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# The Edinburgh Investment Trust plc

Half-Yearly Financial Report

Six Months to 30 September 2017



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## Investment Objective

The Edinburgh Investment Trust plc is an investment trust whose investment objective is to invest primarily in UK securities with the long term objective of achieving:

1. an increase of the Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation.

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the portfolio in securities listed on stock exchanges outside the UK. The portfolio is selected on the basis of assessment of fundamental value of individual securities and is not structured on the basis of industry weightings.

## Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 11 of the Company's 2017 annual financial report), with the aim of spreading investment risk and generating a return for shareholders.

The Company uses borrowing to enhance returns to shareholders. This increases the risk to shareholders should the value of investments fall.

The Company has contracted with an external investment manager, Invesco Fund Managers Limited (the 'Manager'), to manage its investments and to provide the Company's general administration. Other administrative functions are contracted to other external service providers. The Company has a Board of non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment objective and policy is adhered to. The Company has no employees.

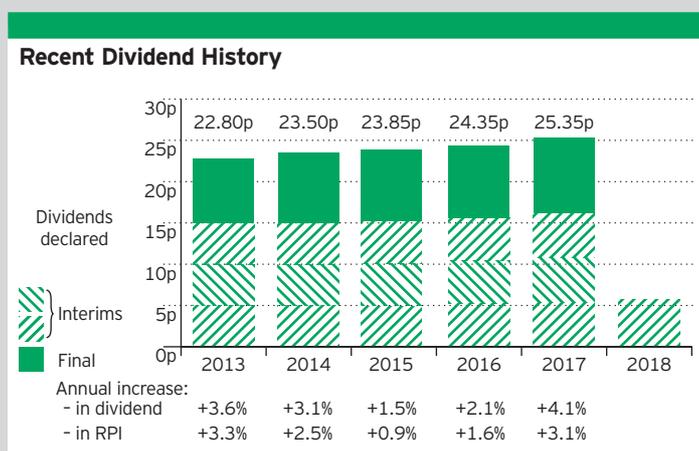
**The Company's ordinary shares and debenture qualify to be considered as mainstream investment products suitable for promotion to retail investors. The Company's ordinary shares are eligible for investment in an ISA.**

## Performance Statistics

	<b>Six months to 30 September 2017</b>		
	<b>% Change</b>		
<b>Total Return<sup>(1)</sup> (capital growth with income reinvested)</b>			
Net asset value (NAV) total return - debt at market value	+0.3		
Share price total return	-0.6		
FTSE All-Share Index total return	+3.6		
The Company's benchmark is the FTSE All-Share Index.			
	<b>At 30 September 2017</b>	<b>At 31 March 2017</b>	<b>% Change</b>
<b>Capital Return</b>			
Net asset value - debt at market value	759.87p	768.81p	-1.2
Share price <sup>(1)</sup>	695.50p	713.50p	-2.5
FTSE All-Share Index <sup>(1)</sup>	4049.89	3990.00	+1.5
<b>Discount</b> - debt at market value	8.5%	7.2%	
<b>Gearing</b> (debt at market value) - gross gearing <sup>(2)</sup>	14.5%	15.9%	
- net gearing <sup>(3)</sup>	14.4%	15.7%	
<b>Retail Price Index<sup>(1)</sup></b> - annual change	3.9%	3.1%	
	<b>2017</b>	<b>2016</b>	<b>% Change</b>
<b>Six months to 30 September</b>			
<b>Revenue Return</b>			
Revenue return per share	16.9p	13.9p	+21.6
First interim dividend <sup>(4)</sup>	5.8p	5.4p	+7.4



Source: Thomson Reuters Datastream.



Source: Thomson Reuters Datastream.

#### Notes:

1. Source: Thomson Reuters Datastream.
2. Gross gearing: borrowings ÷ NAV debt at market value (both with debt at market value).
3. Net gearing: borrowings less cash and cash equivalents ÷ NAV (both with debt at market value).
4. Dividends declared in respect of the financial year.

## Chairman's Statement

These six month results are reported following the surprise outcome of the UK general election in June and a backdrop of uncertainties arising from Brexit, with its difficult negotiations. Further from home, the political scene is more stable with the economic recovery in Europe. However, political uncertainties have arisen from the Trump administration in the US, together with that country's growing tensions with North Korea. The consequences of these events, whether favourable or not, are likely to dominate the political and economic landscape for some years to come.

Sterling fell sharply following the result of the UK general election which created some divergence in the performance of internationally exposed companies relative to more domestically orientated businesses. Our portfolio manager Mark Barnett, with an unchanged strategy, continues to focus on the long term fundamentals of the companies he invests in. His Portfolio Manager's Report gives an overall market review, together with a review of major portfolio changes during the six months.

### Performance

The Company produced a positive net asset value (NAV) total return for the six months to 30 September 2017 of 0.3% (with debt at market value). However, this performance was behind that of the FTSE All-Share Index, the Company's benchmark, which returned 3.6%. The share price total return (share price with dividends reinvested) for the period was -0.6%, with the Company's share price ending the period at 695.5p, a decrease of 2.5% from the year end share price of 713.5p. Performance was hindered by problems at one of the portfolio's large holdings - Provident Financial - as the portfolio manager explains in his report.

The discount of the NAV to the share price widened from 7.2% at the year end to 8.5% on 30 September 2017, reflecting the widening of discounts across the sector in the period. At 21 November 2017, the share price of 692.0p was at a 8.2% discount to the NAV of 753.5p (the latest practical date prior to signing this report).

### Dividend

As in previous years, the Board continues its aim to rebalance the interim and final dividends towards the interims, whilst simultaneously aiming to at least maintain the final dividend. Consequently, the Board has declared a first interim dividend of 5.8p (2016: 5.4p), an increase of 7.4%. This will be paid on 30 November 2017 to shareholders on the register on 17 November 2017, with shares quoted ex-dividend on 16 November 2017.

The Board, and the portfolio manager, remain cognisant of the Company's objective to grow the dividend payable to shareholders by more than the rate of UK inflation over the long term.

### Borrowings and Gearing

The Company has in place a mixture of fixed and floating rate debt. The former is the Company's £100 million 7¾% debenture which matures in 2022 and the latter a £150 million, 364 day bank credit facility. By this means, Mark has the ability to vary the gearing level of the portfolio depending on his view of the market. During the period under review aggregate borrowings ranged between £187 million and £232 million, and ended the period at £189 million - equivalent to gross gearing of 14.5%.

### Board Succession

As I said in my letter to shareholders dated 13 July 2017, I am very pleased that the Board has appointed Glen Suarez to succeed me as Chairman on my retirement and this will take effect from today. Glen has a wide experience of the financial services sector and has already made a substantial contribution to the Company since joining the Board in 2013. It is the Board's view that Glen has the necessary skills and experience to steer the Company going forward. I am confident that I leave the Company in good hands with Glen and my fellow Directors.

### Outlook

The ongoing Brexit negotiations, recent election results across Europe and continued higher levels of inflation driven in large part by weaker sterling present a continued theme of uncertain market conditions.

The Board remains confident that Mark's high conviction approach to investment, driven by fundamental careful stock selection, remains the correct approach for such uncertain times. This approach will inevitably lead to periods in which portfolio performance diverges from that of the benchmark FTSE All-Share Index, as we have seen over this period, and therefore may result in periods of underperformance, particularly in sharply rising, momentum driven markets. However, Mark's focus, as has been the case in the past, remains on adding significant value by owning businesses which are undervalued by the market, and are able to deliver dividend growth, which ultimately drives positive total returns over the long term.

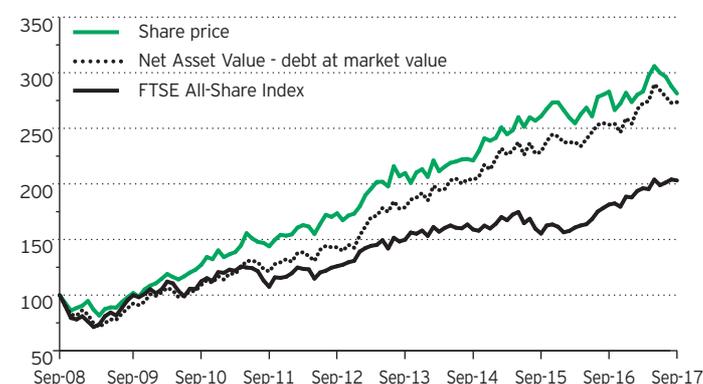
### Jim Pettigrew

Chairman

22 November 2017

## Total Returns Since Appointment of Invesco Perpetual on 15 September 2008

Figures rebased to 100 at 15 September 2008.



Source: Thomson Reuters Datastream.

The portfolio continues to be concentrated in a relatively small number of stocks and sectors and its overweight or underweight positions in various sectors will be material drivers of the Company's relative investment performance.

## Total Returns to 30 September 2017

	6 mths	1 yr	2 yr	3 yr	5 yr	10 yr
NAV (debt at market value) (%)	0.3	8.0	19.6	34.2	91.2	125.0
Share Price (%)	-0.6	-0.6	7.9	27.3	62.1	129.1
FTSE All-Share Index (%)	3.6	11.9	30.8	27.8	61.2	75.2

Source: Thomson Reuters Datastream.

## Portfolio Manager's Report

### Market Review

The recent six-month period has been dominated by two distinct forces - the turbulent political environment and the improving global economy. The combination of these two differing factors led to increased polarisation of sector performance in the UK stock market.

The FTSE 100 Index reached a record high in early June, led by a rally in the oil and mining sectors, and sterling fell in response to the surprise outcome of the UK general election. However, into the second half of the period, growing tensions between the United States of America and North Korea led to nervousness in global equity markets. Renewed strength in sterling, as Brexit negotiations saw a two-year transitional deal suggested by the Prime Minister and the Bank of England hinted that it would raise interest rates in November, further dampened the progress of the UK equity market.

### Portfolio Strategy and Review

The Company's net asset value, including reinvested dividends, rose by 0.3% during the period under review, compared with a return of 3.6% (total return) by the FTSE All-Share Index.

The portfolio's performance was most negatively impacted over the period by its holding in Provident Financial. The company issued a profit warning in August, downgrading earnings forecasts for its Consumer Credit Division from a profit of £115 million to a loss of between £80-120 million for the year to 31 December 2017. Additionally, the business announced that subsidiary Vanquis Bank is co-operating with an FCA investigation into its Repayment Option Plan ancillary product and the resignation of its formerly well-regarded chief executive. The business as a whole remains profitable, although no dividend will be payable for the current financial year.

Very regular contact with the company, including a visit to its head office in Bradford, has provided reassurance that, while the home-collected credit business has been damaged, this is not irretrievable and that there is a long term future for that business. There is no certainty on the timing or outcome of the FCA review of Vanquis, but it is noteworthy here that, in providing the Vanquis credit card, Provident Financial provides a valuable service to the under-served sub-prime segment of the population.

The portfolio's holdings in the tobacco sector - Altria, British American Tobacco (BAT), Imperial Brands and Reynolds American - have delivered strongly positive performance over a very long period. However, they detracted over the past six months, despite the successful conclusion by BAT of the acquisition of Reynolds American in a part shares, part cash deal. The combined entity is well positioned to exploit next generation products, particularly in the key US market. The stock market focused on plans announced by the US Food and Drug Administration to launch a consultation on lowering nicotine levels in cigarettes. This regulation may be expected to take some time to come to fruition, but this is an industry accustomed to dealing with headwinds. In the meantime, the companies' combined focus on pricing power, cash conversion and product innovation should continue to provide a reliable source of income.

The negatives above outweighed and overshadowed strong performances from elsewhere in the portfolio. This included companies whose share prices were previously hurt by their exposure to the fall in sterling and perceived challenges to the UK economy - and which had performed poorly in the previous year in the aftermath of the UK referendum and US election. Advantage had been taken of the share price weakness to add to holdings, believing that the sterling fall was excessive, that the implications for sector performance were being over-simplified and that share prices could react positively to a minor improvement in the prevailing stock market sentiment.

Amongst these, holdings in Next, easyJet, Legal & General, Thomas Cook and BCA Marketplace all delivered strongly positive performances over the period. Next saw its shares rise strongly on comments of a "somewhat less challenging" outlook for the business, with growth of its on-line Directory business picking up pace. easyJet also surprised the stock market with a better-than-expected trading statement, while Thomas Cook delivered robust share price performance following an update which indicated growth across multiple regions, with a notable rise in customer demand for Turkey following the 2016 terrorist attacks. BCA Marketplace confirmed that its core auction-related vehicle remarketing division has traded well this year, while its vehicle buying division, led by the WeBuyAnyCar brand, was delivering "sustained double digit volume growth".

Other holdings to perform well during the recent period included those which have been more consistent long term performers. Burford Capital's impressive progress in litigation finance continued unabated, with the company demonstrating an impressive ability to deliver good returns in a growing market, while investing its asset base and diversifying into fund management. HomeServe confirmed it is successfully expanding its home emergency and repair services business from its core UK market into the high growth potential of the US. London Stock Exchange shrugged off a brief share price fall on the feared impact of Brexit and the failure of its proposed merger with Deutsche Borse - and delivered strong organic growth, benefiting from inflows into passive products and rising demand for benchmarking, data and analytics. Compass's dominant global position in contract catering saw it growing fast in the still relatively untapped US market. Rentokil Initial's shares continued to rise as the company focuses on the structural growth opportunities in its highly profitable pest control division.

In terms of portfolio activity during period, new investments were made in Assura, a real estate investment trust specialising in healthcare property; the company is one of the major investors in GP surgeries where rents are set either in relation to inflation or other centrally determined benchmarks. As a result, the future income streams appear robust. Eddie Stobart Logistics was a new holding. The company operates a large fleet of trucks and other logistics services on a shared user basis which generates market-leading profit margins. Royal Dutch Shell 'A' was added to the portfolio during the period. Like BP, the company is now demonstrating that it can cover the cash costs of investment, operations and its dividend at an oil price of \$50 per barrel or below. As mentioned earlier, the holding in Reynolds American was taken over by BAT, with the portfolio receiving a mix of BAT shares and cash. The holdings in Game Digital, N Brown and SSE were sold. Game and N Brown have continued to experience displacement of their traditional retail products by digital or on-line new entrants and as a result their long term prospects were reassessed. SSE was sold to release cash for new investment opportunities but also with a view to the deteriorating risk outlook for politically sensitive utilities in the current climate.

### Outlook

The performance of the UK stock market will continue to be dominated by the countervailing forces of better than expected global economic growth and ongoing UK domestic political concerns. A sense of complacency may now exist over the global growth outlook, which has led to narrow but rising market levels, low volumes of shares traded and little volatility in share prices. This positive backdrop has also led to a renewed belief in a so called "goldilocks" environment, where the key economic variables of growth, inflation and interest rates are set up to sustain a perfect environment for rising stock markets. This may prove to be the case over the near-term, and is certainly illustrated by the further fall in market volatility, but this kind of stock market status quo does not tend to last too long. It is also worth remembering that a combination of high valuations in certain sectors, shifting monetary policy and a volatile geopolitical environment may still provide a catalyst which alters this bullish global outlook.

## Strategy

By contrast, the market seems incapable of looking beyond the uncertainty of the Brexit negotiations when it comes to valuing sterling assets which, by historic standards, are now heavily discounted. Again, this seems unlikely to persist for long.

The best performing sectors this year have been those most exposed to this bullish global scenario, which has created opportunities to invest within the more domestically exposed sectors that have performed poorly and which look undervalued. The focus of the portfolio has been steered towards these sectors over recent months. As previously mentioned, there is an apparent strong consensus pessimism about the outlook for the UK economy, despite recent data points indicating a continuation of current growth trends. Although a materially improved domestic outlook may be unlikely, there should be some respite from the pressure on real incomes as elevated inflation levels decline next year and wages continue to grow. This gives us confidence that an excessively bearish view is already reflected in domestic share prices.

If we proceed cautiously through employing a well-tested investment process based on fundamental company analysis and a prudent approach to valuation, there are opportunities for profitable investment in this market which provide a rising flow of dividend income and should protect capital in the event of more volatile market conditions.

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**Mark Barnett**

Portfolio Manager

**James Goldstone**

Deputy Portfolio Manager

22 November 2017

### Principal Risks and Uncertainties

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

- **Market Risk** - a fall in the stock market as a whole will affect the performance of the portfolio, as well as the performance of individual portfolio investments; it also includes interest rate and currency risks; market risk may be impacted by increased volatility during the period of uncertainty arising from the Brexit negotiations;
- **Investment Performance Risk** - this is the stock specific risk that the stock selection process may not achieve the Company's published objectives;
- **Gearing and Borrowing Risk** - in addition to the debenture in issue, the Company may also borrow money for investment purposes. If the investments fall in value, the gearing will have an adverse impact on performance. If the borrowing facility could not be renewed, the Company might have to sell investments to repay this;
- **Income/Dividend Risk** - investment income may fail to reach the level required to meet the Company's income objective;
- **Share Price Risk** - the Company's prospects and NAV may not be fully reflected in the share price;
- **Control Systems Risk** - the Board relies on the effectiveness of the Manager's control systems which include control activities in fund management operations, financial controls, meeting regulatory requirements and managing relations with third parties;
- **Reliance on Manager and other Third Party Providers Risk** - the Company has no employees, so is reliant upon the performance of third party service providers for it to function, particularly the Manager, depositary, custodian and registrar; and
- **Other Risks** - the Company may be affected by other risks such as business, cyber security, strategic, policy and political risks, as well as regulatory risks (such as an adverse change in the tax treatment of investment companies) and the perceived impact of the Manager ceasing to be involved with the Company.

A detailed explanation of these principal risks and uncertainties can be found on pages 13 to 16 of the 2017 annual financial report, which is available on the Company's section of the Manager's website at [www.invescooperpetual.co.uk/edinburgh](http://www.invescooperpetual.co.uk/edinburgh).

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

As highlighted in the annual financial report, the Manager's style may result in a concentrated portfolio. In addition, the Manager manages other portfolios holding many of the same stocks as the Company which reflects the Manager's high conviction style of investment management. This could potentially increase liquidity risk under certain scenarios and market conditions.

## Investments in Order of Valuation at 30 September 2017

UK listed ordinary shares unless otherwise stated.

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

Company	Activity by Sector	Market value £'000	% of Portfolio
British American Tobacco	Tobacco	128,707	7.6
BP	Oil & Gas Producers	84,214	5.0
BAE Systems	Aerospace & Defence	63,081	3.7
AstraZeneca	Pharmaceuticals & Biotechnology	63,056	3.7
Imperial Brands	Tobacco	61,240	3.6
Legal & General	Life Insurance	60,409	3.6
Altria - US common stock	Tobacco	56,761	3.3
Roche - Swiss common stock	Pharmaceuticals & Biotechnology	49,621	2.9
RELX	Media	48,475	2.9
Next	General Retailers	46,145	2.7
<b>Ten Top Holdings</b>		<b>661,709</b>	<b>39.0</b>
Aviva	Life Insurance	46,125	2.7
Hiscox	Non-life Insurance	45,849	2.7
BT	Fixed Line Telecommunications	45,037	2.6
Burford Capital <sup>AIM</sup>	Financial Services	44,357	2.6
Compass	Travel & Leisure	40,612	2.4
Royal Dutch Shell - A shares	Oil & Gas Producers	40,530	2.4
BTG	Pharmaceuticals & Biotechnology	38,589	2.3
Novartis - Swiss common stock	Pharmaceuticals & Biotechnology	37,230	2.2
Rentokil Initial	Support Services	37,189	2.2
NewRiver REIT	Real Estate Investment Trusts	35,959	2.1
<b>Twenty Top Holdings</b>		<b>1,073,186</b>	<b>63.2</b>
G4S	Support Services	35,745	2.1
Derwent London	Real Estate Investment Trusts	35,573	2.1
easyJet	Travel & Leisure	34,713	2.0
Babcock International	Support Services	34,248	2.0
BCA Marketplace	Financial Services	32,684	1.9
Shaftesbury	Real Estate Investment Trusts	30,507	1.8
HomeServe	Support Services	30,269	1.8
Beazley	Non-life Insurance	29,767	1.7
Capita	Support Services	25,804	1.5
Drax	Electricity	24,774	1.5
<b>Thirty Top Holdings</b>		<b>1,387,270</b>	<b>81.6</b>

## Investments in Order of Valuation *continued*

Company	Activity by Sector	Market value £'000	% of Portfolio
London Stock Exchange	Financial Services	24,343	1.4
Provident Financial	Financial Services	22,227	1.3
Thomas Cook	Travel & Leisure	21,257	1.2
TalkTalk Telecom	Fixed Line Telecommunications	18,054	1.1
Lancashire	Non-life Insurance	18,051	1.1
Centrica	Gas, Water & Multiutilities	17,125	1.0
IP Group	Financial Services	16,869	1.0
Assura	Real Estate Investment Trusts	16,693	1.0
Zegona Communications	Non-Equity Investment Instruments	16,156	0.9
CLS	Real Estate Investment & Services	15,796	0.9
<b>Forty Top Holdings</b>		<b>1,573,841</b>	<b>92.5</b>
Secure Trust Bank	Banks	15,127	0.9
KCOM	Fixed Line Telecommunications	14,661	0.9
Honeycomb Investment Trust	Equity Investment Instruments	14,509	0.8
Redde <sup>AIM</sup>	Financial Services	14,370	0.8
Eddie Stobart Logistics <sup>AIM</sup>	Industrial Transportation	13,650	0.8
P2P Global Investments	Equity Investment Instruments	12,881	0.8
Raven Russia - <i>Ordinary</i> - <i>Preference</i>	Real Estate Investment & Services	6,912 3,899 10,811	0.6
Vectura	Pharmaceuticals & Biotechnology	7,668	0.5
Funding Circle SME - <i>Ordinary</i> - <i>C shares</i>	Equity Investment Instruments	3,474 2,886 6,360	0.4
VPC Specialty Lending Investments	Financial Services	6,250	0.4
<b>Fifty Top Holdings</b>		<b>1,690,128</b>	<b>99.4</b>
Hadrian's Wall Secured Investments - <i>Ordinary</i> - <i>C shares</i>	Equity Investment Instruments	4,201 1,399 5,600	0.3
Circassia Pharmaceuticals	Pharmaceuticals & Biotechnology	4,454	0.3
Eurovestech - <i>Unquoted</i>	Financial Services	420	-
Barclays Bank - <i>Nuclear Power Notes 28 Feb 2019</i>	Non-Equity Investment Instruments	9	-
<b>Total Holdings (54)</b>		<b>1,700,611</b>	<b>100.0</b>

### Going Concern

These 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 being at least 12 months after the date of approval of these half year financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments, and the ability of the Company to meet all its liabilities and ongoing expenses from its assets and revenue. The Directors also considered the revenue forecasts for the forthcoming year and future dividend payments in concluding that the going concern basis is appropriate.

### Related Party Transactions

Under UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified the Directors as related parties. No other related parties have been identified. No transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

### Directors' Responsibility Statement

#### In respect of the preparation of the half-yearly financial report

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

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with the FRS 104 *Interim Financial Reporting*; and
- the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules (DTR):
  - (a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors.

**Jim Pettigrew**  
Chairman

22 November 2017

### Independent Review Report

#### Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the condensed income statement, the condensed reconciliation of movements in shareholders' funds, the condensed balance sheet and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with FRS 104 *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

#### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with FRS 104 *Interim Financial Reporting*.

#### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

#### The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

#### Catherine Burnet

for and on behalf of KPMG LLP  
Chartered Accountants  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

22 November 2017

## Condensed Income Statement

	Six Months To 30 September 2017 (Unaudited)			Six Months To 30 September 2016 (Unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	-	(19,668)	(19,668)	-	66,948	66,948
Foreign exchange losses	-	(401)	(401)	-	(68)	(68)
Income - note 2	36,422	492	36,914	30,681	546	31,227
	36,422	(19,577)	16,845	30,681	67,426	98,107
Investment management fee - note 3	(1,183)	(2,760)	(3,943)	(1,130)	(2,638)	(3,768)
Other expenses	(456)	(1)	(457)	(447)	(1)	(448)
<b>Net return before finance costs and taxation</b>	<b>34,783</b>	<b>(22,338)</b>	<b>12,445</b>	<b>29,104</b>	<b>64,787</b>	<b>93,891</b>
Finance costs - note 3	(1,365)	(3,186)	(4,551)	(1,389)	(3,242)	(4,631)
<b>Return on ordinary activities before taxation</b>	<b>33,418</b>	<b>(25,524)</b>	<b>7,894</b>	<b>27,715</b>	<b>61,545</b>	<b>89,260</b>
Tax on ordinary activities - note 4	(368)	-	(368)	(433)	-	(433)
<b>Return on ordinary activities after taxation for the financial period</b>	<b>33,050</b>	<b>(25,524)</b>	<b>7,526</b>	<b>27,282</b>	<b>61,545</b>	<b>88,827</b>
<b>Return per ordinary share - basic</b>	<b>16.9p</b>	<b>(13.1)p</b>	<b>3.8p</b>	<b>13.9p</b>	<b>31.5p</b>	<b>45.4p</b>
<b>Number of ordinary shares in issue during the period</b>			<b>195,666,734</b>			<b>195,666,734</b>

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

## Condensed Reconciliation of Movements in Shareholders' Funds

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
<b>For the six months ended 30 September 2017 (Unaudited)</b>						
At 31 March 2017	48,917	10,394	24,676	1,376,475	74,719	1,535,181
Dividends paid - note 5	-	-	-	-	(28,470)	(28,470)
Net return on ordinary activities	-	-	-	(25,524)	33,050	7,526
<b>At 30 September 2017</b>	<b>48,917</b>	<b>10,394</b>	<b>24,676</b>	<b>1,350,951</b>	<b>79,299</b>	<b>1,514,237</b>
<b>For the six months ended 30 September 2016 (Unaudited)</b>						
At 31 March 2016	48,917	10,394	24,676	1,239,847	68,483	1,392,317
Dividends paid - note 5	-	-	-	-	(27,296)	(27,296)
Net return on ordinary activities	-	-	-	61,545	27,282	88,827
<b>At 30 September 2016</b>	<b>48,917</b>	<b>10,394</b>	<b>24,676</b>	<b>1,301,392</b>	<b>68,469</b>	<b>1,453,848</b>

## Condensed Balance Sheet

Registered number SC1836	At 30 September 2017 (Unaudited) £'000	At 31 March 2017 (Audited) £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	1,700,611	1,731,265
<b>Current assets</b>		
Amounts due from brokers	-	7,252
Prepayments and accrued income	1,990	4,159
Tax recoverable	1,475	1,486
Cash and cash equivalents	1,175	3,230
	<b>4,640</b>	<b>16,127</b>
<b>Creditors: amounts falling due within one year</b>		
Amounts due to brokers	(2,384)	(3,004)
Bank facility	(89,000)	(109,700)
Accruals	(885)	(888)
	<b>(92,269)</b>	<b>(113,592)</b>
<b>Net current liabilities</b>	<b>(87,629)</b>	<b>(97,465)</b>
<b>Total assets less current liabilities</b>	<b>1,612,982</b>	<b>1,633,800</b>
<b>Creditors: amounts falling due after more than one year</b>		
7¾% Debenture Stock 30 Sep 2022	(98,745)	(98,619)
<b>Net assets</b>	<b>1,514,237</b>	<b>1,535,181</b>
<b>Capital and reserves</b>		
Share capital	48,917	48,917
Share premium	10,394	10,394
Capital redemption reserve	24,676	24,676
Capital reserve	1,350,951	1,376,475
Revenue reserve	79,299	74,719
<b>Shareholders' funds</b>	<b>1,514,237</b>	<b>1,535,181</b>
<b>Net asset value per ordinary share - note 6</b>		
Debt at par	773.24p	783.88p
Debt at market value	759.87p	768.81p
<b>Number of 25p ordinary shares in issue at the period end</b>	<b>195,666,734</b>	<b>195,666,734</b>

## Notes to the Condensed Financial Statements

### 1. Accounting Policies

The condensed financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, FRS 104 *Interim Financial Reporting* and the Statement of Recommended Practice *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. The financial statements are issued on a going concern basis.

The accounting policies applied to these condensed financial statements are consistent with those applied in the financial statements for the year ended 31 March 2017.

### 2. Income

	Six Months to 30 Sept 2017 (Unaudited) £'000	Six Months to 30 Sept 2016 (Unaudited) £'000
<b>Income from listed investments</b>		
UK dividends - ordinary	28,529	26,392
UK dividends - special	2,545	-
Overseas dividends - ordinary	4,210	3,718
Unfranked investment income	1,132	567
Income from money market funds	3	3
	<b>36,419</b>	<b>30,680</b>
<b>Other income</b>		
Deposit interest	3	1
<b>Total income</b>	<b>36,422</b>	<b>30,681</b>

Special dividends of £492,000 were recognised in capital (2016: £546,000).

### 3. Management fee and finance costs

The management fee arrangements are as reported in the 2017 annual financial report, being a flat fee of 0.0458333% of the market capitalisation of the Company's ordinary shares at each month end. This equates to 0.55% per annum. The management fee and finance costs are allocated 30% to revenue and 70% to capital.

### 4. Tax

Owing to the Company's status as an investment company no tax liability arises on capital gains. The tax charge represents withholding tax suffered on overseas income.

A deferred tax asset is not recognised in respect of surplus management expenses since the Directors believe that there will be no taxable profits in the future against which these can be offset.

### 5. Dividends

	Six Months to 30 Sept 2017 (Unaudited)		Six Months to 30 Sept 2016 (Unaudited)	
	Pence	£'000	Pence	£'000
Dividends paid:				
Third interim	5.40	10,566	5.20	10,175
Final	9.15	17,904	8.75	17,121
	<b>14.55</b>	<b>28,470</b>	<b>13.95</b>	<b>27,296</b>

A first interim dividend of 5.80p for the year ended 31 March 2018 (2017: 5.40p), will be paid on 30 November 2017.

### 6. Net asset value (NAV) per ordinary share

#### (a) NAV - debt at par

The shareholders' funds in the balance sheet are accounted for in accordance with accounting standards, however, this does not reflect the rights of shareholders on a return of assets under the Articles of Association. These rights are reflected in the net assets with debt at par and the corresponding NAV per share.

	30 Sept 2017 (Unaudited) Pence per share	31 Mar 2017 (Audited) Pence per share
Shareholders' funds	773.88	784.59
Less: unamortised discount and expenses		
arising from debenture issue	(0.64)	(0.71)
<b>NAV - debt at par</b>	<b>773.24</b>	<b>783.88</b>

#### (b) NAV - debt at market value

The market value of the debenture stake is determined by reference to the daily closing price, and is subject to review against various data providers to ensure consistency between data providers and against the reference gilt.

	30 Sept 2017 (Unaudited) Pence per share	31 Mar 2017 (Audited) Pence per share
NAV - debt at par	773.24	783.88
Debenture stock - debt at par	51.11	51.11
- debt at market value	(64.48)	(66.18)
<b>NAV - debt at market value</b>	<b>759.87</b>	<b>768.81</b>

## 7. Classification Under Fair Value Hierarchy

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

	30 Sept 2017 (Unaudited) £'000	31 Mar 2017 (Audited) £'000
Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date	1,700,182	1,730,835
Level 2 - Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly	9	34
Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	420	396
	<b>1,700,611</b>	<b>1,731,265</b>

The Level 3 investment consists of one holding in Eurovestech (31 March 2017: Eurovestech and Proximagen Contingent Value Rights). In the period, the Proximagen rights expired for no value and have been fully written off (31 March 2017: £173,000).

## 8. Investment Trust Status

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

## 9. Status of Half-Yearly Financial Report

The financial information contained within the financial statements in this half-yearly financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2017 and 30 September 2016 has not been audited. The figures and financial information for the year ended 31 March 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 and did not contain a statement under section 498 of the Companies Act 2006.

By order of the Board

**Invesco Asset Management Limited**

Company Secretary

22 November 2017

## Other Information for Shareholders

### Directors, Advisers and Principal Service Providers

#### Directors

Jim Pettigrew, Chairman  
Victoria Hastings  
Gordon McQueen, Audit Committee Chairman  
Glen Suarez  
Maxwell Ward  
Sir Nigel Wicks, Senior Independent Director

#### Registered Office

Quartermile One  
15 Lauriston Place  
Edinburgh  
EH3 9EP

#### Company Number

Registered in Scotland.  
Number: SC1836

#### Manager

Invesco Fund Managers Limited

#### Company Secretary

Invesco Asset Management Limited  
Company Secretarial Contact: Kelly Nice

#### Correspondence Address

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

#### Invesco Perpetual Client Services

The Invesco Perpetual Client Services Team is available from 8.30 am to 6.00 pm, Monday to Friday (excluding Bank Holidays). Current valuations, statements and literature can be ordered, however, no investment advice can be given.  
☎ 0800 085 8677  
[www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

#### Independent Auditor

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

#### Depository

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

#### Banker and Custodian

The Bank of New York Mellon  
160 Queen Victoria Street  
London  
EC4V 4LA

#### Corporate Broker

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

#### The Association of Investment Companies

The Company is a member of the Association of Investment Companies. Contact details are as follows:

☎ 020 7282 5555  
Email: [enquiries@theaic.co.uk](mailto:enquiries@theaic.co.uk)  
Website: [www.theaic.co.uk](http://www.theaic.co.uk)

#### Lawyer

Dentons UKMEA LLP  
Quartermile One  
15 Lauriston Place  
Edinburgh  
EH3 9EP

#### Registrar

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

If you hold your shares directly and in your own name and have a query, you should contact the registrar on:

☎ 0871 664 0300.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

Shareholders holding shares directly can also access their holding details via Link's website: [www.signalshares.com](http://www.signalshares.com).

The registrar provides an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.linksharedeal.com](http://www.linksharedeal.com) or ☎ 0371 664 0445.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0445. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).



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



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

Invesco Perpetual Client Services Team  
Freephone 0800 085 8677

Telephone lines are open Monday to Friday 8.30am - 6.00pm.

Telephone calls may be recorded and monitored for security and training purposes.