

# Invesco Perpetual UK Smaller Companies Investment Trust plc

Half-Yearly Financial Report for the Six Months to 31 July 2016

## KEY FACTS

Invesco Perpetual UK Smaller Companies Investment Trust plc (the Company) is an investment trust, quoted on the London Stock Exchange, which invests primarily in a broad cross-section of small to medium sized UK quoted companies, including those traded on AIM.

## Investment Objective and Policy of the Company

The Company is an investment trust whose investment objective is to achieve long-term total return for shareholders primarily by investment in a broad cross-section of small to medium sized UK quoted companies.

Full details of the Company's investment policy and risk and investment limits can be found in the annual financial report for the year ended 31 January 2016.

## Financial Highlights

	AT 31 JUL 2016	AT 31 JAN 2016	% CHANGE
Net asset value per share	397.5p	390.3p	+1.9%
Shareholders' funds (£'000)	211,524	207,657	+1.9%
Share price	370.8p	362.0p	+2.4%
Discount	6.7%	7.3%	
Gearing:			
– gross gearing <sup>(3)</sup>	nil	nil	
– net gearing <sup>(4)</sup>	nil	nil	
– net cash <sup>(5)</sup>	4.4%	4.9%	
Maximum authorised gearing <sup>(6)</sup>	7.1%	7.2%	

Total return (with income reinvested) for the six months ended 31 July 2016:

Net asset value <sup>(1)</sup>	+3.9%
Benchmark Index <sup>(2)</sup>	+7.4%
FTSE All-Share Index <sup>(2)</sup>	+11.9%
Capital return:	
Net asset value <sup>(2)</sup>	+2.8%
Numis Smaller Companies Index (ex Investment Companies) <sup>(2)</sup>	+5.7%
FTSE All-Share Index <sup>(2)</sup>	+9.5%

The Benchmark Index of the Company is the *Numis Smaller Companies Index (excluding Investment Companies)* with income reinvested.

SIX MONTHS ENDED	31 JUL 2016	31 JUL 2015
Return per share:		
– revenue	4.16p	5.78p
– capital	10.61p	45.56p
– total	14.77p	51.34p
First interim dividend	3.45p	3.40p

Notes:

- (1) Source: Invesco Perpetual.
- (2) Source: Thomson Reuters Datastream.
- (3) Gross gearing: borrowings ÷ shareholders' funds.
- (4) Net gearing: borrowings less cash ÷ shareholders' funds.
- (5) Net cash: net exposure to cash and cash equivalents ÷ shareholders' funds.
- (6) Maximum authorised gearing: maximum authorised borrowings as laid down in the investment policy and covenants under the borrowing facility ÷ shareholders' funds.

## CHAIRMAN'S STATEMENT INCORPORATING THE INTERIM MANAGEMENT REPORT

### Chairman's Statement

#### Performance

Over the six months to 31 July 2016 and on a total return basis, your Company delivered a net asset value (NAV) return of 3.9% compared with its benchmark, the Numis Smaller Companies Index (excluding Investment Companies), which returned 7.4%. This under-performance can largely be attributed to the portfolio being substantially underweight in the Mining sector, the performance of which was particularly strong during the period – coming as it did from such a depressed base – because mining companies do not fit the Company's investment criteria. Over the same period the wider UK stock market performed better than the small cap market, reflected in a total return of +11.9% for the FTSE All-Share Index. On the same total return basis and up to 14 September 2016, the latest practical date before publication, your Company's performance has nearly caught up with that of its benchmark, having delivered a NAV return of 6.9% compared to the lower benchmark return of 3.1% since 31 July 2016.

#### Share Price and Discount

The Company's share price rose from 362.0p to 370.8p during the period under review, an increase of 2.4%. Some of this increase reflects the narrowing in the discount of the share price to NAV, which ended the period at 6.7% having been at 7.3% at the January 2016 year end. It is pleasing to see the rating has continued to improve and as a result the Board did not consider it necessary to buy back any shares in the period, though it keeps the matter under regular review. As at 14 September 2016, the discount had increased slightly to 7.2% which compared favourably with the UK Smaller Companies average of 14.7%.

#### Changes to the Dividend Policy

As announced in March 2015, the Board took the decision to implement a material increase in the dividend paid to shareholders, through the distribution of all available income with a small contribution from capital profits, and to increase to quarterly the frequency of payments.

Evidence suggests that these changes have been met with approval by existing shareholders and by a growing number of new investors who are becoming shareholders via a number of execution-only trading platforms; the Board welcomes these new shareholders to the Company.

#### Interim Dividend

In accordance with the Company's dividend policy, on 22 July 2016 the Board declared a first interim dividend of 3.45p. This first interim dividend for the year ending 31 January 2017 was paid on 9 September 2016, to shareholders on the register on 5 August 2016. The expected timetable for the remaining dividend payments is: second and third interim dividends in December 2016 and March 2017 respectively, with the final dividend payable in June 2017, following its approval by shareholders at the Company's Annual General Meeting.

#### Outlook

I think it would be safe to say that we live in unprecedented times. So far, 2016 has been extraordinary, marked by extreme volatility in the first few months of the year. Concerns about Chinese growth increased and the over-supply of oil saw the price per barrel falling to \$27, leading to a low point for commodity producers, banks and emerging markets. Better than expected numbers then saw markets improve and regain losses before having then to focus on the impact of the UK's referendum on its membership of the EU. Whilst the market experienced a negative immediate reaction, there has been a continuing rise in equities since the result of the referendum was announced on 24 June.

The continuing political and economic uncertainties following Brexit has added to worries for long term investors. Within the context of these conditions, however, the Company's portfolio managers have not been deterred from following their proven path of investing in good quality, well-managed companies where the interests of the owners align with those of the shareholders. It could be that Brexit has a short-term impact on UK GDP, as buyers defer EU purchases until the exit situation is clearer but, if the extra monetary stimulus has the desired effect, it is possible the UK economy will avoid recession and the worst of any economic impact of removing itself from the EU. As ever, your Board wholly supports the portfolio managers' approach to stock selection in this difficult environment and awaits with interest the outcome of the EU exit negotiations.

Ian Barby

Chairman

16 September 2016

## Portfolio Manager's Report

### The Company's Performance

The six months under review has been characterised by a high degree of volatility prompted by concerns around the UK leaving the EU and to a lesser extent, uncertainty about the direction of interest rates in the US. Smaller companies, as measured by the Numis Smaller Companies Index (ex Investment Companies), performed strongly in the period, rising 7.4% on a total return basis. The under-performance relative to the wider UK equity market, with the FTSE All-Share Index increasing by 11.9% on a total return basis, was principally driven by larger companies deriving a higher proportion of their earnings from overseas. These earnings became more valuable due to the significant fall in sterling relative to most other currencies. Against this background, your Company saw an increase in its net asset value of 3.9% for the half year, in total return terms. An additional slight narrowing in the discount (from 7.3% to 6.7%) meant that shareholders in the Company had a share price total return of 4.5%.

### Portfolio Strategy and Review

The portfolio benefited from overweight positions in the Healthcare, Technology and Retail sectors, but was hurt by its exposure to the Housebuilding and Financial sectors. The most significant factor in our under-performance in the period was the portfolio's under-exposure to the Mining sector. The sector has rallied sharply this year following a sustained period of poor performance, with many of the stocks doubling or trebling in value since the turn of the year. We continue to review the sector, but in our opinion, too many companies are concentrated in a single asset, with single commodity price exposure, and have weak balance sheets. These are not characteristics we find attractive in an investment.

At the individual stock level, the best performers included: Ithaca Energy (+156%), a North Sea oil & gas production business, which benefited from a recovery in the oil price and the completion of a production vessel for its new Stella oil field. Online retailer, boohoo.com (+54%), continued to grow revenue at a rapid pace. Its low priced 'fast fashion' is proving very popular with younger consumers both in the UK and abroad. Keywords Studios (+34%), which provides language translation, testing and art services to the computer games sector, continued to benefit from growth in the global gaming market and an increased trend to outsource non-core activities. JD Sports (+11%), once again benefited the portfolio, after reporting another strong set of results.

Inevitably, there were some disappointments. These included Staffline (-45%), a blue collar recruitment business, which supplies temporary staff to the food, agricultural and logistics sectors. The stock was a casualty of Brexit, due to many of the staff it supplies being from Eastern Europe. Management believe the sectors it serves will always require temporary staff and companies such as itself to supply them. We agree with this view. The business has continued to trade well and the stock has recovered somewhat since the end of the period. Carpetright (-52%), was a very poor performer despite delivering very strong results. The company grew earnings by over 40% in its last financial year. The potential for stronger sales, driven by an extensive store refurbishment programme, combined with the on-going cost savings from its store rationalisation plan, leads us to retain our holding.

Our stock picking approach means that the sector weightings in the portfolio are a result of where we are finding interesting stocks at any given time. This approach has led us to having around 28% of the portfolio invested in the diversified Industrials sector. Significant positions include RPC, which manufactures a range of plastic based products. The business is benefiting from a switch to plastic from glass and tins in the food industry due to weight savings and the improved safety of the packaging. It is also helped by technological advances that have extended the shelf life of products packaged in plastic containers. The stock has been a good performer over the last few years and has been leading consolidation within its sector. Other significant holdings include Hill & Smith, which supplies products such as crash barriers and electronic road signs into the infrastructure market, and Johnson Service, which is a leading provider of workwear and linen services to the hotel and restaurant trade.

The Consumer Goods and Consumer Services sectors, which cover areas such as retail, leisure, house building and media, account for nearly 30% of the portfolio at the period end. Although we have taken profits over the period, we still have significant holdings in CVS, the UK's leading veterinary business, and JD Sports. Both businesses still have significant growth potential and

remain core holdings. We have added to our holding in 4imprint, which distributes promotional materials in the US. The company has a seemingly simple business model, marketing items such as pens and mugs printed with their customers' logos. The business has grown significantly over many years, by using its highly effective on-line marketing strategy to take market share from smaller rivals in a highly fragmented market. Its capital-light model (it does not manufacture products or hold any meaningful inventory) is highly cash generative, allowing the business to invest more in marketing each year, whilst also increasing cash returns to investors.

We have around 11% of the portfolio in the Financial sector, including self-storage specialist, Safestore, which continues to grow profits by filling its unutilised space, and Savills, the global real estate broker, which is still benefiting from good investment demand for property in the prevailing low interest rate environment. The Health Care sector comprises around 10% of the portfolio and the Company has benefited from the recent addition of Clinigen, a specialist pharmaceutical business, and the long standing holding, Advanced Medical Solutions, which continues to grow its presence in the wound-care area. In the Technology sector (11% of the portfolio), FDM enjoyed another good period, significantly growing its IT services operations, particularly in the US. We have also added to our position in SDL, where we are hopeful the new management team can better exploit its world leading language translation products.

### Impact of Brexit

The most significant event of the period was the UK referendum decision to leave the EU. This has created a climate of uncertainty, discouraging businesses from making significant investment decisions, until the implications of life outside the EU becomes clearer. The current situation is likely to persist for some time, with the decision to trigger the statutory two year negotiation period by invoking 'Article 50', having been delayed. This is likely to have a depressing effect on UK GDP growth, which is unhelpful given the highly indebted nature of our economy. The Bank of England's response, to cut base rates to 0.25%, is supportive for asset prices but leaves little room for further action.

The most immediate impact of all this has been the significant depreciation in the value of Sterling. The nation's diminished purchasing power will manifest itself in a reduced standard of living, as the cost of imported goods increases relative to incomes. Ultimately, a weaker currency should make UK exports more competitive, but with a yawning trade deficit and the EU accounting for around half of all UK exports, it underlines the benefit of maintaining good access to European markets. There is no doubt in our minds that a trade deal with the EU is in our mutual interest, and therefore will be agreed at some point. When the market has clearer sight of this, it should provide a significant boost to business confidence, and with it, a return to some sort of normality.

### Outlook

From an investment perspective, we maintain our focus on financially strong, high quality businesses, with sustainable competitive advantages afforded by intellectual property, high market share, strong products and brands. Companies which 'self-help', either through restructuring or investing for growth will continue to be a particular feature of the portfolio. Even in a more sluggish economic environment, it is still possible to find smaller companies with exposure to niches in the domestic economy or overseas that offer significant growth potential.

The full impact of the EU referendum decision on the UK is yet to be seen. Although markets have recovered following an initial sharp set-back, in part due to further monetary stimulus from the Bank of England, there has been a deterioration in many of the indicators used to forecast the UK economy. Whether this is just a short-term sentiment issue or the start of a more meaningful set-back in activity, will become clearer over the second half of the year.

Looking further afield, the global growth environment remains muted. The US is faring better than most and if this continues, we may see an increase in interest rates from the Federal Reserve, which has the potential to cause some short-term market volatility. Europe's recovery is continuing, albeit at a limited pace, but the gradual reduction in unemployment should drive consumption growth. Of the other major economies, Japan's struggle to reignite domestic growth has largely proved unsuccessful despite large amounts of central bank stimulus, and China's economy becomes more unbalanced with each passing year.

Although this does not provide the most favourable backdrop in which to invest, the smaller companies sector is broad and diverse, and offers possibilities to make money independently of economic conditions. The market shake-out following the EU Referendum has created opportunities which we hope to capture and we remain hopeful of positive returns over the coming periods.

**Jonathan Brown**  
Portfolio Manager

**Robin West**  
Deputy Portfolio Manager

16 September 2016

## PRINCIPAL RISKS AND UNCERTAINTIES

- Market (Economic) Risk – factors such as general fluctuations in stock markets, interest rates and exchange rates may give rise to high levels of volatility in the share prices of investee companies, as well as affecting the Company's own share price and discount to NAV.
- Investment Risk – the Company invests in small and medium-sized companies traded on the London Stock Exchange or on AIM. By their nature these are generally considered riskier than their larger counterparts and their share prices can be more volatile, with lower liquidity. There can be no guarantee that the Company will achieve its published investment objective.
- Shareholders' Risk – The value of an investment in the Company may go down as well as up and an investor may not get back the amount invested.
- Borrowings – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings (or gearing) will magnify any loss. If the borrowing facility could not be renewed, the Company might have to sell investments to repay any borrowings it has.
- Reliance on the Manager and other Third Party Providers – failure by any third party provider to carry out its obligations to the Company could

have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy.

- Regulatory Risk – the Company is subject to various laws and regulations by virtue of its status as an investment trust. Control failures by any of the third party providers may result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

A detailed explanation of these principal risks and uncertainties can be found on pages 8 and 9 of the Company's 2016 annual financial report, which is available on the Company's section of the Manager's website at: [www.invescopetual.co.uk/ipukscit](http://www.invescopetual.co.uk/ipukscit)

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

## GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis, as the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments, and the ability of the Company to meet all of its liabilities, including any bank overdraft, and ongoing expenses.

## RELATED PARTY TRANSACTIONS

Under International Financial Reporting Standards, the Company has identified the Directors and the Manager as related parties.

Details of the basis of fees payable to the Manager remain unchanged and are as shown in the 2016 annual financial report, which is available on the Company's section of the Manager's website.

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## DIRECTORS, ADVISERS AND PRINCIPAL SERVICE PROVIDERS

### Directors

Ian Barby (Chairman)  
Richard Brooman (Deputy Chairman, Chairman of the Audit Committee and Senior Independent Director)  
Christopher Fletcher  
Jane Lewis (Chairman of the Management Engagement Committee)  
Garth Milne

### Manager

Invesco Fund Managers Limited

### Registered Office

Perpetual Park, Perpetual Park Drive  
Henley-on-Thames, Oxfordshire RG9 1HH

### Company Number

Registered in England and Wales No. 2129187

### Company Secretary and Correspondence Address

Invesco Asset Management Limited  
6th Floor, 125 London Wall  
London EC2Y 5AS  
☎ 020 3753 1000

Company secretarial contact: Kelly Nice

### Depositary

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

### Invesco Perpetual Client Services

Invesco Perpetual has a Client Services Team, available from 8.30 am to 6.00pm, Monday to Friday (excluding UK Bank Holidays).

Current valuations, statements and literature can be obtained, however, no investment advice can be given.

☎ 0800 085 8677

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

### Savings Scheme and ISA Administration

For queries relating to both the Invesco Perpetual Investment Trust Saving Scheme and ISA, contact:

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

### Registrar

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

Shareholders who hold shares directly and not through a savings scheme or ISA and have queries relating to their shareholding should contact the registrar on:

☎ 0871 664 0300

Calls cost 12p per minute plus network extras.

☎ +44 371 664 0300 (from outside the UK).

Lines are open Monday to Friday 9.00am to 5.30pm (excluding UK Bank Holidays).

Shareholders holding shares directly can also access their holding details via Capita's websites:

[www.capitaassetservices.com](http://www.capitaassetservices.com) or [www.capitashareportal.com](http://www.capitashareportal.com)

The registrar provides an online and telephone share dealing service for existing shareholders who are not seeking advice on buying or selling. The website is: [www.capitadeal.com](http://www.capitadeal.com) or ☎ 0371 664 0445

Calls are charged at the standard geographic rate and will vary by provider.

☎ +44 371 664 0300 (from outside the UK).

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

### Manager's Website

Information relating to the Company can be found on the Manager's website at [www.invescopetual.co.uk/investmenttrusts](http://www.invescopetual.co.uk/investmenttrusts).

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

### THIRTY LARGEST HOLDINGS AT 31 JULY 2016

Ordinary shares unless stated otherwise

ISSUER	ACTIVITY BY SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
JD Sports	General Retailers	6,803	3.4
CVS <sup>AIM</sup>	General Retailers	6,721	3.3
FDM	Software & Computer Services	5,053	2.5
EMIS <sup>AIM</sup>	Software & Computer Services	4,708	2.3
RPC	General Industrials	4,460	2.2
Safestore	Real Estate Investment Trusts	4,337	2.1
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	4,287	2.1
Diploma	Support Services	4,218	2.1
Johnson Service <sup>AIM</sup>	Support Services	4,217	2.1
Vectura	Pharmaceuticals & Biotechnology	3,862	1.9
Bovis Homes	Household Goods & Home Construction	3,845	1.9
boohoo.com <sup>AIM</sup>	General Retailers	3,837	1.9
JD Wetherspoon	Travel & Leisure	3,605	1.8
4imprint	Media	3,587	1.8
Gamma Communications <sup>AIM</sup>	Mobile Telecommunications	3,584	1.8
Hill & Smith	Industrial Engineering	3,486	1.8
Advanced Medical Solutions <sup>AIM</sup>	Health Care Equipment & Services	3,309	1.6
Victrex	Chemicals	3,292	1.6
Consort Medical	Health Care Equipment & Services	3,085	1.5
Keywords Studios <sup>AIM</sup>	Support Services	3,038	1.5
Clinigen <sup>AIM</sup>	Pharmaceuticals & Biotechnology	2,958	1.5
Savills	Real Estate Investment & Services	2,913	1.5
Servelec	Software & Computer Services	2,868	1.4
Mears	Support Services	2,868	1.4
Northgate	Support Services	2,827	1.4
Dairy Crest	Food Producers	2,823	1.4
Marston's	Travel & Leisure	2,812	1.4
Equiniti	Support Services	2,793	1.4
Sanne	Financial Services	2,754	1.4
Essentra	Support Services	2,707	1.3
		111,657	55.3
Other Investments (52)		90,280	44.7
<b>Total Investments (82)</b>		<b>201,937</b>	<b>100.0</b>

<sup>AIM</sup> Investments quoted on AIM.

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS TO 31 JUL 2016			SIX MONTHS TO 31 JUL 2015		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Profits on investments held at fair value	—	6,087	6,087	—	25,283	25,283
Exchange differences	—	4	4	—	—	—
Income – note 2	2,508	127	2,635	3,351	28	3,379
	2,508	6,218	8,726	3,351	25,311	28,662
Investment management fee – note 3	(102)	(575)	(677)	(103)	(581)	(684)
Performance fee – note 3	—	—	—	—	(480)	(480)
Other expenses	(190)	(1)	(191)	(170)	(2)	(172)
<b>Profit before finance costs and taxation</b>	<b>2,216</b>	<b>5,642</b>	<b>7,858</b>	<b>3,078</b>	<b>24,248</b>	<b>27,326</b>
Finance costs – note 3	—	—	—	(1)	(5)	(6)
<b>Profit before taxation</b>	<b>2,216</b>	<b>5,642</b>	<b>7,858</b>	<b>3,077</b>	<b>24,243</b>	<b>27,320</b>
Tax – note 4	—	—	—	—	—	—
<b>Profit after taxation</b>	<b>2,216</b>	<b>5,642</b>	<b>7,858</b>	<b>3,077</b>	<b>24,243</b>	<b>27,320</b>
<b>Return per ordinary share – basic</b>	<b>4.16p</b>	<b>10.61p</b>	<b>14.77p</b>	<b>5.78p</b>	<b>45.56p</b>	<b>51.34p</b>
<b>Number of ordinary shares in issue</b>	<b>53,209,084</b>			<b>53,209,084</b>		

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards. The profit after tax is the total comprehensive income for the period. The supplementary revenue and capital columns are presented for information 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. No operations were acquired or discontinued in the period.

## CONDENSED BALANCE SHEET

Registered number 2129187

	AT 31 JUL 2016 £'000	AT 31 JAN 2016 £'000
<b>Non-current assets</b>		
Investments at fair value through profit or loss	201,937	199,237
<b>Current assets</b>		
Amount due from brokers	449	518
Prepayments and accrued income	310	327
Cash and cash equivalents	9,382	10,186
	10,141	11,031
<b>Total assets</b>	<b>212,078</b>	<b>210,268</b>
<b>Current liabilities</b>		
Amounts due to brokers	(260)	(295)
Performance fee accrued – note 3	—	(2,023)
Other accruals and deferred income	(186)	(185)
	(446)	(2,503)
<b>Total assets less current liabilities</b>	<b>211,632</b>	<b>207,765</b>
<b>Non-current liability – note 3</b>	<b>(108)</b>	<b>(108)</b>
<b>Net assets</b>	<b>211,524</b>	<b>207,657</b>
<b>Issued capital and reserves</b>		
Share capital	10,642	10,642
Share premium	21,244	21,244
Capital redemption reserve	3,386	3,386
Capital reserve	174,036	171,224
Revenue reserve	2,216	1,161
<b>Total shareholders' funds</b>	<b>211,524</b>	<b>207,657</b>
<b>Net asset value per ordinary share</b>	<b>397.5p</b>	<b>390.3p</b>
<b>Number of 20p ordinary shares in issue at the period end</b>	<b>53,209,084</b>	<b>53,209,084</b>

## CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS TO 31 JUL 2016 £'000	SIX MONTHS TO 31 JUL 2015 £'000
<b>Cash flow from operating activities</b>		
Profit before taxation	7,858	27,320
<b>Adjustments for:</b>		
Purchases of investments	(20,674)	(39,346)
Sales of investments	24,095	39,254
	3,421	(92)
Profit on investments	(6,087)	(25,283)
Exchange differences	(4)	—
Finance costs	—	6
<b>Operating cash flows before movements in working capital</b>	<b>5,188</b>	<b>1,951</b>
Decrease/(increase) in receivables	17	(42)
Decrease in payables	(2,022)	(959)
<b>Net cash flows from operating activities after taxation</b>	<b>3,183</b>	<b>950</b>
<b>Cash flows from financing activities</b>		
Finance cost paid	—	(6)
Equity dividends paid – note 5	(3,991)	(6,464)
<b>Net cash used in financing activities</b>	<b>(3,991)</b>	<b>(6,470)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(808)</b>	<b>(5,520)</b>
Exchange differences	4	—
Cash and cash equivalents at the beginning of the period	10,186	7,998
<b>Cash and cash equivalents at the end of the period</b>	<b>9,382</b>	<b>2,478</b>
<b>Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:</b>		
Cash held at custodian	782	128
Short-Term Investment Company (Global Series) plc, money market fund	8,600	2,350
<b>Cash and cash equivalents</b>	<b>9,382</b>	<b>2,478</b>
<b>Cash flow from operating activities includes:</b>		
Interest received	—	—
Dividends received	2,655	3,338

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
<b>For the six months ended 31 July 2016</b>						
At 31 January 2016	10,642	21,244	3,386	171,224	1,161	207,657
Profit for the period	—	—	—	5,642	2,216	7,858
Dividends paid – note 5	—	—	—	(2,830)	(1,161)	(3,991)
<b>At 31 July 2016</b>	<b>10,642</b>	<b>21,244</b>	<b>3,386</b>	<b>174,036</b>	<b>2,216</b>	<b>211,524</b>
<b>For the six months ended 31 July 2015</b>						
At 31 January 2015	10,642	21,244	3,386	155,767	5,875	196,914
Profit for the period	—	—	—	24,243	3,077	27,320
Dividends paid – note 5	—	—	—	(589)	(5,875)	(6,464)
<b>At 31 July 2015</b>	<b>10,642</b>	<b>21,244</b>	<b>3,386</b>	<b>179,421</b>	<b>3,077</b>	<b>217,770</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation

#### Accounting Standards and Policies

These condensed financial statements have been prepared using the same accounting policies as those adopted in the 2016 annual financial report, which are consistent with International Financial Reporting Standards (IFRS), and Standard Interpretation Committee and the extent adopted by the European Union (EU). International Financial Reporting Interpretation Committee interpretations issued by the International Accounting Standards Board to the extent adopted by the EU.

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

### 2. Income

	31 JUL 2016 £'000	31 JUL 2015 £'000
<b>SIX MONTHS ENDED</b>		
Income from listed investments:		
UK dividends	2,017	2,297
UK unfranked investment income	153	158
Scrip dividends	—	244
Overseas dividends	242	160
Special dividends	96	492
	2,508	3,351
Special dividends recognised in capital	127	28

### 3. Management and Performance Fees and Finance Costs

The investment management fee and finance costs are allocated 15% to revenue and 85% to capital.

Performance fees are charged wholly to capital. No performance fee has been charged for the six months to 31 July 2016 (six months to 31 July 2015: £480,000; year to 31 January 2016: £2,131,000). The performance fee payable in any year is capped at 1% of average funds under management, with any excess (subject to a total performance fee cap of 2%) carried forward. The excess carried forward for the year ended 31 January 2016 was £108,000 (2015: nil) and continues to be carried forward at 31 July 2016 as a non-current liability.

### 4. Taxation and Investment Trust Status

No tax liability arises on capital gains because the Company has been accepted by HMRC as an approved investment trust and it is the intention of the Directors to conduct the affairs of the Company so that it continues to satisfy the conditions for this approval.

### 5. Dividends on Ordinary Shares Paid

		31 JUL 2016 £'000	31 JUL 2015 £'000
<b>SIX MONTHS ENDED</b>	<b>RATE</b>		
Final 2015	12.15p	—	6,464
Third interim 2016	3.40p	1,809	—
Final 2016	4.10p	2,182	—
Total		3,991	6,464

The first interim dividend of 3.45p per ordinary share (2015: 3.4p) was paid on 9 September 2016 to shareholders on the register on 5 August 2016.

### 6. Classification Under Fair Value Hierarchy

Note 19 of the 2016 annual financial report sets out the basis of classification on page 51. In this it is explained that Level 1 investments are those investments whose fair value is based on quoted prices in active markets.

For both the current reporting period and the year ended 31 January 2016, the Company's portfolio was composed of Level 1 investments with one exception; this exception being the dormant subsidiary Berry Starquest Limited, which is a Level 3 investment.

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

The financial information contained in this half-yearly financial report, which has not been reviewed or audited by an independent auditor, and 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 July 2015 and 31 July 2016 has not been audited. The figures and financial information for the year ended 31 January 2016 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Independent Auditor's Report, which was unqualified.

By order of the Board

**Invesco Asset Management Limited**

Company Secretary

16 September 2016

### 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 International Financial Reporting Standards.

The Directors confirm that to the best of their knowledge:

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

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

Signed on behalf of the Board of Directors.

**Ian Barby**  
Chairman

16 September 2016



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