

Perpetual Income and Growth Investment Trust plc

Half-Yearly Financial Report for the Six Months to 30 September 2016

KEY FACTS

Perpetual Income and Growth Investment Trust plc (the 'Company') is an investment trust company listed on The London Stock Exchange.

Performance Statistics

The Benchmark index of the Company is the FTSE All-Share Index.

	SIX MONTHS ENDED		
	30 SEPTEMBER 2016	AT 31 MARCH 2016	% CHANGE
Total return⁽¹⁾⁽²⁾ (all income reinvested):			
Net asset value (debt at market value)	4.8%		
Share price	4.9%		
FTSE All-Share Index	12.9%		
Shareholders' funds			
Net assets (£'000)	985,285	960,350	+2.6
NAV per share (debt at market value)	403.4p	395.6p	+2.0
Share price and discount			
Share price	384.5p	375.6p	+2.4
Discount to NAV	4.7%	5.1%	
Capital return – Benchmark⁽¹⁾			+10.6
Gearing:			
– gross gearing ⁽³⁾	15.9%	16.0%	
– net gearing ⁽⁴⁾	15.9%	16.0%	

(1) Source: Thomson Reuters Datastream.

(2) The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (i.e. share price total return) or in the Company's assets (i.e. NAV total return).

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

(4) Net gearing: borrowing less cash and UK government bond holdings ÷ shareholders' funds.

	SIX MONTHS ENDED		
	30 SEPTEMBER 2016	30 SEPTEMBER 2015	% CHANGE
Revenue			
Basic revenue return per share	7.61p	8.06p	-5.6
Basic revenue return per share excluding special dividends	7.61p	7.11p	+7.0
Dividends – first interim	3.00p	2.90p	
– second interim	3.00p	2.90p	
– total	6.00p	5.80p	+3.4

Investment Objective of the Company

The Company's investment objective has been slightly revised from that shown in the Company's 2016 annual financial report. From the publication of this report, the words "and fixed interest" have been deleted so that it reads as follows: "The Company's investment objective is to provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity markets". There is no change to the way the investments are managed, and therefore to the Company as an investment proposition, and investment in fixed interest securities continues to be permitted. This change ensures that if the Company's investment objective is read in isolation, readers will not have the impression that the Company is likely to have a significant investment in fixed interest securities.

Full details of the Company's Investment Policy and Investment Limits can be found on pages 10 and 11 of the Company's 2016 annual financial report.

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

Chairman's Statement

Performance

I am pleased to report that your Portfolio Manager, Mark Barnett, has generated a positive return from the Company's portfolio over the six months to 30 September 2016. However, that return did not match that of the benchmark FTSE All-Share Index. Over this period your Company's total return was 4.8%, underperforming the FTSE All-Share Index which returned 12.9%. The share price increased by 2.4%, rising from 375.6p to 384.5p per share, with the discount to NAV per share narrowing marginally from 5.1% to 4.7% over the same period.

The longer term performance continues to be strong with three and five year total returns on net assets of 29.9% and 99.5%, respectively, compared with 21.1% and 68.9% for the benchmark.

Mark provides further detail on the performance of the portfolio in the period and his outlook in his Portfolio Manager's Report, which follows.

I also report that Martin Walker, who has been working in the Manager's UK equity team since 1999, has been appointed deputy portfolio manager.

Dividend

The Directors are pleased to declare a second interim dividend of 3p per ordinary share in respect of the three months to 30 September 2016. This dividend will be paid on 28 December 2016 to shareholders on the register on 2 December 2016. The shares will go ex-dividend on 1 December 2016.

Your Board continues to recognise the importance of dividends to shareholders, particularly in the present low interest environment, and is determined to maintain its policy of real dividend growth over the medium to longer term.

Bill Alexander

Chairman

21 November 2016

Portfolio Managers' Report

Market Review

The UK stock market rallied strongly during the six month period under review after a volatile start to 2016. Driven initially by rising commodity prices and "dovish" central bank monetary policy and then, following the EU referendum, by the sharp fall in sterling, there was significant divergence in sector performance during the period. Share price falls after the referendum were seen most acutely in certain domestically focused sectors, while the share prices of companies with US dollar denominated earnings rose strongly in anticipation of upgrades to forecast earnings. The resources sectors (oil and mining) performed notably well over the period, as crude oil continued to rise from its February price lows, recently on news that OPEC members had proposed production cuts, and the continued rally in commodity prices buoyed global mining companies.

Alongside the 'Brexit' effect, the UK stock market's attention remained focused on the timing of the next increase in US interest rates, which was generally perceived as being postponed until December.

Sector volatility moderated towards the period end, with the share prices of domestically focused companies showing some recovery. The Bank of England's 0.25% cut in interest rates met expectations, but the broader language around monetary stimulus went further than many in the market had anticipated. Economic data provided some more encouraging signs for the UK economy; September's Purchasing Manager's Index indicated growing confidence in British business, with rises in services output and new business following August's declines.

Portfolio Strategy and Review

The Company's net asset value (with debt at fair value), including reinvested dividends, rose by 4.8% during the period under review, compared with a rise of 12.9% by the FTSE All-Share Index.

Against a strong market backdrop, the portfolio delivered a positive absolute return, but failed to match the rise of the index. Relative performance was held back by the portfolio's zero weighting in the mining sector and the absence of holdings in HSBC and Royal Dutch Shell. These share prices rose strongly, benefiting from weakened sterling (which declined by 8.8% against the US dollar over the period) and, in the case of Royal Dutch Shell, from the recovering oil price. Beyond HSBC, the portfolio's zero weighting in UK domestic banks was beneficial to performance.

The holdings in the tobacco sector again delivered a positive contribution to performance, benefiting from their international exposure, but also from continued positive news flow. British American Tobacco is seeing the benefits of its focus on key brands – its Global Drive Brands posted a 10.5% volume increase in their second quarter earnings report. Imperial Brands' half year results confirmed a 10% interim dividend increase, reaping further benefits from last year's acquisition of US brands (including Winston) and manufacturing facilities.

AstraZeneca, another US dollar beneficiary, announced plans to file its injectable asthma treatment drug with US and European regulators later this year, after favourable trial results. The failure of Bristol-Myers' lung cancer study was also seen

as positive for AstraZeneca's combination therapy cancer drugs. Other significant positive contributions to portfolio performance came from the holdings in BP and Compass. The latter defied the hit to confidence seen elsewhere in the consumer services sector; the support services business continued its encouraging performance through 2016 with confirmation of new business wins and retention through the third quarter.

The portfolio's holdings in domestic sectors, notably those particularly exposed to the fall in sterling and those expected to be most impacted by any challenges to the UK economy, performed poorly in the aftermath of the EU referendum. The stock market was also inclined to de-rate companies which warned of lower profits. This was the case with Capita, whose share price fell sharply towards the end of the period following a profit warning; the support services group downgraded full-year earnings, attributing its underwhelming performance to a slow-down in specific trading businesses, one-off costs and delayed client decision-making since the EU referendum. Full year results from Next confirmed challenging trading conditions on the high street – with the company commenting that it had seen the “toughest in-store trading period in memory”. However, the company's mail order and on-line directory business generated sales growth of 5.4%, backed by improved stock availability, website enhancements and overseas orders.

The holdings in the travel sector – easyJet and Thomas Cook – warned of the negative impact of weaker sterling and were also hit by multiple headwinds ranging from concerns over terrorist activity to air traffic control strikes. There was some respite for Thomas Cook shareholders towards the period end as the company confirmed full year profit guidance. The benefits of the measures the company has taken over the past two years are offsetting a challenging trading environment.

Other domestically focused holdings to deliver negative share price performance included Derwent London, N Brown, GAME Digital, BT and TalkTalk Telecom.

The share price of Circassia Pharmaceuticals fell sharply on news that its cat allergy drug had failed to meet the primary end point of phase 3 trials. While this was very disappointing and surprising news – the drug had performed well in Phase 2 trials – it is noteworthy that Circassia retains significant cash on its balance sheet and that, over the past year, the company has also made significant diversification into respiratory drugs, devices and technologies. We remain supportive of the company.

In terms of portfolio activity during the period, new investments were made in fashion retailer Next, pharmaceutical company PureTech Health, challenger bank Secure Trust Bank and Hadrians Wall Secured Investments (closed-end fund investing in UK small-to-medium sized enterprise (SME) commercial loans). The holding in Reckitt Benckiser was sold.

Outlook

It is likely that the near term outlook for the UK equity market will continue to be dictated by the movement of global bond prices and the sterling/US dollar exchange rate. These asset markets have exerted a major influence on UK equities over the course of 2016. The strong performance of the bond market, not always associated with a rising equity market, and the perceived benefit from the drop in sterling have been the driving forces behind the ongoing rerating of UK equities to reach a current price earnings (PE) valuation of 17.5x forecast 2016 earnings per share. This valuation looks full, particularly relative to the disappointing overall level of underlying profit growth recorded this year (excluding the impact of sterling and the commodity bounce back). It is highly unlikely that the rerating of UK equities will continue unchecked against a backdrop of higher valuations and ongoing pressure on corporate profitability. It is noticeable how the rate of profit warnings across the market has increased in the past few weeks. In addition, the recent reversal of bond markets has put pressure on valuations in certain areas.

There are several challenges which may force a reassessment of the current valuations that are being applied to the UK equity market. The first is the lack of overall profit growth, which, absent a significant devaluation in sterling, would have seen another year of no growth in 2016. The underlying earnings outlook for next year looks similarly muted. Second, a more difficult near-term UK economic picture is likely to emerge. The reappearance of inflation – largely as a result of the movement in sterling – will pressurise consumer budgets and hinder overall levels of economic growth. This factor, coupled with the ongoing uncertainty over the political path to Brexit, may put a brake on UK employment levels and investment intentions, further moderating activity in the domestic economy. To some extent, this has been priced into equities, as the performance disparity between global and domestic companies since the referendum has been significant. Nevertheless, the backdrop to corporate profitability is unlikely to ease over the coming year as pricing power remains elusive.

The political backdrop has the potential to deliver more surprises over the coming year, a third factor likely to continue to exert major influence on both corporate behaviour and stock market performance. The domestic political scene is currently overshadowed by the new government's evolving political agenda. On the international front, the preliminary analysis of the election of Donald Trump in the US is a return to prominence of fiscal policy. This is an important policy shift given the recent reliance on monetary stimulus. However, it may not prove to be as uniformly beneficial as current sentiment anticipates. In addition, there are a series of important elections elsewhere on the horizon; the potential for a sudden policy shift or unexpected election result is significant.

Finally, a shift in the value of global bonds also has the potential to de-stabilise the outlook for UK equities. This could emanate from US policy tightening or simply a realisation that the extreme low yields reached over the summer months across the world no longer represent a realistic view of the medium term outlook for inflation and interest rates. Indeed, at the time of writing, we are witnessing a meaningful shift upwards in 10 year bond yields.

Navigating any one of these obstacles, either individually or in combination, will continue to be challenging. The most important discipline is to remain vigilant about valuation. Notwithstanding the elevated level of stock market valuation, there are bottom-up opportunities for the long-term investor, which have started to emerge as a result of the substantial sector rotations that have occurred since the June Referendum. Where new opportunities arise, the emphasis will continue to be on companies that can demonstrate a sustainable top line growth and translate that into profit, free cash flow and dividends without excessive financial leverage.

Mark Barnett
Portfolio Manager

Martin Walker
Deputy Portfolio Manager

21 November 2016

Related Parties 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.

Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates. The principal risks and uncertainties identified in this review are summarised below:

- **Economic Risk** – Economic risk arises from uncertainty about the future prices of the Company's investments. Market fluctuations, both upward and downward, may arise from external factors which are outside the control of the Board and the Manager.
- **Investment Risk** – This is the stock specific risk that the stock selection process may not achieve the Company's published objectives. Poor performance of individual portfolio investments is mitigated by diversification and ongoing monitoring of investment guidelines.
- **Financial Risk** – The financial risks faced by the Company include market price risk (including currency risk, interest rate risk and other price risk), liquidity risk and credit risk, which includes counterparty and custodial risk.
- **Gearing Risk** – The use of borrowings will amplify the effect of shareholders' funds of portfolio gains and losses.
- **Share Discount Risk** – The Company's shares may, at times, trade at a wide discount. The Board has put in place both share repurchase and issuance facilities to help the management of this risk.
- **Operational Risk** – A failure of the systems of financial and non-financial internal controls operated by the Company, the Manager and other external service providers could result in loss of assets and reputational damage as a result of fraud or material misstatement.
- **Regulatory Risk** – Loss of investment trust status for tax purposes could lead to the Company being subject to tax on the realised capital profits on the sale of its investments. A serious breach of regulatory rules could lead to suspension from the Official List, a fine or qualified audit report and reputational problems.
- **Other Risks** – The risk that the portfolio manager, Mark Barnett, may become incapacitated or otherwise be unavailable is mitigated by the fact that a deputy, Martin Walker, has been appointed to provide cover if necessary and that he is one member of the wider Invesco Perpetual UK Equities team.

A detailed explanation of these principal risks and uncertainties can be found on pages 13 to 14 of the 2016 annual financial report, which is available on the Company's section of the Manager's website at: www.invescoperpetual.co.uk/pigit. In the view of the Board these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

Going Concern

The condensed financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months after the approval of this half-yearly financial report. 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 and ongoing expenses from its assets. The Directors also considered the revenue forecasts for the year and future dividend payments.

INVESTMENT PORTFOLIO STATEMENT AT 30 SEPTEMBER 2016

Ordinary shares listed in the UK unless stated otherwise
UQ: Unquoted

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO	ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity investments				Real Estate Investors	Real Estate Investment Trusts	10,596	0.9
Reynolds American – US common stock	Tobacco	57,965	5.1	Oxford Sciences Innovation ^{UQ}	Financial Services	9,916	0.9
British American Tobacco	Tobacco	57,128	5.0	IP Group	Financial Services	9,709	0.9
AstraZeneca	Pharmaceuticals & Biotechnology	46,325	4.1	Harworth	Real Estate Investment & Services	9,023	0.8
Imperial Brands	Tobacco	45,708	4.0	SciFluor Life Sciences ^{UQ} – US Series A convertible preferred	Pharmaceuticals & Biotechnology	8,991	0.8
BP	Oil & Gas Producers	42,821	3.7	Vectura	Pharmaceuticals & Biotechnology	8,172	0.7
BT	Fixed Line Telecommunications	37,589	3.3	Motif Bio	Pharmaceuticals & Biotechnology	8,032	0.7
BAE Systems	Aerospace & Defence	36,299	3.2	PureTech Health	Pharmaceuticals & Biotechnology	7,350	0.6
Roche – Swiss common stock	Pharmaceuticals & Biotechnology	35,734	3.1	Hadrians Wall Secured Investments	Equity Investment Instruments	7,349	0.6
Provident Financial	Financial Services	35,596	3.1	Diurnal	Pharmaceuticals & Biotechnology	7,225	0.6
Legal & General	Life Insurance	28,375	2.5	Top Fifty Holdings			
Top Ten Holdings				1,056,768 92.5			
London Stock Exchange	Financial Services	26,466	2.3	Horizon Discovery	Pharmaceuticals & Biotechnology	6,887	0.6
Rentokil Initial	Support Services	26,261	2.3	CLS	Real Estate Investment & Services	6,652	0.6
RELX	Media	25,519	2.2	N Brown	General Retailers	6,309	0.6
Babcock International	Support Services	25,061	2.2	Secure Trust Bank	Banks	6,257	0.5
Beazley	Non-life Insurance	24,680	2.2	infirst Healthcare ^{UQ} – D shares	Pharmaceuticals & Biotechnology	5,939	0.5
NewRiver REIT	Real Estate Investment Trusts	23,968	2.1	Macau Property Opportunities Fund	Real Estate Investment & Services	5,724	0.5
Novartis – Swiss common stock	Pharmaceuticals & Biotechnology	23,335	2.0	Marwyn Value Investors	Equity Investment Instruments	5,709	0.5
Compass	Travel & Leisure	22,661	2.0	Doric Nimrod Air Three – preference shares	Equity Investment Instruments	4,909	0.5
BTG	Pharmaceuticals & Biotechnology	22,209	1.9	GAME Digital	General Retailers	4,858	0.4
Hiscox	Non-life Insurance	21,393	1.9	Doric Nimrod Air Two – preference shares	Equity Investment Instruments	4,666	0.4
Top Twenty Holdings				Top Sixty Holdings			
665,093 58.2				1,114,678 97.6			
Bunzl	Support Services	21,124	1.8	Circassia Pharmaceuticals	Pharmaceuticals & Biotechnology	4,396	0.4
Centrica	Gas, Water & Multiutilities	20,620	1.8	Silence Therapeutics	Pharmaceuticals & Biotechnology	4,083	0.4
Shaftesbury	Real Estate Investment Trusts	20,612	1.8	VPC Speciality Lending Investments	Financial Services	3,832	0.4
SSE	Electricity	20,348	1.8	MayAir	Industrial Engineering	3,233	0.3
KCOM	Fixed Line Telecommunications	19,065	1.7	Napo Pharmaceuticals ^{UQ} – US common stock	Pharmaceuticals & Biotechnology	2,523	0.2
Capita	Support Services	16,467	1.5	PuriCore	Health Care Equipment & Services	2,448	0.2
Derwent London	Real Estate Investment Trusts	16,071	1.5	Damille Investments II	Equity Investment Instruments	2,146	0.2
HomeServe	Support Services	15,367	1.3	Funding Circle SME	Equity Investment Instruments	2,106	0.2
G4S	Support Services	15,225	1.3	Lombard Medical – US common stock	Health Care Equipment & Services	1,350	0.1
Drax	Electricity	15,045	1.3	Nimrod Sea Assets	Equity Investment Instruments	495	—
Top Thirty Holdings				Top Seventy Holdings			
845,037 74.0				1,141,290 100.0			
BCA Marketplace	Financial Services	14,498	1.3	HaloSource	Chemicals	322	—
Imperial Innovations	Financial Services	14,455	1.3	Melrose Industries	Construction & Materials	168	—
Smith & Nephew	Health Care Equipment & Services	13,385	1.2	XTL Biopharmaceuticals – ADR	Pharmaceuticals & Biotechnology	72	—
easyJet	Travel & Leisure	13,204	1.2	Mirada	Media	4	—
Lancashire	Non-life Insurance	12,798	1.1	Total Equity Investments (74)			
Next	General Retailers	12,489	1.1	1,141,856 100.0			
P2P Global Investments	Equity Investment Instruments	11,330	1.0	ISSUER AND ISSUE	SECTOR (MOODY'S&P RATING)		
Sherborne Investors	Financial Services	11,166	1.0	Barclays Bank – Nuclear Power Notes 28 Feb 2019	Non-Equity Investment Instruments (Non-rated)	14	—
Guernsey B – A shares				Total Investments (75)			
TalkTalk Telecom	Fixed Line Telecommunications	11,062	0.9	1,141,870 100.0			
Thomas Cook	Travel & Leisure	10,981	0.9				
Top Forty Holdings							
970,405 85.0							

CONDENSED INCOME STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2016			SIX MONTHS TO 30 SEPTEMBER 2015		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains/(losses) on investments at fair value	—	31,746	31,746	—	(14,610)	(14,610)
Foreign exchange (losses)/gains	—	(32)	(32)	—	35	35
Income – note 2	20,217	338	20,555	21,137	—	21,137
	20,217	32,052	52,269	21,137	(14,575)	6,562
Investment management fee – note 3	(836)	(1,950)	(2,786)	(833)	(1,944)	(2,777)
Performance fee – note 3	—	—	—	—	(5,713)	(5,713)
Other expenses	(341)	—	(341)	(408)	(1)	(409)
Net return before finance costs and taxation	19,040	30,102	49,142	19,896	(22,233)	(2,337)
Finance costs – note 3	(576)	(1,344)	(1,920)	(595)	(1,388)	(1,983)
Return on ordinary activities before taxation	18,464	28,758	47,222	19,301	(23,621)	(4,320)
Tax on ordinary activities – note 4	(167)	—	(167)	(145)	—	(145)
Return on ordinary activities after taxation for the financial period	18,297	28,758	47,055	19,156	(23,621)	(4,465)
Return per ordinary share – Basic	7.61p	11.96p	19.57p	8.06p	(9.94p)	(1.88p)
Weighted average number of ordinary shares in issue	240,432,350			237,530,795		

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 BALANCE SHEET

Registered number 3156676

	NOTES	AT 30 SEPTEMBER 2016 £'000	AT 31 MARCH 2016 £'000
Fixed assets			
Investments at fair value	5	1,141,870	1,117,576
Current assets			
Amount due from brokers		825	—
Tax recoverable		1,017	1,185
Prepayments and accrued income		1,108	2,600
		2,950	3,785
Creditors: amounts falling due within one year			
Bank overdraft		(96,870)	(93,942)
Amounts due to brokers		(646)	(1,022)
Accruals and deferred income		(2,557)	(2,566)
Performance-related fee accrued	3	—	(4,040)
		(100,073)	(101,570)
Net current liabilities			
		(97,123)	(97,785)
Total assets less current liabilities			
		1,044,747	1,019,791
Creditors: amounts falling due after more than one year			
4.37% Loan notes 8 May 2029		(59,462)	(59,441)
Net assets			
		985,285	960,350
Capital and reserves			
Share capital	6	24,043	24,043
Share premium		265,233	265,233
Capital reserve		667,104	638,346
Revenue reserve		28,905	32,728
Shareholders' funds			
		985,285	960,350
Net asset value per ordinary share (Basic) – at par			
		409.8p	399.4p
		– at market value	395.6p
	7	403.4p	395.6p
Number of 10p ordinary shares in issue at the period end			
	6	240,432,350	240,432,350

CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016					
At 31 March 2016	24,043	265,233	638,346	32,728	960,350
Net return on ordinary activities	—	—	28,758	18,297	47,055
Dividends paid – note 8	—	—	—	(22,120)	(22,120)
At 30 September 2016	24,043	265,233	667,104	28,905	985,285
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015					
At 31 March 2015	23,687	251,166	672,346	31,228	978,427
Net return on ordinary activities	—	—	(23,621)	19,156	(4,465)
Dividends paid – note 8	—	—	—	(20,679)	(20,679)
Net proceeds from issue of new shares	269	10,571	—	—	10,840
At 30 September 2015	23,956	261,737	648,725	29,705	964,123

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. The financial statements are issued on a going concern basis.

In March 2016, the Financial Reporting Council published amendments to FRS 102 – *Fair value hierarchy disclosures*. These amendments become effective for accounting periods beginning on or after 1 January 2017. The Company has chosen to adopt these amendments early. There are no accounting policy or disclosure changes as a result of this adoption.

The accounting policies applied to these condensed financial statements are consistent with those applied in the financial statements for the year ended 31 March 2016.

2. Income

	SIX MONTHS TO 30 SEPT 2016 £'000	SIX MONTHS TO 30 SEPT 2015 £'000
Income from investments		
UK – dividends	17,346	15,790
– special dividends	—	2,251
Overseas – dividends	2,354	1,987
– special dividends	—	—
Unfranked investment income	428	235
Scrip dividends	—	826
	20,128	21,089
Other income		
Other	89	48
Total income	20,217	21,137

Special dividends of £338,000 have been recognised in capital (30 September 2015: £nil).

3. Investment Management Fees and Finance Costs

The base management fee and finance costs are allocated 70% to capital and 30% to revenue. The base fee is 0.6% pa on the first £500 million of assets under management and 0.4% thereafter.

A performance-related fee is recognised if the Company's performance exceeds the FTSE All-Share Index and is wholly allocated to capital. No performance fee has been provided for the six months under review (30 September 2015: £5,713,000). A performance fee of £4,040,000 was accrued and later paid for the year ended 31 March 2016.

4. Investment Trust Status and Tax

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. As such, no tax liability arises on capital gains. The tax charge represents withholding tax suffered on overseas income.

5. Fair Value Hierarchy Disclosures

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

	AT 30 SEPT 2016 £'000	AT 31 MAR 2016 £'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.	1,114,487	1,090,061
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.	14	27
Level 3 – Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.	27,369	27,488
Total	1,141,870	1,117,576

The unquoted investment holdings of the portfolio make up the whole of Level 3.

6. Share Capital

Ordinary shares of 10p each

	SIX MONTHS TO 30 SEPT 2016	YEAR TO 31 MAR 2016
Number of ordinary shares:		
Brought forward	240,432,350	236,874,251
Ordinary shares issued for cash	—	3,558,099
Carried forward	240,432,350	240,432,350

No shares have been issued or bought back since the period end.

7. Net Asset Value (NAV) – at Market Value

The market value of the £60 million 4.37% Loan Notes of 8 May 2029 is £74,733,000 (31 March 2016: £68,710,000). The resultant NAV is 403.4p (31 March 2016: 395.6p).

8. Dividends per Ordinary Share

The first interim dividend of 3p was paid on 30 September 2016 to shareholders registered on 2 September 2016. The Directors have declared a second interim dividend of 3p payable on 28 December 2016 to shareholders registered on 2 December 2016.

	SIX MONTHS TO 30 SEPT 2016	SIX MONTHS TO 30 SEPT 2015
Interim dividends paid:		
Fourth (prior year)	4.1p	3.9p
First (current year)	3.0p	2.9p
Total interims paid	7.1p	6.8p
Special dividend (prior year)	2.1p	1.9p
Total	9.2p	8.7p
£'000 equivalent (excluding specials)	17,071	16,178
£'000 equivalent (including specials)	22,120	20,679

9. Status of Half-Yearly Financial Report

The financial information contained in this half-yearly report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2016 and 30 September 2015 has not been audited. The figures and financial information for the year ended 31 March 2016 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditor, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board
Invesco Asset Management Limited
Company Secretary

21 November 2016

DIRECTORS, ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Directors

Bill Alexander, Chairman
Vivian Bazalgette, Senior Independent Director
Victoria Cochrane
Alan Giles
Richard Laing, Audit Committee Chairman
Bob Yerbury

Registered Office and Company Number

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

Registered in England and Wales No: 3156676

Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial contacts: Paul Griggs and Kelly Nice

Correspondence Address

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

Depositary

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

Website

Information relating to the Company can be found on the Company's section of the Manager's website at www.invescoperpetual.co.uk/pigit.

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

Registrar

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

If you hold shares direct and not through an ISA or Savings Scheme, and have queries relating to your shareholding 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 UK will be charged at the applicable international rate. Lines are open from 9 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

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

The registrar provides on-line and telephone share dealing services to existing shareholders who are not seeking advice on buying or selling. These are available at www.capitadeal.com or ☎ 0371 664 0445. Calls cost 12p per minute plus your phone company's access charge. From outside the UK: +44 371 664 0300; 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 Perpetual Client Services

The Invesco Perpetual Client Services Team is available from 8.30 am to 6 pm Monday to Friday (excluding UK Bank Holidays). Current valuations, statements and literature can be obtained, however, no investment advice can be given.

☎ 0800 085 8677.

🌐 www.invescoperpetual.co.uk/investmenttrusts

Scheme and ISA Administration

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

Invesco Perpetual
PO Box 11150
Chelmsford
CM99 2DL

☎ 0800 085 8677

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 contained within the half-yearly financial report have been prepared in accordance with the FRC's FRS 104 *Interim Financial Reporting*;
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FCA'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.

Bill Alexander
Chairman

21 November 2016

The Company's ordinary shares qualify to be considered as a mainstream investment product suitable for promotion to retail investors.



Invesco Fund Managers Limited and Invesco Asset Management Limited are authorised and regulated by the Financial Conduct Authority