

Invesco Perpetual UK Smaller Companies Investment Trust plc

Half-Yearly Financial Report for the Six Months to 31 July 2020

KEY FACTS

Investment Objective and Policies of the Company

The Company is an investment trust whose investment objective is to achieve long-term total returns 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 and on AIM.

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

As announced on 22 July 2020, with the aim of delivering more predictable dividend levels to shareholders, the Board has decided that it will seek to increase dividends annually⁽¹⁾. The rate of increase will take into account the Board's expectation of income and capital returns.

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 2020.

(1) This is a target only and not a profit forecast and there is no guarantee of future dividends which are at the Directors' discretion.

Financial Highlights

Period End Date	AT 31 JUL 2020	AT 31 JAN 2020	% CHANGE
Net asset value ⁽¹⁾ per share (NAV)	456.64p	606.74p	-24.7
Share price ⁽²⁾	390.00p	606.00p	-35.6
Discount ⁽¹⁾	(14.6)%	(0.1)%	
Gearing⁽¹⁾:			
– gross gearing	nil	nil	
– net gearing	nil	nil	
– net cash	1.4%	2.7%	
Maximum authorised gearing ⁽¹⁾	9.7%	7.3%	

Total return (with income reinvested) for the six months ended 31 July 2020:

NAV ⁽¹⁾⁽²⁾	-23.0%
Share price ⁽¹⁾⁽²⁾	-34.0%
Benchmark Index ⁽¹⁾⁽²⁾⁽³⁾	-21.2%
FTSE All-Share Index ⁽²⁾	-17.8%

Return and dividend per ordinary share SIX MONTHS ENDED

	31 JUL 2020	31 JUL 2019
Return⁽¹⁾:		
– revenue	0.67p	5.30p
– capital	(139.67)p	70.58p
– total	(139.00)p	75.88p
First interim dividend	3.75p	3.75p

Notes:

- (1) Alternative Performance Measures (APM). See page 7 for the explanation and calculation of APMs. Further details are provided in the Glossary of Terms and Alternative Performance Measures in the Company's 2020 annual financial report.
- (2) Source: Refinitiv.
- (3) The Benchmark Index of the Company is the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested.

CHAIRMAN'S STATEMENT INCORPORATING THE INTERIM MANAGEMENT REPORT

Chairman's Statement

The six months to 31 July 2020 have been challenging for investors and disappointing for this Company's shareholders. For the period under review, on a total return basis, your Company's net asset value (NAV) returned -23.0% compared with -21.2% for its benchmark, the Numis Smaller Companies Index (excluding Investment Companies). Over the same period the wider UK stock market outperformed the small cap market. Reasons for the underperformance of smaller companies together with a detailed review of the investment portfolio and strategy for the period are set out in the Portfolio Manager's Report that follows.

The Company's share price fell from 606.00p to 390.00p during the same period, a decrease of 35.6% (34.0% decrease on total return basis), and the discount to NAV ended the period at 14.6%, having been 0.1% as at 31 January 2020. It will be of little comfort to shareholders to know that many of the Company's peers were similarly affected.

Since the Company's half-year end to 9 October 2020, the latest practical date before publication, the Company's NAV total return is 6.8%, the share price total return is 5.5%, whilst the benchmark total return is 3.7%. As at 9 October 2020, the discount was 15.7%.

Dividends

The Board is aware of how important dividends are to shareholders and, as previously announced, with the aim of delivering more predictable dividend levels, the Board has decided that it will seek to increase dividends annually⁽¹⁾. The rate of increase will take into account the Board's expectations of income and capital returns.

Progressive dividends are possible, even during difficult periods like the one under review, where income received by the Company is around half what it would normally expect, because the Company's dividend policy is to distribute all available revenue generated by the portfolio, together with an amount from realised capital profits. The Company's dividend policy sits alongside the Company's investment objective to achieve total returns for shareholders over the longer term and allows the Company to continue to deliver an enhanced yield relative to its peers within the UK Smaller Company investment trust sub-sector.

On 22 July 2020 the Board declared a first interim dividend of 3.75p for the year ending 31 January 2021, payable on 3 September 2020 to shareholders on the register on 7 August 2020 (2020: 3.75p).

In the absence of unforeseen circumstances, the Board intends at least to maintain this level of quarterly dividend for the current financial year which would amount to a total dividend of at least 15p per share, representing a yield of 3.7% based on the share price as at 12 October 2020⁽¹⁾.

The expected timetable for the remaining dividend payments is: second and third interim dividends in December 2020 and March 2021 respectively, with the final dividend payable in June 2021 following its approval by shareholders at the Company's Annual General Meeting.

Board Succession

Richard Brooman retired from the Board and as Chairman of the Audit Committee after the Annual General Meeting on 11 June 2020. He leaves with our thanks for his services to the Company. Graham Paterson has succeeded Richard as the Chairman of the Audit Committee and the Board now is made up of four non-executive directors.

Outlook

While the Covid-19 pandemic remains the primary focus dictating activity for the economy and the volatility of global markets, Brexit has slipped from the front pages even though deadlines loom. 'No deal' will add to economic uncertainties in the UK which will knock-on to the UK equity markets in which your Company invests.

The Company's portfolio managers continue their strategy of investment in good quality, growing and well managed companies at sensible valuations. They have not been distracted by cheap stocks driving market volatility, concentrating instead on opportunities which they believe will generate long term total returns for shareholders. Your Board wholly supports the portfolio managers' approach to stock selection in this difficult political and economic environment.

Jane Lewis

Chairman

13 October 2020

(1) This is a target only and not a profit forecast and there is no guarantee of future dividends which are at the directors' discretion.

Portfolio Manager's Report

Investment Review

The six months under review proved to be a very difficult and extremely volatile period for investors. The hopes for a 'Boris bounce' quickly faded as the Covid-19 pandemic and the government actions to limit its effects had a dramatic impact on the economy. Huge packages of government stimulus caused markets to bounce hard, and in some cases, make new highs. The result of all this was that smaller companies, as measured by the Numis Smaller Companies index (ex-investment trusts), declined 21.2% on a total return basis. This performance lagged the wider UK equity market, with the FTSE All-Share declining by 17.8% on a total return basis. The underperformance of smaller companies resulted from a greater exposure to the leisure and retail sectors which fared particularly badly.

Portfolio Review

Against this background, your Company saw a decrease in its net asset value of 23.0% for the half year, in total return terms. Clearly this is a disappointing outcome after a number of years of outperformance. The initial market reaction was to place very high valuations on companies that could continue to grow earnings. The subsequent market bounce centred on cheap, and in our opinion, lower quality stocks. Our strategy of focussing on fundamentally high-quality businesses at sensible valuations lagged the market. However, we continue to believe maintaining this focus is the best way to deliver long term returns for our shareholders.

The portfolio benefitted from exposure to the technology and healthcare sectors but was hurt by its exposure to the consumer goods sector. Within the smaller company sector, healthcare was the only area to register a positive return. The weakest areas were the oil and gas sector, due to the collapse in the oil price, and industrials which suffered due to the collapse in economic activity during the lockdown. The UK economy suffered its biggest slump on record, as the economy contracted by over 20% in the second quarter of the year.

At the individual stock level, in common with the market, the majority of portfolio holdings declined over the period. However, the best performers included: **Keywords Studios** (+51%), which provides outsourced services to the computer games industry. The sector fared well through the crisis and Keywords Studios continued to grow its presence in areas such as art creation, language translation and games engineering. **Kainos** (+42%), an IT services business which reduces administrative costs for the government by creating systems that allow people to 'self-serve' in areas such as paying their road tax, continued to perform well. The company is seen as an ongoing winner as the public and private sector continue to modernise their interactions with customers. Building supplies company, **Grafton** (+62%), is a holding that we added during the March sell-off. The stock bounced hard as it became apparent that the construction and DIY sectors would lead the recovery from the crisis.

The portfolio holdings that fared poorly over the period included: **Arrow Global** (-72%), a debt recovery business. It is likely to recover a lower level of money from borrowers over the coming year as unemployment rises. However, we added to the holding during the sell-off because its financial position remains manageable and the shares had become over-sold. **Johnson Service** (-56%), is a provider of linen to the hotel and restaurant sector. This sector was effectively shut down during the crisis which had a severe short-term effect on trading. It is another holding we added to in the sell-off due to its strong financial position and the likelihood that it will emerge from the crisis with an enhanced market position as smaller, weaker competitors fall by the wayside. Housebuilder, **Vistry** (-56%), formerly known as Bovis Homes, had been a strong performer for us but fell along with the sector as investors grappled with the implications of the crisis. The evidence since the end of the national lockdown suggests that people are still keen to buy their own house. However, we chose to reduce the holding following a partial share price recovery due to our concern about the effect of rising unemployment on future housing demand.

As well as adding to existing holdings, the sharp sell-off in March presented us with the opportunity to add several new holdings to the portfolio. These stocks had fallen very heavily and offered substantial value even in the event of a protracted recovery. Examples include pub group **Mitchells & Butlers**, which at its low was trading at a 70% discount to its real estate value, and leading low cost gym operator, **Gym Group**, which had fallen over 60% from its high.

We also added a number of businesses that we had been following for some time, which suddenly fell to attractive valuations: Industrial component manufacturer **discoverIE**, has seen a steady improvement in profitability under its current management team and has plenty of headroom for growth, both organically and via acquisitions. **Gooch & Housego** had been on our target list for many years. It is a world expert in the manufacture of optical products for the healthcare, telecoms and industrial sectors. Management have successfully broadened the business into high growth adjacent markets.

Portfolio Strategy

The top 5 holdings in the portfolio at the interim stage were:

- **Future** is a media business which is successfully transitioning from publishing magazines to running a diverse range of niche interest websites such as Tech Radar, What Hi Fi, Period Living and Digital Camera World. The business aims to produce relevant, high quality content and monetise it via subscriptions, advertising and ecommerce. Management have been successful in revitalising numerous brands, and the company has grown revenue and profit both organically and via acquisition.
- **CVS** is a leading veterinary services business, which owns over 500 vet surgeries and specialist centres, predominantly in the UK. The scale of the business gives it purchasing power, allowing it to generate a higher margin than individual surgeries. Management successfully consolidated the UK market and have recently entered continental Europe. The business is relatively unaffected by the economic cycle, and with ever more being spent on the wellbeing of the nation's pets, can continue to grow for many years to come.
- **JTC** is a financial administration business operating primarily in the Channel Islands but also with offices in North America and Europe. It provides services to real estate and private equity funds, multinational companies and high net worth individuals. The business has a strong reputation for quality and has augmented it organically with acquisitions. The business benefits from long term contracts, giving it excellent earnings visibility.
- **Clinigen** is a healthcare business which is a world leader in the specialist distribution of drugs to geographies outside the standard regulated North American, European and Japanese markets. These activities give management insight into drugs that could potentially be used on a wider basis. This enables management to acquire the rights to compounds where they can increase profitability by achieving further approvals for new categories of patients.
- **4imprint** sells promotional materials such as pens, bags and clothing which are printed with company logos. The business gathers orders through online and catalogue marketing, which are then routed to their suppliers who print and dispatch the products to customers. As a result of outsourcing manufacture, the business has a relatively low capital requirement and can focus on marketing and customer service. Continual reinvestment of revenue into marketing campaigns has enabled the business to generate an enviable long-term growth record whilst maintaining margins.

Our investment strategy remains unchanged. The current portfolio is comprised of around 75 stocks with the sector weightings being determined by where we are finding attractive companies at a given time, rather than by allocating assets according to a 'top down' view of the economy. We continue to seek growing businesses, which have the potential to be significantly larger in the medium term. These tend to be companies that either have great products or services, that can enable them to take market share off their competitors, or companies that are exposed to higher growth niches within the UK economy or overseas. We prefer to invest in cash generative businesses that can fund their own expansion, although we are willing to back strong management teams by providing additional capital to invest for growth.

Our analysis remains focussed on the sustainability of returns and profit margins, which are vital for the long-term success of a company. We continue to look for businesses with 'pricing power' by assessing positioning within supply chains and having a clear understanding of how work is won and priced. It is also important to determine which businesses possess unique capabilities, in the form of intellectual property, specialist know-how or a scale advantage in their chosen market. We conduct around 300 company meetings and site visits a year, and these areas are a particular focus for us on such occasions.

Outlook

The Covid-19 pandemic remains the dominant feature of the investment landscape. Although it has taken a significant toll on economies and markets, government support programmes have mitigated the most immediate impacts of the crisis. A reduced level of consumer spending during the lockdown has, in aggregate, strengthened household finances. However, the full scale of job losses will not be fully apparent until the various national furlough schemes have ended. Therefore, it will take some time for a clear picture of demand to emerge. Clearly, the onset of a significant 'second wave' of infection will have profound implications, but we are hopeful that a sustained recovery is now underway. Nevertheless, company profitability and balance sheets have taken a hit, and therefore we believe it will take some time for GDP to return to historic levels.

Whilst the current uncertainty is unsettling, we remain of the view that investing in fundamentally good quality businesses at sensible valuations is the correct strategy. We will continue to take advantage of opportunities that the heightened level of market volatility presents to us. We are hopeful that as the current difficulties abate, we can resume on a profitable path for our shareholders.

Jonathan Brown & Robin West

Portfolio Managers

13 October 2020

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. The risk could be triggered by unfavourable developments globally and/or in one or more regions, contemporary examples being the market uncertainty in relation to Brexit and the current Covid-19 pandemic.
- 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 made under it.
- 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.
- Pandemic Risk – Restrictions to movement of people and disruption to business operations are affecting portfolio company valuations and returns. As the uncertainty of Covid-19 remains, the Directors continue to monitor the situation closely, together with the Manager and other service providers. A range of actions has been implemented to ensure that the Company and its service providers are able to continue to operate as normal, even in the event of prolonged disruption.
- 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 13 and 15 of the Company's 2020 annual financial report, which is available on the Company's section of the Manager's website at www.invesco.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 Company's 2020 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.invesco.co.uk/ipukscit.

THIRTY LARGEST HOLDINGS AT 31 JULY 2020

Ordinary shares unless stated otherwise

COMPANY	SECTOR	AT MARKET	
		VALUE £'000	% OF PORTFOLIO
Future	Media	7,575	5.0
CVS ^{AIM}	General Retailers	5,619	3.7
JTC	Financial Services	5,610	3.7
Clinigen ^{AIM}	Pharmaceuticals & Biotechnology	4,270	2.8
4imprint	Media	4,162	2.7
Ultra Electronics	Aerospace & Defence	4,129	2.7
Sanne	Financial Services	3,727	2.5
NCC	Software & Computer Services	3,642	2.4
Hilton Food	Food Producers	3,486	2.3
SDL	Software & Computer Services	3,441	2.3
Keywords Studios ^{AIM}	Leisure Goods	3,223	2.1
RWS ^{AIM}	Support Services	3,101	2.0
Hill & Smith	Industrial Engineering	3,013	2.0
CLS	Real Estate Investment & Services	2,851	1.9
Kainos	Software & Computer Services	2,835	1.9
Brooks Macdonald ^{AIM}	Financial Services	2,767	1.8
Aptitude Software	Software & Computer Services	2,746	1.8
Johnson Service ^{AIM}	Support Services	2,651	1.8
Vectura	Pharmaceuticals & Biotechnology	2,636	1.7
Restore ^{AIM}	Support Services	2,568	1.7
St. Modwen Properties	Real Estate Investment & Services	2,442	1.6
Coats	General Industrials	2,357	1.6
discoverIE	Electronic & Electrical Equipment	2,266	1.5
VP	Support Services	2,263	1.5
Polypipe	Construction & Materials	2,177	1.4
James Fisher and Sons	Industrial Transportation	2,153	1.4
Hollywood Bowl	Travel & Leisure	2,146	1.4
FDM	Software & Computer Services	2,038	1.4
Young & Co's Brewery - Non-Voting ^{AIM}	Travel & Leisure	2,004	1.3
Knights ^{AIM}	Support Services	2,002	1.3
		95,900	63.2
Other Investments (48)		55,948	36.8
Total Investments (78)		151,848	100.0

^{AIM} Investments quoted on AIM.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS TO 31 JUL 2020			SIX MONTHS TO 31 JUL 2019		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Loss)/profit on investments held at fair value	—	(46,740)	(46,740)	—	23,749	23,749
Income – note 2	501	—	501	2,021	—	2,021
	501	(46,740)	(46,239)	2,021	23,749	25,770
Investment management fees – note 3	(89)	(503)	(592)	(98)	(556)	(654)
Other expenses	(184)	(2)	(186)	(182)	(3)	(185)
(Loss)/profit before finance costs and taxation	228	(47,245)	(47,017)	1,741	23,190	24,931
Finance costs – note 3	—	(3)	(3)	(1)	(3)	(4)
(Loss)/profit before taxation	228	(47,248)	(47,020)	1,740	23,187	24,927
Taxation – note 4	—	—	—	—	—	—
(Loss)/profit after taxation	228	(47,248)	(47,020)	1,740	23,187	24,927
Return per ordinary share	0.67p	(139.67)p	(139.00)p	5.30p	70.58p	75.88p
Weighted average number of ordinary shares in issue during the period			33,826,929			32,851,929

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The (loss)/profit after taxation is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the period.

CONDENSED BALANCE SHEET

Registered number 2129187

	AT 31 JUL 2020 £'000	AT 31 JAN 2020 £'000
Non-current assets		
Investments held at fair value through profit or loss	151,848	199,973
Current assets		
Amounts due from brokers	633	—
Prepayments and accrued income	102	420
Cash and cash equivalents	2,228	5,493
	2,963	5,913
Total assets	154,811	205,886
Current liabilities		
Amounts due to brokers	(195)	(435)
Accruals	(148)	(208)
	(343)	(643)
Net assets	154,468	205,243
Capital and reserves		
Share capital	10,642	10,642
Share premium	22,366	22,366
Capital redemption reserve	3,386	3,386
Capital reserve	117,846	167,973
Revenue reserve	228	876
Shareholders' funds	154,468	205,243
Net asset value per ordinary share	456.64p	606.74p
Number of 20p ordinary shares in issue at the period end - note 6	33,826,929	33,826,929

CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS TO 31 JUL 2020 £'000	SIX MONTHS TO 31 JUL 2019 £'000
Cash flow from operating activities		
(Loss)/profit before finance costs and taxation	(47,017)	24,931
Adjustments for:		
Purchases of investments	(26,287)	(20,405)
Sales of investments	26,799	20,540
	512	135
Loss/(profit) on investments held at fair value	46,740	(23,749)
Decrease in receivables	318	179
Decrease in payables	(60)	(881)
Net cash inflow from operating activities after taxation	493	615
Cash flow from financing activities		
Finance cost paid	(3)	(3)
Dividends paid – note 5	(3,755)	(3,712)
Net cash outflow from financing activities	(3,758)	(3,715)
Net decrease in cash and cash equivalents	(3,265)	(3,100)
Cash and cash equivalents at start of the period	5,493	10,399
Cash and cash equivalents at the end of the period	2,228	7,299
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:		
Cash held at custodian	118	39
Invesco Liquidity Funds plc – Sterling	2,110	7,260
Cash and cash equivalents	2,228	7,299
Cash flow from operating activities includes:		
Dividends received	823	2,205

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 2020						
At 31 January 2020	10,642	22,366	3,386	167,973	876	205,243
Total comprehensive loss for the period	—	—	—	(47,248)	228	(47,020)
Dividends paid – note 5	—	—	—	(2,879)	(876)	(3,755)
At 31 July 2020	10,642	22,366	3,386	117,846	228	154,468
For the six months ended 31 July 2019						
At 31 January 2019	10,642	21,244	3,386	121,880	1,133	158,285
Total comprehensive income for the period	—	—	—	23,187	1,740	24,927
Dividends paid – note 5	—	—	—	(2,579)	(1,133)	(3,712)
At 31 July 2019	10,642	21,244	3,386	142,488	1,740	179,500

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 Company's 2020 annual financial report. They have been prepared on an historical cost basis, in accordance with the applicable International Financial Reporting Standards (IFRS), as adopted by the European Union 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 October 2019.

2. Income

SIX MONTHS ENDED	31 JUL	31 JUL
	2020	2019
	£'000	£'000
Income from listed investments:		
UK dividends	387	1,791
Overseas dividends	114	188
Special dividends	—	42
	501	2,021

3. Management Fees and Finance Costs

Investment management fees and finance costs are allocated 15% to revenue and 85% to capital.

A base management fee is payable monthly in arrears and is calculated at the rate of 0.75% (2019: 0.75%) per annum by reference to the Company's gross funds under management.

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 paid on Ordinary Shares

SIX MONTHS ENDED	31 JUL 2020		31 JUL 2019	
	RATE	£'000	RATE	£'000
Third interim	3.75p	1,268	3.65p	1,199
Final	7.35p	2,487	7.65p	2,513
Total	11.10p	3,755	11.30p	3,712

Dividends paid in the period have been charged to revenue except for £2,879,000 which was charged to capital reserves (six months to 31 July 2019: £2,579,000).

The first interim dividend of 3.75p per ordinary share (2019: 3.75p) was paid on 3 September 2020 to shareholders on the register on 7 August 2020.

6. Share capital

	SIX MONTHS TO 31 JUL 2020	YEAR TO 31 JAN 2020
Share capital:		
Ordinary shares of 20p each (£'000)	6,765	6,765
Treasury shares of 20p each (£'000)	3,877	3,877
	10,642	10,642
Number of ordinary shares in issue:	33,826,929	33,826,929

7. Classification Under Fair Value Hierarchy

Note 17 of the Company's 2020 annual financial report sets out the basis of classification.

As at 31 July 2020, the majority of the Company's portfolio was composed of quoted (Level 1) investments. Berry Starquest Limited (dormant subsidiary) was the only Level 3 investment valued at £100 (31 January 2020: £100).

8. 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, 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 2019 and 31 July 2020 has not been audited. The figures and financial information for the year ended 31 January 2020 are extracted and abridged from the latest audited 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 October 2020

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.

Jane Lewis

Chairman

13 October 2020

ALTERNATIVE PERFORMANCE MEASURE (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The calculations shown in the corresponding tables are for the six months ended 31 July 2020 and the year ended 31 January 2020. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability.

Benchmark (or Benchmark Index)

A market index, which averages the performance of companies in any sector, giving a good indication of any rises or falls in the market. The benchmark used in these accounts is the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested. This index does not include AIM stocks.

(Discount)/Premium (APM)

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

		31 JUL 2020	31 JAN 2020
Share price	a	390.00p	606.00p
Net asset value per share	b	456.64p	606.74p
Discount	$c = (a-b)/b$	(14.6)%	(0.1)%

Gearing

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

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

Gross Gearing (APM)

This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of net assets. As at 31 July 2020 the Company had no gross borrowings (31 January 2020: £nil).

		31 JUL 2020	31 JAN 2020
Bank overdraft facility		£'000	£'000
Gross borrowings	a	—	—
Net asset value	b	154,468	205,243
Gross gearing	$c = a/b$	nil	nil

Net Gearing or Net Cash (APM)

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

		31 JUL 2020	31 JAN 2020
Bank overdraft facility		£'000	£'000
Less: cash and cash equivalents		(2,228)	(5,493)
Net borrowings/(cash)	a	(2,228)	(5,493)
Net asset value	b	154,468	205,243
Net gearing/(net cash)	$c = a/b$	(1.4)%	(2.7)%

Maximum Authorised Gearing

This reflects the maximum authorised borrowings of a company taking into account both any gearing limits laid down in the investment policy and the maximum borrowings laid down in covenants under any borrowing facility and is calculated as follows:

		31 JUL 2020	31 JAN 2020
Maximum authorised borrowings as laid down in:		£'000	£'000
Investment policy:			
– lower of 30% of net asset value; and	a = 30% x e	46,340	61,573
– £25m	b	25,000	25,000
Bank facility covenants: lower of 30% of net asset value and £15m	c	15,000	15,000
Maximum authorised borrowings	d = lower of a, b and c	15,000	15,000
Net asset value	e	154,468	205,243
Maximum authorised gearing	f = d/e	9.7%	7.3%

Net Asset Value (NAV)

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

Return

The return generated in a period from the investments, including the increase and decrease in the value of investments over time and the income received.

Total Return

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

Net Asset Value Total Return (APM)

Total return on net asset value per share, with debt at market value, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Share Price Total Return (APM)

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

		NET ASSET VALUE	SHARE PRICE
SIX MONTHS ENDED 31 JULY 2020			
As at 31 Jul 2020		456.64p	390.00p
As at 31 Jan 2020		606.74p	606.00p
Change in period	a	–24.7%	–35.6%
Impact of dividend reinvestments ⁽¹⁾	b	1.7%	1.6%
Total return for the period	$c = a+b$	–23.0%	–34.0%

		NET ASSET VALUE	SHARE PRICE
YEAR ENDED 31 JAN 2020			
As at 31 Jan 2020		606.74p	606.00p
As at 31 Jan 2019		481.81p	465.00p
Change in year	a	25.9%	30.3%
Impact of dividend reinvestments ⁽¹⁾	b	4.5%	4.9%
Total return for the year	$c = a+b$	+30.4%	+35.2%

⁽¹⁾ Total dividends paid during the six months to 31 July 2020 of 11.10p (31 January 2020: 18.80p) reinvested at the NAV or share price on the ex-dividend date. NAV or share price falls subsequent to the reinvestment date consequently further reduce the returns, vice versa if the NAV or share price rises.

Benchmark

Total return on the benchmark is on a mid-market value basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

DIRECTORS, ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Directors

Jane Lewis (Chairman of the Board and Nomination Committee)
Christopher Fletcher (Chairman of the Management Engagement Committee and Senior Independent Director)
Bridget Guerin
Graham Paterson (appointed as Chairman of the Audit Committee on 11 June 2020)
Richard Brooman (retired 11 June 2020)

Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited

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Registered in England and Wales No. 02129187

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Invesco Client Services

Invesco's Client Services Team is available from 8.30 am to 6.00pm Monday to Friday (excluding UK bank holidays).

Please note no investment advice can be given.

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Registrar

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If you hold your shares directly and not through a savings scheme or ISA and have queries relating to your shareholding you should contact the Registrar on: ☎ 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider.

Link Asset Services provides an on-line and telephone share dealing services to existing shareholders who are not seeking advice on buying or selling. This service is available at www.linksharedeal.com or ☎ 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider.

Calls from outside the UK will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm Monday to Friday (excluding Bank Holidays in England and Wales).

Shareholders holding shares directly can also access their holding details via Link's website www.signalshares.com

Manager's Website

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

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 financial report.

General Data Protection Regulation

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