014 the base management fee rate is 0.15% (previously 0.20%) of the 10 day average mid-market capital of the Company at each quarter end date.

Performance fees are allocated wholly to capital. With effect from 1 July 2014 the performance-related fee is due when the annualised three year return exceeds that of the benchmark by more than 1.25% (previously 2%). A performance fee provision of £1,146,000 is provided for the six months ended 31 March 2015 (31 Mar 2014: £623,000). A £952,000 performance fee was paid in respect of the year ended 30 September 2014.

4. Tax

The tax effect of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

5. Basis of Returns

	SIX MONTHS TO 31 MAR 2015	SIX MONTHS TO 31 MAR 2014	YEAR TO 30 SEPT 2014
Returns after tax:			
Revenue	£4,079,000	£3,937,000	£8,013,000
Capital	£14,536,000	£17,411,000	£18,479,000
Total	£18,615,000	£21,348,000	£26,492,000
Weighted average number of ordinary shares in issue during the period	13,518,799	13,518,799	13,518,799

6. Debenture Stock

The Company's structured debt at the period end is as follows:

	31 MAR 2015 £'000	31 MAR 2014 £'000	30 SEPT 2014 £'000
7.75% debenture stock 2020	7,000	7,000	7,000
6.5% debenture stock 2023	24,968	24,968	24,968
Total	31,968	31,968	31,968
Discount and issue expenses on debenture stock	(290)	(316)	(303)
	31,678	31,652	31,665

7. Basis of Net Asset Value per Ordinary Share

	AT 31 MAR 2015	AT 31 MAR 2014	AT 30 SEPT 2014
Shareholders' funds	£263,423,000	£247,556,000	£250,267,000
Ordinary shares in issue at period end	13,518,799	13,518,799	13,518,799

8. Dividends Paid

	SIX MONTHS TO 31 MAR 2015 £'000	SIX MONTHS TO 31 MAR 2014 £'000	YEAR TO 30 SEPT 2014 £'000
Second interim for 2014 of 32.5p (2013: 32p)	4,393	4,326	4,326
Special dividend for 2014 of 8p (2013: 7p)	1,082	946	946
First interim 18p	—	—	2,433
Return of unclaimed dividends from previous years	(16)	—	—
Total paid	5,459	5,272	7,705

The Company pays two interim dividends a year, the second interim being in lieu of a final dividend. The first interim dividend of 18p will be paid on 30 June 2015 to shareholders on the register on 29 May 2015.

9. Investment Trust Status

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company within the meaning of section 1159 of the Corporation Tax Act 2010.

10. Status of Half-Yearly Financial Report

The financial information contained in this half-yearly financial report, which has not been reviewed or audited by the independent auditors, does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half-years ended 31 March 2014 and 31 March 2015 has not been audited. The figures and financial information for the year ended 30 September 2014 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Report of the Independent Auditors, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board
Invesco Asset Management Limited
Company Secretary

11 May 2015

DIRECTORS, INVESTMENT MANAGER AND ADMINISTRATION

Directors

Beatrice Hollond (Chairman)
Ian Armfield
William Kendall
Peter Readman
John Wood

Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial contact: Paul Griggs and Nira Mistry

Correspondence address

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

Registered Office

Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH
Registered in England and Wales No. 538179

Invesco Perpetual Investor Services

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

☎ 0800 085 8677
🌐 www.invescoperpetual.co.uk/investmenttrusts

Savings Scheme and ISA Administrators

For both the Invesco Perpetual Investment Trust Savings Scheme and ISA:

Invesco Perpetual
P.O. Box 11150
Chelmsford
CM99 2DL
☎ 0800 085 8677

Manager's Website

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

The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated into, nor do they form part of, this half-yearly report.

Registrars

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

If you hold your shares direct and not through a savings scheme or ISA and have queries relating to your shareholding you should contact the Registrars' call centre on: ☎ 0871 664 0300.

From outside the UK: +44 20 8639 3399.

Calls cost 10p per minute plus network charges. Lines are open Monday to Friday 9am to 5.30pm (excluding Bank Holidays).

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

The registrars provide an online and telephone share dealing service for existing shareholders who are not seeking advice on buying or selling. This service is available at: 🌐 www.capitadeal.com or ☎ 0871 664 0454.

From outside the UK: +44 20 3367 2699.

Calls cost up to 10p per minute plus network charges. Lines are open Monday to Friday 9am to 4.30pm (excluding Bank Holidays).

Depository

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

FINANCIAL CALENDAR 2015

Announcements

Half-yearly Financial Report	May
Annual Financial Report	November

Ordinary Share Dividends

First interim	June
Second interim	December

Annual General Meeting

January 2016

Year end

30 September



Invesco Fund Managers Limited
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH
☎ 020 3753 1000

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

Invesco Perpetual is a business name of Invesco Fund Managers Limited