Invesco Perpetual UK Smaller Companies Investment Trust plc

Investment Objective

Invesco Perpetual UK Smaller Companies Investment Trust plc ('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.

Contents

Strategy

Governance

Financial

Shareholder

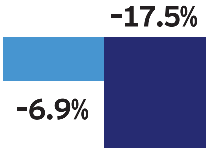
The Company's shares qualify to be considered as a mainstream investment product suitable for promotion to retail investors and are eligible for investment in an ISA.

Financial Information and Performance Statistics

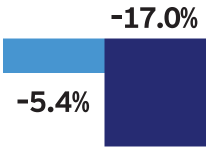
Total Return Statistics
(with dividends reinvested)

- Six Months to 31 July 2023
- Year Ended 31 January 2023

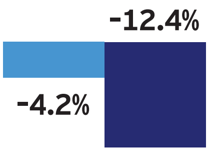
Net asset value[1][2]



Share price[1][2]



Benchmark Index[2][3]



Capital Statistics

Period End Date	**At 31 July 2023**	**At 31 January 2023**	**Change**
Total shareholders' funds (£'000)	159,378	174,915	-8.9%
Net asset value per share ('NAV')	471.16p	517.09p	-8.9%
Share price[2]	416.50p	451.00p	-7.6%
Discount[1]	(11.6)%	(12.8)%	
Gearing[1]:			
- gross gearing	nil	nil	
- net cash	0.4%	2.9%	
Maximum authorised gearing	9.4%	8.6%	
Return and dividend per ordinary share	**Six months ended 31 July 2023**	**Six months ended 31 July 2022**	
Return[1]			
- revenue	8.17p	6.74p	
- capital	(43.56)p	(80.21)p	
- Total	**(35.39)p**	**(73.47)p**	
First interim dividend	3.85p	3.75p	

Notes:

(1) Alternative Performance Measures ('APM'). See pages 16 and 17 for the explanation and calculation of APMs. Further details are provided in the Glossary of Terms and Alternative Performance Measures in the Company's 2023 Annual Financial Report.

(2) Source: Refinitiv.

(3) The Benchmark Index of the Company is the Numis Smaller Companies + AIM (excluding Investment Companies) Index with dividends reinvested.

Chairman's Statement

Highlights

- Discount to NAV has narrowed from 12.8% to 11.6% during the period
- Discount has further narrowed to 8.9% as at 9 October 2023
- First interim dividend increased to 3.85p (2022: 3.75p), maintaining the target dividend yield of 4%
- Revenue per ordinary share up to 8.17p (2022: 6.74p) during the period

Dear Shareholders,

I am pleased to succeed Jane Lewis as the Company's new Chairman. Having served on the Board for nine years, Jane retired at the conclusion of the AGM held in June 2023. I would like to take this opportunity to thank Jane for all her hard work and service to the Company. Her vast knowledge and experience of the investment trust industry proved invaluable to the Board over that time. I would also like to welcome Simon Longfellow to the Board. As previously announced, Simon was appointed as a Non-Executive Director of the Company with effect from 1 July 2023 and has specialist experience of marketing investment trusts and communicating effectively with Shareholders. The Board has now settled back to its normal number of four Directors.

Performance

In common with many companies investing in the smaller companies sector, it has been a difficult six months. The increasing interest rate environment has led to the highest rates the UK has experienced for 15 years which has proven challenging for markets in general and smaller companies in particular. Fears about the cost of living crisis and the UK dipping into recession have weighed heavily on sentiment. There is hope that interest rates might have peaked and that the UK may avoid recession, though growth is still weak.

Your Company's net asset value ('NAV') return was -6.9% compared to -4.2% for the benchmark index (in each case measured on a total return basis).

The Company's share price fell from 451.00p to 416.50p during the six months to 31 July 2023, a decrease of 7.6% (a 5.4% decrease on a total return basis), and the discount to net asset value ended the period narrower at 11.6%, having been 12.8% as at 31 January 2023.

It is particularly pleasing to report an increase in revenue per share for the period to 8.17p (2022: 6.74p). This reflects the robust dividend flow from the portfolio.

Since the Company's half-year end to 9 October 2023, the latest practical date before publication of this interim report, the Company's NAV total return is -9.1%, the share price total return is -6.2%, whilst the benchmark index total return is -8.7%. As at 9 October 2023, the discount has narrowed further to 8.9%.

Dividends

The Company's dividend policy is to target a dividend yield of 4% of the year end share price paid from income earned within the portfolio and enhanced, as necessary, through the use of realised capital profits.

In accordance with this policy, on 20 July 2023 the Board declared a first interim dividend of 3.85p for the year ending 31 January 2024, which was paid on 1 September 2023 to shareholders on the register on 4 August 2023 (2022: 3.75p). The expected timetable for the remaining dividend payments is as follows: the second and third interim dividends are payable in December 2023 and March 2024 respectively, with the final dividend payable in June 2024, following its approval by shareholders at the Company's Annual General Meeting.

Shareholders who hold shares on the main register and are residents of the UK, Channel Islands and Isle of Man, have the opportunity to reinvest their dividend via the Dividend Reinvestment Plan ('DRIP'). Shareholders will need to submit an election by the 17 November 2023. Further information can be found in the leaflet included with this report and on the Company's webpage: www.invesco.co.uk/ipukscit.

Outlook

It is hoped that interest rates and inflation have now peaked; while it is too early to declare new shoots of growth, there are some positive indicators such as the easing of wage inflation. The worst may now be behind us and there is certainly a widespread belief that UK equities are good value. Our portfolio managers comment more about this in relation to UK smaller companies in their report.

Bridget Guerin
Chairman

10 October 2023

Portfolio Managers' Report

Portfolio Manager

Jonathan Brown is a member of the UK Equity team and is responsible for the management of a number of UK small cap portfolios. He became the Portfolio Manager of Invesco Perpetual UK Smaller Companies Investment Trust plc at the end of June 2014, up until the appointment of Robin West as Co-Portfolio Manager in June 2023.

Jonathan began his investment career with Lazard Asset Management in 1997, where he specialised in private client fund administration, before joining Invesco within a similar role in 2000. In 2004, Jonathan joined the UK Equities team as a trainee fund manager and, after three years specialising in the UK small cap sector, became a fund manager.

Jonathan graduated with a BSc in Bio-Chemistry from UMIST and has also secured both the Investment Management Certificate from the CFA Society of the UK and the Securities Institute Diploma.

Portfolio Manager

Robin West was appointed Co-Portfolio Manager in June 2023 having been deputy Portfolio Manager since 2015. He is a member of the UK Equity team specialising in smaller companies.

Robin started his career at KPMG and joined Invesco 'first time around' in 1995, where he spent eight years as a smaller companies fund manager. Robin went on to join Oriel Securities where he worked as a small companies analyst and subsequently Aviva Investors in 2004 before returning to Invesco in July 2014. Robin graduated from Cambridge University with a MA in Natural Sciences. He is also an Associate of the Institute of Chartered Accountants and is a CFA Charterholder.

Q What were the key influences on the market over the period?

A Inflation and the central banks response to inflation were the dominant features of the period under review. The Bank of England raised rates significantly, from 3.5% to 5.25%, with the hope that the increased cost of borrowing would reduce demand and moderate price increases. Although inflation has begun to moderate, it typically takes around a year for higher rates to take effect, suggesting this has so far been a minor factor. In fact, many economists calculate that the increased income from consumer savings currently outweighs the negative impact from higher mortgage rates. More importantly, many of the factors that drove inflation to multi-decade highs, such as energy prices, and the supply chain disruption that we saw after the pandemic, have finally begun to normalise.

Another notable feature of the half year was a bout of Artificial Intelligence ('AI') exuberance. This was prompted by the launch of the latest version of AI software ChatGPT. Whilst various forms of machine learning have been in use for the last decade, ChatGPT captured the imagination of investors due to its ability to produce written output with a realistic human like quality. The software analyses vast amounts of written online content and uses the information to predict the order in which to place words to create coherent text. Whilst it is a very useful tool, its lack of any actual intelligence makes it prone to regurgitating false information in a highly convincing way. As with all popular stock market trends, investment banks created various instruments ("baskets" of stocks) to allow investors to play this theme. This negatively impacted the shares of a number of companies, which rightly or wrongly, were deemed to be potential victims of this new technology. Whilst we see AI as an important tool for driving productivity, we were surprised by the market volatility created by this phenomenon.

The much-heralded UK recession is yet to materialise. Although the level of growth in the UK economy is anaemic, we continue to benefit from full employment and a higher level of consumer savings than we have seen for some time. So contrary to the endless news headlines about the "cost of living crisis", the consumer discretionary sector was by far the strongest performing area within the UK smaller companies sector, with leisure stocks performing particularly well.

Q How did the portfolio perform over the period?

A The Net Asset Value total return for the portfolio over the period was -6.9%, which was an underperformance versus the benchmark index, the Numis Smaller Companies + AIM (excluding Investment Companies), which returned -4.2% on the same basis. The share price total return was -5.4%, reflecting the narrowing of the discount from 12.8% at last financial year end to 11.6% at the end of this period.

Q Which stocks contributed to and detracted from performance?

A The best performing stocks over the period included: Infrastructure products business, **Hill & Smith** (+27%), which is benefitting from increased spending on infrastructure, particularly in the US, where the company generates most of its profits. **Gresham House** (+42%), is a fund management business focused on ethical investing. The company received a takeover approach at a significant premium to its share price. Pubs businesses, **Young & Co's Brewery** (+32%) and **Mitchells & Butlers** (+40%), both recovered significantly after a period of underperformance. The shares had suffered due to high energy prices and wage inflation substantially reducing profits. However, consumer spending has remained far more resilient than many had expected, and with energy prices now moderating, the stocks have recovered much of the lost ground. Software and services company, **FD Technologies** (+31%), had a good period after it announced strong sales figures for its innovative data software. Historically it was mostly used within the financial sector, but the company is now gaining new customers across a variety of verticals, which has substantially increased the addressable market for its product.

In a difficult period for markets, inevitably there were some poorly performing holdings: Oil and Gas company, **Jadestone Energy** (-73%), suffered from reduced production due to some maintenance issues at its main oil field. The profit shortfall meant the business had to issue shares at a discount to bolster its cash position. Whilst the stock appears good value it has been blighted by a number of missteps, so we are currently reviewing the holding. **Keywords Studios** (-38%), which provides

Portfolio Managers' Report (continued)

outsourced services to the computer games industry, was caught up in the bout of AI exuberance which gripped the market following the release of the latest version of ChatGPT. Some commentators believe that its revenue could be negatively impacted by generative AI. However, the company already uses AI as a productivity tool in a number of areas of its business, so we believe the fears are misplaced. We think it is an excellent business and used the share price weakness to add to the holding. Software and services business, **Learning Technologies** (-46%), was also impacted by short selling due to fears about the impact of AI. Again, we do not believe the business will be significantly affected. However, lower business confidence in the US did lead to a reduction in earnings estimates toward the end of the period. Whilst this is disappointing, we believe the company still has substantial growth potential and we have retained our holding. **Videndum** (-40%), which manufactures products used in the TV, film and photographic industries has seen its earnings expectations eroded due to the strikes called by script writers and actors in the US. The strikes will ultimately be resolved, and profits will recover, so we have retained our holding.

Q **What is the current portfolio strategy?**

A Our investment philosophy remains unchanged. The current portfolio is comprised of around 70 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 from 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.

The sustainability of returns and profit margins is vital for the long-term success of a company. The assessment of the position of a business within its supply chain and a clear understanding of how work is won and priced are key to determining if a company has "pricing power", which is particularly important in the current inflationary environment. 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.

The current uncertainty over the timing and pace of economic recovery has led us to manage the portfolio using a "barbell" strategy. Around half the portfolio is invested in businesses with more defensive characteristics. These companies either benefit from long term contracts or are exposed to more stable, less economically sensitive end markets. These characteristics provide a greater degree of resilience and earnings visibility in the current environment. However, it should be noted that this sort of certainty comes at a price, with these stocks typically trading at a valuation premium to the market. The other half of the portfolio is invested in more cyclical, economically sensitive stocks. In some cases, these businesses are experiencing more difficult trading, however, we believe they can still be attractive investments where this is reflected in the valuation. When economic conditions improve it is possible to make strong returns from these stocks, as both earnings and the multiple investors willing to pay for those earnings, start to recover.

Q **What are the major holdings in the portfolio?**

A The 5 largest holdings in the portfolio at the end of the period were:

- **4imprint** (4.4% of the portfolio) 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.
- **JTC** (3.3% of the portfolio) is a financial administration business providing services to real estate and private equity funds, multinational companies, and high net worth individuals. The business has a strong culture, a reputation for quality and has augmented its organic growth with acquisitions. Margins and returns on capital are strong and the business benefits from long term contracts, giving it excellent earnings visibility.
- **Hill & Smith** (3.2% of the portfolio) is a supplier of products and services into the infrastructure sectors in the UK and US. Its proprietary steel and composite products are used in the rail, roads, water, and energy sectors. The business also provides galvanising services to protect steel structures, and leases temporary road barriers and security products. The company generates good margins and benefits from exposure to growing infrastructure investment, particularly in the US.
- **CVS** (3.1% of the portfolio) 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. The business has been a leading consolidator of the UK market and have recently entered continental Europe and Australia. The company is relatively immune to the economic cycle, and with ever more being spent on the wellbeing of the nation's pets, it can continue to grow for many years to come.

  The recent announcement of a Competition and Markets Authority consultation on the sector has negatively impacted its share price. However, there are already restrictions on the number of vets any business can have in a given area in order to ensure a competitive market, and we do not believe the business is generating excessive profits. Whilst prices for veterinary services have risen over the last few years, the increases have only been in-line with wage inflation in the sector.
- **Advanced Medical Solutions** (2.7% of the portfolio) produces a range of proprietary wound care and wound closure products such as sutures, medical adhesives, antimicrobial dressings and surgical devices. The company should benefit from the backlog of medical procedures following the pandemic and has an exciting pipeline of innovative products which should drive longer term growth.

Q **What were the new holdings added over the period?**

A New stocks that we added to the portfolio in the period include:

- **Tatton Asset Management ('Tatton')** creates model portfolios which it sells via independent financial advisors ('IFAs') in the UK. The outsourcing of investment decisions by IFAs to businesses such as Tatton has increased significantly over the last decade due to an increasing burden of regulation on IFAs. Tatton has a range of model portfolios, made up of both active and passive funds, that correspond with a variety of risk categories for clients. The service has one of the lowest fee structures in the industry, a good long-term performance record and a strong reputation within the IFA sector. The business is growing strongly, and with a highly scalable business model, it achieves an enviable level of profitability.
- **Niox** is a medical diagnostic business with technology that can more accurately diagnose and monitor asthma. The company is the world leader in fractional exhaled nitric oxide ('FeNO') testing, which measures exhaled Nitric Oxide as a diagnostic marker for asthma. FeNO testing is significantly more accurate than traditional methods of testing. The product is approved by the National Institute for Health and Care Excellence in the UK and is reimbursable in all its major markets. We believe the business can substantially grow its installed base of devices, and this should drive a high level of recurring test kit revenue.

Q **What is the Portfolio Managers' approach to gearing?**

A Gearing decisions are taken after reviewing a variety of metrics including valuations, earnings momentum, market momentum, bond spreads and a range of economic indicators. After analysing this data, we concluded that the Company should not be geared at this point. We will continue to monitor these factors and look to gear the Company when the indicators turn more positive.

Q **How does ESG factor in the investment process?**

A Environment, Social and Governance ('ESG') issues are increasingly a focus for many investors and analysis of these factors has always been a core part of our investment process. Invesco has significant resources focused on ESG, both at a group and individual team level. Our proprietary ESGintel system draws in company specific data from a broad range of sources and enables ESG related metrics to be quantified. This provides fund managers with a clear overview of areas of concern, allowing targeted engagement with businesses to bring about positive change.

Environmental liabilities, socially dubious business practises and poor corporate governance, can have a significant impact on share prices. We assess environmental risks within a business, and analyse the steps being taken to reduce its environmental impact. We like businesses with strong cultures and engaged employees, and avoid businesses, which, whilst acting within the law, run the risk of a public backlash, or being constrained by new legislation. We believe that governance, board structure and incentivisation, are by far the most important factors within ESG in determining shareholder returns. The importance of businesses being managed by good quality people, with appropriate incentivisation should not be underestimated. Therefore, we proactively consult with all the businesses we own on these matters and vote against resolutions where standards fall short of our expectations.

Q **What is the dividend policy of the Company?**

A The Company pays out all the income earned within the portfolio and enhances it using a small amount of realised capital profits to target a dividend yield of 4.0% based on the year end share price. This provides shareholders with an attractive and consistent yield whilst allowing us to target businesses that we believe will deliver the best total return, without having to compromise on quality to hit an income target.

Q **What are your expectations for the year ahead?**

A The current level of economic growth in the UK is lacklustre, and we are just beginning to feel the lagged effects of the steep increase in the Bank of England base rate, so the prognosis for the coming year appears gloomy. However, we are not currently in recession and the most recent data suggests that wages are growing again in real terms for the first time in a couple of years. We are also in the fortunate position of having full employment and healthy consumer balance sheets (in aggregate) which should feed through to confidence over time.

We are hopeful that inflation should continue to decline over coming months. The supply chain tightness that drove the initial wave of inflation following the pandemic has largely normalised, and energy prices have now significantly fallen year on year. Conversations with companies suggest that it is now much easier to find staff than it was a year ago and this is beginning to feed through to wage settlements. So hopefully the worst of the cost of living crisis is now behind us, and we are near the peak of the current interest rate cycle.

The value within the UK smaller companies market is very apparent to us. Whether we compare current valuations to history, or to other international markets, the sector looks anomalously cheap. Over time this should attract increased interest from the investment community, but in the meantime we have seen a surge in takeover activity from both corporate and private equity buyers looking to exploit the "knock-down" prices of UK equities. Whilst the economic backdrop is underwhelming we continue to see opportunities to buy undervalued shares in companies with excellent long term growth potential. So, after a difficult couple of years, we are optimistic of better returns over the coming year.

Jonathan Brown & Robin West
Portfolio Managers

10 October 2023

Principal Risks and Uncertainties

The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Most of these risks are market related and are similar to those of other investment trusts investing primarily in listed markets. The Audit Committee reviews the Company's risk control summary at each meeting, and as part of this process, gives consideration to identify emerging risks. Emerging risks, such as evolving cyber threat, geo-political tension and climate related risks, have been considered during the period as part of the Directors' assessment.

Principal Risk Description	Mitigating Procedures and Controls
Market (Economic) Risk Factors such as fluctuations in stock markets, interest rates and exchange rates are not under the control of the Board or the Portfolio Managers, but 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 the discount to its 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 ongoing invasion of Ukraine by Russia.	The Directors have assessed the market impact of the ongoing uncertainty from the conflict in Ukraine and the resulting sanctions imposed on Russia through regular discussions with the Portfolio Managers and the Corporate Broker. The Company's current portfolio consists of companies listed on the main UK equity market and those listed on AIM. The Company does not have direct investments in Russia or hold stocks with significant links to Russia. To a limited extent, futures can be used to mitigate against market (economic) risk, as can the judicious holding of cash or other very liquid assets. Futures are not currently being used.
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. In addition, as smaller companies may not generally have the financial strength, diversity and resources of larger companies, they may find it more difficult to overcome periods of economic slowdown or recession. Furthermore, the risk of climate change and matters concerning ESG could affect the valuation of companies held in the portfolio.	The Portfolio Managers' approach to investment is one of individual stock selection. Investment risk is mitigated via the stock selection process, together with the slow build-up of holdings rather than the purchase of large positions outright. This allows the Portfolio Managers, cautiously, to observe more data points from a company before adding to a position. The overall portfolio is well diversified by company and sector. The weighting of an investment in the portfolio tends to be loosely aligned with the market capitalisation of that company. This means that the largest holdings will often be amongst the larger of the smaller companies available. The Portfolio Managers are relatively risk averse, look for lower volatility in the portfolio and seek to outperform in more challenging markets. The Portfolio Managers remain cognisant at all times of the potential liquidity of the portfolio. There can be no guarantee that the Company's strategy and business model will be successful in achieving its investment objective. The Board monitors the performance of the Company, giving due consideration to how the Manager has incorporated ESG considerations including climate change into their investment process. The Board also has guidelines in place to ensure that the Portfolio Managers adhere to the approved investment policy. The continuation of the Manager's mandate is reviewed annually.
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.	The Board reviews regularly the Company's investment objective and strategy to ensure that it remains relevant, as well as reviewing the composition of the shareholder register, peer group performance on both a share price and NAV basis, and the Company's share price discount to NAV per share. The Board and the Portfolio Managers maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying NAV; both share buy back and issuance facilities are in place to help the management of this process.

Principal Risk Description	Mitigating Procedures and Controls
Reliance on the Manager and other Third-Party Service Providers The Company has no employees and comprises non-executive directors only. The Company is therefore reliant upon the performance of third-party service providers for its executive function and service provisions. The Company's operational structure means that all cyber risk (information and physical security) arises at its third-party service providers, including fraud, sabotage or crime against the Company. The Company's operational capability relies upon the ability of its third-party service providers to continue working throughout the disruption caused by a major event such as the Covid-19 pandemic. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment 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. The Company's main service providers, of which the Manager is the principal provider, are listed on page 18. The Manager may be exposed to reputational risks. In particular, the Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Damage to the reputation of the Manager could potentially result in counterparties and third parties being unwilling to deal with the Manager and by extension the Company, which carries the Manager's name. This could have an adverse impact on the ability of the Company to pursue its investment policy successfully.	Third-party service providers are subject to ongoing monitoring by the Manager and the Board. The Manager reviews the performance of all third-party providers regularly through formal and informal meetings. The Audit Committee reviews regularly the performance and internal controls of the Manager and all third-party providers through audited service organisation control reports, together with updates on information security, the results of which are reported to the Board. The Manager's business continuity plans are reviewed on an ongoing basis and the Directors are satisfied that the Manager has in place robust plans and infrastructure to minimise the impact on its operations so that the Company can continue to trade, meet regulatory obligations, report and meet shareholder requirements. The Board receives regular update reports from the Manager and third-party service providers on business continuity processes and has been provided with assurance from them all insofar as possible that measures are in place for them to continue to provide contracted services to the Company.
Regulatory Risk The Company is subject to various laws and regulations by virtue of its status as an investment trust, its listing on the London Stock Exchange and being an Alternative Investment Fund under the UK AIFMD regime. A loss of investment trust status could lead to the Company being subject to corporation tax on the chargeable capital gains arising on the sale of its investments. Other control failures, either by the Manager or any other of the Company's service providers, could result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.	The Manager reviews the level of compliance with tax and other financial regulatory requirements on a regular basis. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Manager's Compliance and Internal Audit team produce annual reports for review by the Company's Audit Committee. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 16 of the Company's 2023 Annual Financial Report.

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.

Thirty Largest Investments

AT 31 JULY 2023

Ordinary shares unless stated otherwise

Company	Sector	Market Value £'000	% of Portfolio
4imprint	Media	6,967	4.4
JTC	Investment Banking and Brokerage Services	5,206	3.3
Hill & Smith	Industrial Metals and Mining	5,072	3.2
CVS[AIM]	Consumer Services	4,865	3.1
Advanced Medical Solutions[AIM]	Medical Equipment and Services	4,240	2.7
Hollywood Bowl	Travel and Leisure	4,092	2.6
Chemring	Aerospace and Defence	3,937	2.5
Energean	Oil, Gas and Coal	3,869	2.4
Serco	Industrial Support Services	3,642	2.3
Alfa Financial Software	Software and Computer Services	3,592	2.3
Top Ten Holdings		**45,482**	**28.8**
Hilton Food	Food Producers	3,577	2.2
AJ Bell	Investment Banking and Brokerage Services	3,485	2.2
Brooks Macdonald[AIM]	Investment Banking and Brokerage Services	3,456	2.2
Coats	General Industrials	3,308	2.1
discoverIE	Electronic and Electrical Equipment	3,031	1.9
Young & Co's Brewery - Non-Voting[AIM]	Travel and Leisure	2,945	1.8
Ricardo	Construction and Materials	2,869	1.8
Gresham House[AIM]	Closed End Investments	2,789	1.8
Keywords Studios[AIM]	Leisure Goods	2,735	1.7
Johnson Service[AIM]	Industrial Support Services	2,686	1.7
Top Twenty Holdings		**76,363**	**48.2**
Essentra	Industrial Support Services	2,677	1.7
Kainos	Software and Computer Services	2,676	1.7
Volution	Construction and Materials	2,612	1.6
Alpha Financial Markets Consulting[AIM]	Industrial Support Services	2,524	1.6
Churchill China[AIM]	Household Goods and Home Construction	2,448	1.5
Marshalls	Construction and Materials	2,398	1.5
Aptitude Software	Software and Computer Services	2,343	1.5
RWS[AIM]	Industrial Support Services	2,301	1.5
Auction Technology	Software and Computer Services	2,283	1.4
Genuit	Construction and Materials	2,264	1.4
Top Thirty Holdings		**100,889**	**63.6**
Other Investments (40)		57,828	36.4
Total Investments: 70 (31 January 2023: 70)		**158,717**	**100.0**

[AIM] Investments quoted on AIM.

Governance

Going Concern

The financial statements have been prepared on a going concern basis. The portfolio of investments is comprised entirely of quoted securities and the ongoing charges are around 1% of net assets. As at 9 October 2023, the Company has drawn down £3.4m of its bank overdraft borrowing facilities, with a further £11.6m available for investment opportunities within prescribed limits as set by the Board.

The Directors consider this is the appropriate basis, as the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as at least 12 months after signing the balance sheet. 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 as they fall due.

Related Party Transactions and Transactions with the Manager

Note 20 of the Company's 2023 Annual Financial 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.

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 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.

Bridget Guerin
Chairman

10 October 2023

Condensed Statement of Comprehensive Income

	Notes	For the six months ended 31 July 2023 Revenue £'000	Capital £'000	Total £'000	For the six months ended 31 July 2022 Revenue £'000	Capital £'000	Total £'000
Loss on investments held at fair value		-	(14,695)	(14,695)	-	(26,494)	(26,494)
Income	2	3,074	491	3,565	2,584	-	2,584
		3,074	(14,204)	(11,130)	2,584	(26,494)	(23,910)
Investment management fee	3	(92)	(523)	(615)	(111)	(631)	(742)
Other expenses		(217)	(1)	(218)	(192)	(3)	(195)
Loss before finance costs and taxation		2,765	(14,728)	(11,963)	2,281	(27,128)	(24,847)
Finance costs	3	(1)	(8)	(9)	(1)	(4)	(5)
Loss before taxation		2,764	(14,736)	(11,972)	2,280	(27,132)	(24,852)
Taxation	4	-	-	-	-	-	-
Loss after taxation		2,764	(14,736)	(11,972)	2,280	(27,132)	(24,852)
Return per ordinary share		8.17p	(43.56)p	(35.39)p	6.74p	(80.21)p	(73.47)p
Weighted average number of ordinary shares in issue during the period				33,826,929			33,826,929

The total columns of this statement represent the Company's statement of comprehensive income, prepared in accordance with UK-adopted international accounting standards. The loss after taxation is the total comprehensive loss. 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 Statement of Changes in Equity

	Notes	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 2023							
At 31 January 2023		10,642	22,366	3,386	137,004	1,517	174,915
Total comprehensive loss for the period		-	-	-	(14,736)	2,764	(11,972)
Dividends paid	5	-	-	-	(2,048)	(1,517)	(3,565)
At 31 July 2023		10,642	22,366	3,386	120,220	2,764	159,378
For the six months ended 31 July 2022							
At 31 January 2022		10,642	22,366	3,386	184,089	270	220,753
Total comprehensive loss for the period		-	-	-	(27,132)	2,280	(24,852)
Dividends paid	5	-	-	-	(4,906)	(270)	(5,176)
At 31 July 2022		10,642	22,366	3,386	152,051	2,280	190,725

Condensed Balance Sheet

Registered number 2129187

	Notes	At 31 July 2023 £'000	At 31 January 2023 £'000
Non-current assets			
Investments held at fair value through profit or loss		158,717	172,643
Current assets			
Amounts due from brokers		-	48
Overseas withholding tax recoverable		30	31
Income tax recoverable		4	4
Prepayments and accrued income		238	317
Cash and cash equivalents		614	5,055
		886	5,455
Total assets		159,603	178,098
Current liabilities			
Amounts due to brokers		(53)	(2,974)
Accruals		(172)	(209)
Total assets less current liabilities		(225)	(3,183)
Net assets		159,378	174,915
Capital and reserves			
Share capital		10,642	10,642
Share premium		22,366	22,366
Capital redemption reserve		3,386	3,386
Capital reserve		120,220	137,004
Revenue reserve		2,764	1,517
Total shareholders' funds		159,378	174,915
Net asset value per ordinary share		471.16p	517.09p
Number of ordinary shares in issue at the period end	6	33,826,929	33,826,929

Condensed Cash Flow Statement

	Notes	Six months ended 31 July 2023 £'000	Six months ended 31 July 2022 £'000
Cash flow from operating activities			
Loss before finance costs and taxation		(11,963)	(24,847)
Adjustments for:			
Purchases of investments		(9,562)	(26,326)
Sales of investments		5,920	32,746
		(3,642)	6,420
Loss on investments held at fair value		14,695	26,494
Decrease/(increase) in receivables		80	(71)
Decrease in payables		(37)	(39)
Net cash (outflow)/inflow from operating activities		(867)	7,957
Cash flow from financing activities			
Finance cost paid		(9)	(5)
Dividends paid	5	(3,565)	(5,176)
Net cash outflow from financing activities		(3,574)	(5,181)
Net (decrease)/increase in cash and cash equivalents		(4,441)	2,776
Cash and cash equivalents at start of the period		5,055	1,530
Cash and cash equivalents at the end of the period		614	4,306
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:			
Cash held at custodian		44	61
Invesco Liquidity Funds plc – Sterling, money market fund		570	4,245
Cash and cash equivalents		614	4,306
Cash flow from operating activities includes:			
Dividends received		3,649	2,516
Interest received		2	-

As the Company did not have any long term debt at both the current and prior period ends, no reconciliation of the financial liabilities is presented.

Notes to the Condensed Financial Statements

1. Basis of Preparation

The condensed financial statements have been prepared using the same accounting policies as those adopted in the Company's 2023 Annual Financial Report. They have been prepared on a historical cost basis, in accordance with the applicable UK-adopted international accounting standards and, where possible, in accordance with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts, updated by the Association of Investment Companies in July 2022 (AIC SORP).

2. Income

	Six months ended 31 July 2023 £'000	Six months ended 31 July 2022 £'000
Income from investments:		
UK dividends		
– ordinary	2,561	2,249
– special	409	210
Overseas dividends	102	125
	3,072	2,584
Other income:		
Deposit interest	2	-
	3,074	2,584

Special dividends of £491,000 were recognised in capital during the period (31 July 2022: £nil).

Overseas dividends include dividends received on UK listed investments where the investee company is domiciled outside of the UK.

3. Management Fee and Finance Costs

The investment management fee 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% (31 July 2022: 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 July 2023		Six months ended 31 July 2022	
	Rate	£'000	Rate	£'000
Third interim (prior year)	3.75p	1,269	3.75p	1,269
Final (prior year)	6.79p	2,296	11.55p	3,907
Total	10.54p	3,565	15.30p	5,176

The first interim dividend of 3.85p per ordinary share (31 July 2022: 3.75p) was paid on 1 September 2023 to shareholders on the register on 4 August 2023.

6. Share Capital, including Movements

Share capital represents the total number of shares in issue, including treasury shares.

	Six months ended 31 July 2023	Year ended 31 January 2023
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
Number of shares held in treasury:	19,382,155	19,382,155
Total	53,209,084	53,209,084

7. Classification Under Fair Value Hierarchy

Note 16 of the Company's 2023 Annual Financial Report sets out the basis of classification.

As at 31 July 2023, all of the Company's portfolio was composed of quoted (Level 1) investments.

In the prior year, Berry Starquest Limited was a dormant subsidiary and was the only Level 3 investment valued at £100 as at 31 January 2023. The subsidiary was dissolved on 28 February 2023.

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 2022 and 31 July 2023 has not been audited. The figures and financial information for the year ended 31 January 2023 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

10 October 2023

Glossary of Terms and Alternative Performance Measures

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 2023 and the year ended 31 January 2023. 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 index used in these accounts is the Numis Smaller Companies + AIM (excluding Investment Companies) Index with dividends reinvested.

(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 July 2023	31 January 2023
Share price	a	416.50p	451.00p
Net asset value per share	b	471.16p	517.09p
Discount	c = (a-b)/b	(11.6)%	(12.8)%

Gearing (APM)

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 2023 the Company had no gross borrowings (31 January 2023: £nil).

		31 July 2023 £'000	31 January 2023 £'000
Bank overdraft facility		-	-
Gross borrowings	a	-	-
Net asset value	b	159,378	174,915
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 July 2023 £'000	31 January 2023 £'000
Bank overdraft facility		-	-
Less: cash and cash equivalents		614	5,055
Net cash	a	614	5,055
Net asset value	b	159,378	174,915
Net cash	c = a/b	0.4%	2.9%

Maximum Authorised Gearing

This reflects the maximum authorised borrowings of the 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 July 2023 £'000	31 January 2023 £'000
Maximum authorised borrowings as laid down in:			
Investment policy:			
– lower of 30% of net asset value; and	a = 30% x e	47,813	52,475
– £25m	b	25,000	25,000
Bank overdraft 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)	d	15,000	15,000
Net asset value	e	159,378	174,915
Maximum authorised gearing	f = d/e	9.4%	8.6%

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 share is calculated by dividing the net assets by the number of ordinary shares in issue (excluding shares held in treasury). 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, 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.

Six months ended 31 July 2023		Net Asset Value	Share Price
As at 31 July 2023		471.16p	416.50p
As at 31 January 2023		517.09p	451.00p
Change in period	a	-8.9%	-7.6%
Impact of dividend reinvestments(1)	b	2.0%	2.2%
Total return for the period	c = a+b	-6.9%	-5.4%

Year Ended 31 January 2023		Net Asset Value	Share Price
As at 31 January 2023		517.09p	451.00p
As at 31 January 2022		652.60p	570.00p
Change in year	a	-20.8%	-20.9%
Impact of dividend reinvestments(1)	b	3.3%	3.9%
Total return for the year	c = a+b	-17.5%	-17.0%

(1) Total dividends paid during the six months to 31 July 2023 of 10.54p (31 January 2023: 22.80p) 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 Index

Total return on the benchmark index 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, Investment Manager and Administration

Directors

Bridget Guerin *(Chairman of the Board and Nomination Committee)*
Graham Paterson *(Chairman of the Audit Committee)*
Mike Prentis *(Chairman of the Management Engagement Committee and Senior Independent Director)*
Simon Longfellow *(appointed 1 July 2023)*

Registered Office and Company Number

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

Registered in England and Wales
Number 02129187

Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited

Company Secretary and Correspondence Address

Invesco Asset Management Limited
43-45 Portman Square
London W1H 6LY
☎ 020 3753 1000

Company Secretarial contact: Naomi Rogers/James Poole

Invesco Client Services

Invesco has a Client Services Team available from 8.30am to 6.00pm Monday to Friday (excluding UK Bank Holidays). Please feel free to take advantage of their expertise by ringing
☎ 0800 085 8677
www.invesco.co.uk/investmenttrusts

Depositary, Custodian and Banker

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

Independent Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Corporate Broker

JPMorgan Cazenove
25 Bank Street
London E14 5JP

Registrar

Link Group
Central Square
29 Wellington Street
Leeds LS1 4DL
☎ 0371 664 0300

If you hold your shares directly as a paper share certificate and not through an investment platform or savings scheme and have queries relating to your shareholding you should contact the company's Registrar, Link Group, on: ☎ 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider.

Link Group provides an on-line and telephone share dealing service for paper share certificates 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 paper share certificates can also access their holding details via Link's website www.signalshares.com. Link Group is the business name of Link Market Services Limited.

Alternatively, you can also buy and sell shares yourself through a wide variety of 'execution-only' investment platforms – where you make the investment decisions and your shares are held electronically in an account on your behalf. These tend to be cheaper than holding paper share certificates and also mean you don't need to worry about losing your certificate.

Most investment platforms allow you to manage your investment trust holdings online, as well as access to a wide range of investment options. Platforms generally charge fees for holding and trading shares. You can find a list of the major platforms at: https://www.invesco.com/uk/en/investment-trusts/invesco-insights/how-to-invest-in-investment-trusts.html

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 ('GDPR')

The Company has a privacy notice which sets out what personal data is collected and how and why it is used. The privacy notice can be found at www.invesco.co.uk/ipukscit under the 'Literature' section, or a copy can be obtained from the Company Secretary whose correspondence address is found above.

Investor Warning

The Company, Invesco and the Registrar would never contact members of the public to offer services or require any type of upfront payment. If you suspect you have been approached by fraudsters, please contact the FCA consumer helpline on 0800 111 6768 and Action Fraud on 0300 123 2040.

Further details for reporting frauds, or attempted frauds, can be found below.

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 **Reject cold calls**
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 **Check the FCA Warning List**
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 **Get impartial advice**
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

FCA FINANCIAL CONDUCT AUTHORITY