Invesco Perpetual UK Smaller Companies Investment Trust plc

Half-Yearly Financial Report for the Six Months to 31 July 2017

KEY FACTS

Investment Objective and Policies 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.

The portfolio primarily comprises shares traded on the London Stock Exchange including those traded on AIM.

The Company's dividend policy is to distribute all available revenue earned by the portfolio in the form of dividends and the Board has approved the use of capital reserves to enhance dividend payments.

Full details of the Company's investment and dividend policies, as well as the Company's risk and investment limits, can be found in the annual financial report for the year ended 31 January 2017.

Financial Highlights

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

Period End Date	AT 31 JUL 2017	AT 31 JAN 2017	% CHANGE
Net asset value per share	516.9p	454.1p	+13.8
Share price	487.0p	432.0p	+12.7
Discount	5.8%	4.9%	
Gearing:			
– gross gearing[1]	nil	nil	
– net gearing[2]	nil	nil	
– net cash[3]	2.5%	3.1%	
Maximum overdraft	£15m	£15m	

Total return (with income reinvested) for the six months ended 31 July 2017:	
Net asset value per share[4]	+16.2%
Benchmark Index[4]	+12.1%
FTSE All-Share Index[4]	+7.1%
Share price[4]	+15.2%

Return and dividend per ordinary share	SIX MONTHS ENDED 31 JUL 2017	31 JUL 2016
Return per share:		
– revenue	4.35p	4.16p
– capital	58.90p	10.61p
– total	63.25p	14.77p
First interim dividend	3.55p	3.45p

Notes:

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

(2) Net gearing: borrowings less cash ÷ shareholders' funds.

(3) Net cash: net exposure to cash and cash equivalents ÷ shareholders' funds.

(4) Source: Thomson Reuters Datastream.

CHAIRMAN'S STATEMENT INCORPORATING THE INTERIM MANAGEMENT REPORT

Chairman's Statement

Over the six months to 31 July 2017, on a total return basis, your Company's net asset value (NAV) increased by 16.2% compared with 12.1% for its benchmark, the Numis Smaller Companies Index (excluding Investment Companies). Over the same period the wider UK stock market underperformed the small cap market, with the FTSE All-Share Index achieving a lower return of 7.1%.

The Company's share price rose from 432p to 487p during the same period, an increase of 12.7%, and the discount to NAV widened marginally, ending the period at 5.8%, having been 4.9% at the January 2017 year end.

Since the half-year period end of 31 July 2017, your Company has continued to perform well and delivered a NAV return of 1.9% compared to the benchmark return of 1.1%, with a share price return of 0.1%. The discount has increased to 7.4%, which compares favourably with the UK Smaller Companies average of 13.5%. (Returns on a total basis. All figures up to 11 September 2017, the latest practical date before publication.)

Dividends

As I stated in my Chairman's Statement in the 2017 annual report, consistent with the Company's dividend policy, and in the absence of unforeseen circumstances, the Board intends to pay dividends for the year to 31 January 2018 totalling not less than the 17.1p per share, that was paid in 2017.

Accordingly, the Board declared a first interim dividend of 3.55p for the year ending 31 January 2018, payable on 4 September 2017 to shareholders on the register on 4 August 2017 (2017: 3.45p).

The expected timetable for the remaining dividend payments is: second and third interim dividends in December 2017 and March 2018 respectively, with the final dividend payable in June 2018 following its approval by shareholders at the Company's Annual General Meeting.

Results of the Tender Offer

In accordance with the terms of the recent tender offer, details of which were set out in the circular to shareholders dated 17 May 2017, following approval at the general meeting held on 8 June 2017, the Company repurchased 20,357,155 shares at a price of 487.05p per share. These shares are held in treasury.

As the Board anticipated, most of the Company's shareholders chose to retain their investment in the Company and did not participate in the tender offer, and the overall take up of 38.26% was below its 40% maximum level. In the event, therefore, shareholders who tendered shares were able to exit in full, including a few large shareholders who took this opportunity to realise their whole position. The Board believes that this has resulted in a positive rebalancing of the shareholder base in favour of supportive long-term shareholders and therefore the Company is well positioned for the future.

Recent Company History and the Future of the Company

My 2017 Chairman's Statement also highlighted two specific initiatives that have helped narrow the share price discount to NAV from one persistently above the sector average, to now being one of the narrowest in its peer group. These initiatives were the commitment to offer shareholders options around the 2017 AGM – which resulted in the recent tender offer – and the substantial increase in the dividend, using capital reserves to a limited extent if required, together with the payment of quarterly dividends.

The Board continues to monitor the discount level and may seek to limit volatility through the prudent use of share buy-backs. The Board has committed to a further range of options being put to shareholders at or around the time of the annual general meeting in 2020.

The Company has enjoyed strong absolute and relative returns (with income reinvested) over the last five years, achieving a share price total return of 182.1% and outperforming its benchmark, with a NAV gain of 143.6% as against a benchmark return of 114.3%, over the same period.

In summary, the Board believes that the Company is well positioned to continue to meet its objective to achieve long-term total return for shareholders.

Outlook

The six months under review have been affected by a number of global factors, and these are set out in the Portfolio Manager's Report that follows. However, your Company focuses on small companies which, by their nature, will be more aligned to the UK economy, which has remained in growth despite an unusually high degree of political uncertainty.

The market has largely ignored politics and focused on the near term economic situation, which for the time being looks solid. The weakness of sterling has continued to support exports and the UK labour market remains strong.

The Company's portfolio managers continue with their investment strategy to invest in good quality and well managed companies. 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
13 September 2017

Portfolio Manager's Report

Portfolio Strategy and Review

The six months under review has provided good returns for equity investors as the market shrugged off the unusually high level of political risk created by Brexit and the UK general election. Smaller companies performed strongly in the period, substantially in excess of the wider UK equity market. The weaker oil price contributed to this, with some of the larger constituents of the FTSE All-Share, such as BP and Royal Dutch Shell, performing poorly.

Against this background, your Company returned 16.2% on a NAV total return basis and its share price returned 15.2% with income reinvested. The portfolio benefited from overweight positions in the Industrial and Technology sectors, but was hurt by its exposure to the Oil & Gas sector. Other than the effects caused by the oil price, meaningful market trends were difficult to discern. Broadly speaking, UK consumer related stocks, such as retailers and leisure stocks, remained out of favour. Fears about the potential impact of Brexit on the UK economy persist and were further exacerbated by the increased likelihood of a Corbyn-led government in the event of another general election occurring in the near term. International investors in particular seem reticent to allocate new money to more cyclical UK sectors due to the current uncertainty.

At an individual stock level, the best performers included: **Keywords Studios** (+101%), 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. Online retailer **Boohoo.com** (+66%) 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. **Microgen** (+112%) saw earnings growth accelerate with its world leading high volume processing software, **Aptitude**, winning a number of high profile customers. IT services business **FDM** (+46%) produced another good performance. Its model of training graduates in an IT specialism before placing them with "blue chip" customers continued to enjoy considerable success both in the UK and USA. Disappointments in the period included **RPC Group** (–19%) which unsettled the market with its pace of acquisitions. The shares have performed well for the portfolio over many years, but we felt it was time to exit the position. The weak oil price was a major factor in the underperformance of **Amerisur Resources** (–29%) and **Faroe Petroleum** (–15%). Both companies have strong balance sheets and production which is profitable even at current oil prices, so we have maintained these holdings.

We introduced a smaller number of new holdings to the portfolio than usual over the period. Although we investigated numerous potential investments, we often concluded that we preferred the stocks we already owned. This was particularly true of the IPO market, where we found the quality and pricing of new issues unattractive, with only pension administration business **Xafinity** making the cut. Other companies that did find their way into the portfolio included recruitment business **Robert Walters**, which we have followed for a long time whilst waiting for a suitable entry point, and bowling alley operator **Hollywood Bowl**, which provided us with an interesting opportunity to buy the shares, having de-rated since last year's IPO. We also added **NCC**, a cyber security company, following a series of profit warnings and a change in management. It is a business we had avoided for the last few years due to concerns about deteriorating cash flows, but having fallen 70% from its high, we believed the balance of risk and reward was now firmly in our favour.

The major holdings in the portfolio include some of the top contributors for the period, such as FDM and Keywords Studio as described above. Other significant holdings include leading linen hire and workwear provider **Johnson Service**, which continues to grow by acquiring smaller competitors. Its customers in the hotel and restaurant sectors should also benefit as in-bound tourism to the UK is boosted by the fall in sterling. **Coats**, which has been a strong performer over the last two years, remains a top 10 holding. The company is a global leader in the supply of thread to the clothing industry, but is also developing a range of high tech fibres which are used in high performance application in the automotive and telecoms sectors. Animal healthcare businesses, **CVS** and **Dechra Pharmaceuticals**, are long standing holdings in the portfolio which still have significant growth opportunities ahead of them. CVS has only a 13% share of the UK veterinary services market, and Dechra has an impressive pipeline of products to launch in its various international markets. We are always keen to run our winners and we fully expect these businesses to remain a feature of the fund for some time to come.

Outlook

As we pass the 10th anniversary of the start of the financial crisis, the unprecedented central bank policy response of vast levels of quantitative easing and record low interest rates may be approaching an end. Whilst this should be seen as evidence that economies are finally on a more sustainable footing, it is likely to have implications for the value of assets. The withdrawal of stimulus will inevitably create turbulence for markets. The structural headwinds to economic growth posed by negative demographics in developed economies, combined with the high level of indebtedness, both at a governmental and personal level, places a significant constraint on the pace with which central banks can "normalise" monetary policies. So whilst we are seeing policies to curb some of the negative consequences of "easy money", such as new regulations to reduce the growth in unsecured consumer credit, we believe increases to central bank interest rates will be very gradual. So far the negative impact of this change in direction has been most apparent in bond markets, where valuations are at historical extremes. The impact on equity markets, if anything, has been positive. This is probably due to the flow of new investment being diverted from bonds into equities where valuations are broadly in line with historical averages. So whilst we feel we are in at the end of an era, we believe there is still money to be made through careful stock selection.

Without a doubt, the biggest risks affecting the investment outlook are political. With Brexit negotiations finally underway, the enormous complexity of reaching a comprehensive deal is becoming apparent to all. The question is the ability of our politicians to negotiate a good deal. To compound the situation, the general election result has yielded a situation that is far from "strong and stable". It is not inconceivable that if another election occurred in the short term, we could face a change in government. We are cognisant of this risk and have analysed our portfolio through the lens of a less business-friendly regime.

Whilst some indicators suggest a softening in the UK economy, it continues to defy the more bearish post Brexit predictions. The fall in sterling has inflated the cost of living, thereby squeezing consumer spending, but we are hopeful that this effect is now abating as we pass the anniversary of the Brexit vote. Unemployment remains at its lowest level for 40 years and there are signs that labour shortages are finally exerting upward pressure on wage settlements. It is not impossible to envisage a situation in a years' time where real wages are back in growth and the outlook for consumers is more positive.

The external demand environment continues to benefit company earnings. The European economy is finally growing at a decent rate and unemployment, albeit still double the UK rate, is gradually declining. US economic growth continues, although the hope of a more expansionary fiscal regime under Donald Trump is now fading. The current picture in Asia is also positive. Japan has returned to growth and China, despite the obvious imbalances in its economy, is still growing more rapidly than the other major economies.

We continue to focus on financially strong businesses that can deliver growth independently of the wider economy. So whilst we live in interesting times, there is the potential to make money in these markets.

Jonathan Brown	**Robin West**
Portfolio Manager	*Deputy Portfolio Manager*

13 September 2017

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 10 and 11 of the Company's 2017 annual financial report, which is available on the Company's section of the Manager's website at: www.invescoperpetual.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 AND TRANSACTIONS WITH THE MANAGER

Note 21 of the 2017 annual report gives details of related party transactions and transactions with the Manager. This report is available on the Company's section of the Manager's website at www.invescoperpetual.co.uk/ipukscit.

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. 02129187

Company Secretary and Correspondence Address

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

Company secretarial contacts: Kelly Nice and Shilla Pindoria

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.invescoperpetual.co.uk/investmenttrusts

Registrar

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

If you hold shares directly, have a query relating to your shares and you hold the shares in your own name, you 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 website: www.signalshares.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 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.invescoperpetual.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.

Depositary

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

THIRTY LARGEST HOLDINGS AT 31 JULY 2017

Ordinary shares unless stated otherwise

ISSUER	ACTIVITY BY SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
FDM	Software & Computer Services	4,789	2.9
Coats	General Industrials	4,612	2.7
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	4,424	2.6
Keywords Studios[AIM]	Support Services	4,249	2.5
Johnson Service[AIM]	Support Services	4,205	2.5
Clinigen[AIM]	Pharmaceuticals & Biotechnology	4,166	2.5
CVS[AIM]	General Retailers	3,964	2.4
Equiniti	Support Services	3,953	2.4
Ultra Electronics	Aerospace & Defence	3,733	2.2
Sanne	Support Services	3,618	2.2
Consort Medical	Health Care Equipment & Services	3,448	2.1
Safestore	Real Estate Investment Trusts	3,398	2.0
EMIS[AIM]	Software & Computer Services	3,081	1.8
boohoo.com[AIM]	General Retailers	3,056	1.8
Victrex	Chemicals	3,000	1.8
Gamma Communications[AIM]	Mobile Telecommunications	2,926	1.7
4imprint	Media	2,919	1.7
Microgen	Software & Computer Services	2,855	1.7
RWS[AIM]	Support Services	2,737	1.6
Arrow Global	Financial Services	2,643	1.6
St. Modwen Properties	Real Estate Investment & Services	2,613	1.6
Savills	Real Estate Investment & Services	2,610	1.6
Essentra	Support Services	2,608	1.6
JD Sports Fashion	General Retailers	2,586	1.5
Hill & Smith	Industrial Engineering	2,569	1.5
ECO Animal Health[AIM]	Pharmaceuticals & Biotechnology	2,518	1.5
Euromoney Institutional Investor	Media	2,518	1.5
SDL	Software & Computer Services	2,466	1.5
Rathbone Brothers	Financial Services	2,399	1.4
Northgate	Support Services	2,361	1.4
		97,024	57.8
Other Investments (49)		70,922	42.2
Total Investments (79)		167,946	100.0

[AIM] *Investments quoted on AIM.*

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS TO 31 JUL 2017			SIX MONTHS TO 31 JUL 2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Profits on investments held at fair value	—	33,370	33,370	—	6,087	6,087
Exchange differences	—	(9)	(9)	—	4	4
Income – note 2	2,577	—	2,577	2,508	127	2,635
	2,577	33,361	35,938	2,508	6,218	8,726
Investment management fee – note 3	(128)	(727)	(855)	(102)	(575)	(677)
Performance fee – note 3	—	(1,127)	(1,127)	—	—	—
Other expenses	(159)	(495)	(654)	(190)	(1)	(191)
Profit before finance costs and taxation	2,290	31,012	33,302	2,216	5,642	7,858
Finance costs – note 3	(1)	(5)	(6)	—	—	—
Profit before taxation	2,289	31,007	33,296	2,216	5,642	7,858
Taxation – note 4	—	—	—	—	—	—
Profit after taxation	2,289	31,007	33,296	2,216	5,642	7,858
Return per ordinary share – basic	4.35p	58.90p	63.25p	4.16p	10.61p	14.77p
Weighted average number of ordinary shares in issue			52,646,732			53,209,084

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 EU. 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. No operations were acquired or discontinued in the period.

CONDENSED BALANCE SHEET

Registered number 2129187

	AT 31 JUL 2017 £'000	AT 31 JAN 2017 £'000
Non-current assets		
Investments at fair value through profit or loss	167,946	235,316
Current assets		
Amount due from brokers	93	—
Accrued income	207	253
Cash and cash equivalents	4,170	7,408
	4,470	7,661
Total assets	172,416	242,977
Current liabilities		
Amounts due to brokers	(381)	(71)
Performance fee accrued – note 3	—	(1,077)
Other accruals	(1,082)	(226)
	(1,463)	(1,374)
Total assets less current liabilities	170,953	241,603
Provision for performance fee – note 3	(1,127)	—
Net assets	169,826	241,603
Issued capital and reserves		
Share capital	10,642	10,642
Share premium	21,244	21,244
Capital redemption reserve	3,386	3,386
Capital reserve	132,265	206,079
Revenue reserve	2,289	252
Total shareholders' funds	169,826	241,603
Net asset value per ordinary share	516.9p	454.1p
Number of 20p ordinary shares in issue at the period end	32,851,929	53,209,084

CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS TO 31 JUL 2017 £'000	SIX MONTHS TO 31 JUL 2016 £'000
Cash flow from operating activities		
Profit before taxation	33,296	7,858
Adjustments for:		
Purchases of investments	(39,871)	(20,674)
Sales of investments	140,828	24,095
	100,957	3,421
Profit on investments	(33,370)	(6,087)
Exchange differences	9	(4)
Finance costs	6	—
Operating cash flows before movements in working capital	100,898	5,188
Decrease in receivables	46	17
Increase/(decrease) in payables	906	(2,022)
Net cash flows from operating activities after taxation	101,850	3,183
Cash flows from financing activities		
Finance cost paid	(6)	—
Share buy back costs from tender offer	(99,646)	—
Equity dividends paid – note 5	(5,427)	(3,991)
Net cash used in financing activities	(105,079)	(3,991)
Net decrease in cash and cash equivalents	(3,229)	(808)
Exchange differences	(9)	4
Cash and cash equivalents at the beginning of the period	7,408	10,186
Cash and cash equivalents at the end of the period	4,170	9,382
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:		
Cash held at custodian	1,140	782
Short-Term Investment Company (Global Series) plc, money market fund	3,030	8,600
Cash and cash equivalents	4,170	9,382
Cash flow from operating activities includes:		
Interest received	8	—
Dividends received	2,607	2,655

CONDENSED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
For the six months ended 31 July 2017						
At 31 January 2017	10,642	21,244	3,386	206,079	252	241,603
Profit for the period	—	—	—	31,007	2,289	33,296
Tendered shares bought back and held in treasury	—	—	—	(99,646)	—	(99,646)
Dividends paid – note 5	—	—	—	(5,175)	(252)	(5,427)
At 31 July 2017	10,642	21,244	3,386	132,265	2,289	169,826
For the six months ended 31 July 2016						
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)
At 31 July 2016	10,642	21,244	3,386	174,036	2,216	211,524

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

Accounting Standards and Policies

The condensed financial statements have been prepared using the same accounting policies as those adopted in the 2017 annual financial report. They have been prepared on an historical cost basis, in accordance with the applicable International Financial Reporting Standards and, where possible, in accordance with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in November 2014, as amended in January 2017.

2. Income

SIX MONTHS ENDED	31 JUL 2017 £'000	31 JUL 2016 £'000
Income from listed investments:		
UK dividends	2,173	2,017
UK unfranked investment income	161	153
Overseas dividends	173	242
Special dividends	62	96
	2,569	2,508
Other income:		
Deposit interest	8	—
	2,577	2,508
Special dividends recognised in capital	—	127

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. £1,127,000 has been provided for the six months to 31 July 2017 (six months to 31 July 2016: nil; year to 31 January 2017: £1,077,000). 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.

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

SIX MONTHS ENDED	31 JULY 2017 RATE	31 JULY 2017 £'000	31 JULY 2016 RATE	31 JULY 2016 £'000
Third interim	3.45p	1,836	3.40p	1,809
Final	6.75p	3,591	4.10p	2,182
Total	10.20p	5,427	7.50p	3,991

The first interim dividend of 3.55p per ordinary share (2016: 3.45p) was paid on 4 September 2017 to shareholders on the register on 4 August 2017.

6. Tender Offer

A total of 20,357,155 shares was repurchased by the Company on 27 July 2017 at a tender offer price of 487.05p. The circular dated 17 May 2017 set out the details of the tender offer including: the calculation of the net asset value of the tender pool; the expected fixed costs (which were paid by the Company); and the 1.5% exit charge which was to be borne by the tender pool. On completion of the tender offer, fixed costs totalled £493,000 and the enhancement to the net asset value that arose, being the difference between the exit charge and the fixed costs, was £1,043,000.

In the cash flow statement, sales of investments of £96,365,000 were in relation to the disposal of investments held in the tender pool.

7. Share capital movements

	SIX MONTHS TO 31 JUL 2017	SIX MONTHS TO 31 JUL 2016
Share capital:		
Ordinary shares of 20p each (£'000)	6,571	10,642
Treasury shares of 20p each (£'000)	4,071	—
	10,642	10,642
Number of ordinary shares in issue:		
Brought forward	53,209,084	53,209,084
Tendered shares bought back into treasury	(20,357,155)	—
	32,851,929	53,209,084

No treasury shares were held by the Company prior to those bought back into treasury as part of the tender offer.

8. Classification Under Fair Value Hierarchy

Note 17 of the 2017 annual financial report sets out the basis of classification.

For both the current reporting period and the year ended 31 January 2017, 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.

9. 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 2016 and 31 July 2017 has not been audited. The figures and financial information for the year ended 31 January 2017 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
13 September 2017

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 Guidance 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
13 September 2017