

F&C UK High Income Trust plc

INTERIM REPORT FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2017



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Company Overview

F&C UK High Income Trust plc (the “Company”) is an investment trust and its shares are listed on the London Stock Exchange.

The investment objective of the Company is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth.

In pursuit of its objective, the Company invests predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

The Company has two classes of shares: Ordinary shares and B shares. The rights of each class are identical, save in respect of the right to participate in distributions of dividends and capital. The net asset value attributable to each class of shares is the same. Only Ordinary shares are entitled to dividends paid by the Company. B shares, instead of receiving dividends, receive a capital repayment at the same time as, and in an amount equal to, each dividend paid on the Ordinary shares. Shares may be held and traded within units, each unit comprises three Ordinary shares and one B share.

The Company has a fixed rate bank loan of £7.5 million for a term to 28 September 2022.

Visit our website at www.fandcukhit.co.uk

Financial Highlights for the six months

4.7%

Yield⁽¹⁾ on Ordinary Shares and B Shares

Expected distribution yield of 4.7 per cent on Ordinary shares and B shares at 30 September 2017, compared to the yield on the FTSE All-Share Capped 5% Index of 3.6 per cent

+3.4%

Distributions paid quarterly

Interim distributions in respect of the period increased by 3.4 per cent compared to the prior year

2.3%

NAV total return⁽²⁾

Net asset value total return per share for the six months was 2.3 per cent, compared to the FTSE All-Share Capped 5% Index total return of 3.3 per cent

⁽¹⁾ Yield – Based on expected total annual distribution of 4.88p and the Ordinary share and B share price at 30 September 2017.

⁽²⁾ Total return – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the NAV in the period. The dividends are assumed to have been re-invested on the date on which the shares were quoted ex-dividend.

At the Annual General Meeting held on 29 June 2017 shareholders approved the proposal to change the name of the Company's A shares to Ordinary shares.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Performance Summary

	Six months to 30 September 2017	Period from launch on 1 March 2007 to 30 September 2017
Total Return[†]		
Net asset value total return per Ordinary share, B share and Unit	2.3%	98.3%
FTSE All-Share Capped 5% Index total return	3.3%	90.3%

	30 September 2017	31 March 2017	% Change
Capital			
Net assets	£131.1m	£131.6m	(0.4)
Net asset value per Ordinary/A share and B share (debt at fair value) ^x	111.22p	111.12p	+0.1
Net asset value per unit (debt at fair value) ^x	444.88p	444.48p	+0.1
FTSE All-Share Capped 5% Index	4,271.53	4,218.67	+1.3
Ordinary/A share price	103.5p	104.0p	(0.5)
B share price	104.5p	104.3p	+0.2
Unit price [*]	414.5p	409.5p	+1.2
Discount[§]			
Ordinary/A shares	(6.9)%	(6.4)%	
B shares	(6.0)%	(6.1)%	
Units [*]	(6.8)%	(7.9)%	
Distribution yield			
Ordinary/A shares	4.7%	4.5%	
B shares	4.7%	4.5%	
Net Gearing[‡]	2.2%	3.5%	

[†] Total return – see definition on page 4.

^x A reconciliation between the net asset value (debt at fair value) and the net asset value per the Balance Sheet is shown in note 6 to the accounts.

^{*} A unit consists of three Ordinary shares and one B share.

[‡] The gearing figure indicates the extra amount by which shareholders' funds would rise or fall if total assets were to rise or fall. A figure of zero per cent means that the Company has a nil geared position. A negative number means the Company holds net cash after offsetting borrowings.
Net gearing = the percentage figure of investments held divided by assets attributable to shareholders.

[§] Discount represents the percentage difference between net asset value and Share/Unit price.

Sources: F&C and Datastream

Chairman's Statement



Investment background

Twelve months ago we were addressing the repercussions of the shock decision to exit the European Union and the sharp fall in UK equity markets. Whilst at the time this might have felt like the nadir, we have witnessed an extraordinary set of events in UK Politics with David Cameron stepping down and a general election being called by Theresa May. What was supposed to be a landslide win, with Labour in turmoil and repeated threats to the leadership, could not have been further from the truth. On the night, Labour gained a significant share and left the Conservative Government with no majority. This has not helped the Prime Minister in her dealings with Brussels on Brexit. While the recent agreement that talks can now progress towards a trade deal is encouraging there is clearly a long way to go before markets will have certainty on the UK's future relationship with the EU.

The impact on 'UK PLC' is difficult to gauge as uncertainty is not helpful when companies are looking at medium-term investment decisions. At the coal-face, the Manager is seeing a broad range of views; from companies ceasing all UK investment to others who see this as an opportunity to invest and grow their global sales reach. Our Manager believes that you very much have to deal with this at a company level and it is not a case of broad-brush negativity, which makes this a perfect stock-picking environment.

Initial investor sentiment around Brexit was to pick-up quality domestic plays that looked oversold. This was followed by a rotation into overseas earners as investors sought growth and the security of mainly dollar earnings whilst also benefitting from any further weakening in Sterling. This remains broadly the stance today although there are clearly some potentially cheap if structurally challenged domestic sectors which are dividing investor opinion.

Investment portfolio

At the Company's Annual General Meeting in June 2017, shareholders approved the proposed changes to the Company's investment policy, which included the removal of the Higher Yield Portfolio ('corporate bonds'). There had been a continued reduction in assets allocated to this portfolio and the remaining holdings have now either been sold or will mature imminently. As at 30 September 2017, 96.5 per cent. of total assets were invested of which 96.1% were held in equities. The remaining 3.5 per cent. of total assets was held as cash and cash equivalents.

Whilst the Higher Yield Portfolio has been sold there has been scope for the Manager to refocus the equity portfolio which has now been reduced from around fifty to forty names. In making this shift we have also moved down the market cap spectrum which was more a function of the opportunities the Manager found in the market than a direct drive to smaller companies. These changes have also been

made in tandem with tilting the portfolio more towards growth versus income as the Manager felt the balance had become too skewed. I would, however, like to point out that this is only at the margin. The Board remains firmly focused on the dividend with a view to growing this over the coming years.

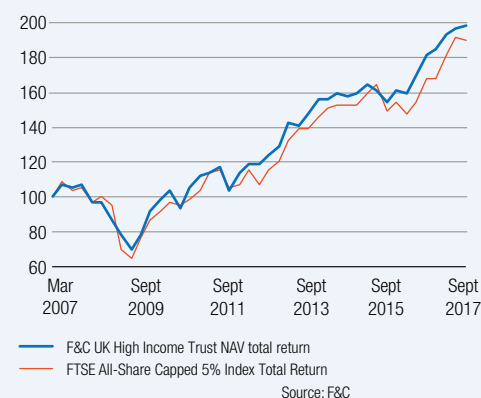
Investment Performance

The net asset value total return for the Ordinary shares and B shares was 2.3 per cent. over the six months to 30 September 2017 compared to the 3.3 per cent. total return for the benchmark FTSE All-Share Capped 5% Index.

Since the Company's launch in March 2007, the net asset value total return for the Ordinary shares and B shares has been 98.3 per cent. which exceeds the 90.3 per cent. total return from the benchmark index.

NAV total return since launch

(rebased to 100 at 1 March 2007, date of launch)



Earnings, Dividends and Capital Distributions

Movements in the Sterling exchange rate, most notably against the US dollar, have an important influence on the Company's revenue as over a fifth of the Company's equity income comes from UK-listed companies that declare dividends in US dollars. While growth in underlying dividends has continued, income at the half year has also been buoyed by the continued weakness of Sterling against the US dollar and the receipt of a number of special dividends. Special dividends added £258,000 to the revenue account during the period compared with £76,000 during the same period in the prior year.

The Company's dividend for the year ending 31 March 2018 is estimated, barring unforeseen circumstances, to be 4.88p per share which represents an increase of 3.4 per cent compared to the prior year (2017: 4.72p per share). The first three quarterly dividends will be paid in equal instalments of 1.21p per share and a fourth quarterly dividend of approximately 1.25p is expected to be paid to Ordinary shareholders. B Shareholders will receive capital repayments of the same amount per share at the same time as dividends are received by Ordinary shareholders.

Chairman's Statement (continued)

The expected annual distribution level represents a yield for Ordinary shareholders, B shareholders and unit holders of 4.7 per cent. based on share prices as at 30 September 2017. This yield compares favourably with the yield on the FTSE All-Share Capped 5% Index of 3.6 per cent. at that date.

Dividends to Ordinary shareholders and capital repayments to B shareholders are paid quarterly in August, November, February and May each year.

After providing for the second quarter dividend, the Company had revenue reserves of £5.6m (approximately 6.41p per Ordinary share) at 30 September 2017.

Discount and buy backs

The Company's Ordinary share price and B share price stood at a discount of 6.9 per cent. and 6.0 per cent respectively at 30 September 2017. Over the six month period, the price of the Company's Ordinary shares and B shares traded at an average discount to net asset value per share of 6.2 per cent. and 5.8 per cent respectively.

During the six month period, the Company bought back 500,000 Ordinary shares at a discount of 7.6 per cent to be held in treasury.

Borrowing

The Company refinanced its borrowings at the end of September and reduced the fixed level of

debt from £18 million at 3.15 per cent per annum to £7.5 million at a lower rate of annual interest of 2.58 per cent, fixed for five years. In addition the Company also entered into a five year unsecured multicurrency revolving credit facility for £7.5 million.

The Directors currently intend that the maximum aggregate borrowings of the Company will be limited to approximately 20 per cent of the Company's gross assets immediately following drawdown. At the time of writing, borrowings total 5.4 per cent.

Board Changes

As explained in my Annual Report, Mr Kenneth Shand retired as a Director of the Company following the conclusion of the Annual General Meeting on 29 June 2017. Following his retirement, James Williams has become Senior Independent Director and chairman of the Remuneration Committee.

Following the AGM, the Board was pleased to announce the appointment of Mr Andrew Watkins as a non-executive Director of the Company, which took immediate effect. Andrew has worked in the financial services industry for over 40 years and was Head of Client Relations for Investment Trusts at Invesco Perpetual from 2004 until his recent retirement. We believe that his experience of investment trusts and his extensive knowledge of the industry will contribute significantly to the Board.

Outlook

A year ago post the Brexit Referendum, it would have been difficult to see what would drive markets higher, leading many to have a bearish stance on the UK market. Twelve months on and the UK market is, for now, ignoring the backdrop and has yet again delivered a double digit total return which is at odds with the rhetoric about the state of the economy.

Whilst the market has probably performed better than most would have expected, the Manager has been very clear that there are risks being ignored in the pursuit of returns including a disregard for leverage. We have therefore placed an increased focus on balance sheets and cash flows bringing additional defensive qualities to the portfolio should we enter a downturn.

Whilst we are not in the business of making forecasts, in a fragile market which is in no mood for even minor disappointments we feel our focused equity strategy should leave us well placed to deliver whatever the market conditions.

Iain McLaren

Chairman

8 December 2017

Forward-looking statements

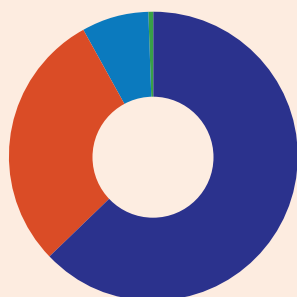
This interim report may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this report. Nothing should be construed as a profit forecast.

Classification of Investments

At 30 September 2017

Equities		
Sector	2017 % Equities	2017 FTSE All- Share Capped 5% Index
Consumer Goods	27.1	16.3
Financials	24.0	26.2
Consumer Services	12.7	11.5
Industrials	8.9	11.8
Healthcare	7.8	8.9
Oil & Gas	7.3	9.8
Utilities	3.5	3.1
Technology	3.1	1.2
Basic Materials	3.0	7.5
Telecommunications	2.6	3.7
Total	100.0	100.0

Investment Portfolio as at 30 September 2017



Source: F&C

Investment Portfolio

At 30 September 2017			
Company	Sector	Market Value £'000	% of total investments
British American Tobacco	Tobacco	9,617	7.2
HSBC Holdings	Banks	7,147	5.3
GlaxoSmithKline	Pharmaceuticals & Biotechnology	6,280	4.7
Royal Dutch Shell	Oil & Gas Producers	6,052	4.5
Diageo	Beverages	4,452	3.3
Unilever	Food Producers	4,394	3.3
AstraZeneca	Pharmaceuticals & Biotechnology	4,090	3.1
Imperial Brands	Tobacco	4,077	3.1
Reix	Media	4,049	3.0
Compass Group	Travel & Leisure	4,049	3.0
Ten largest equity investments		54,207	40.5
Rio Tinto	Mining	4,038	3.0
Prudential	Life Insurance	3,709	2.8
BP	Oil & Gas Producers	3,707	2.8
Vodafone Group	Mobile Telecommunications	3,455	2.6
Melrose Industries	Industrial Engineering	3,050	2.3
Beazley	Non-Life Insurance	2,973	2.2
Intermediate Capital Group	Financial Services	2,850	2.1
Phoenix Group Holdings	Life Insurance	2,823	2.1
BBA Aviation	Industrial Transportation	2,817	2.1
Sophos Group	Software & Computer Services	2,651	2.0
Twenty largest equity investments		86,280	64.5
Neinor Homes	Real Estate Investment & Services	2,647	2.0
Kerry Group	Food Producers	2,592	1.9
Just Eat	General Retailers	2,527	1.9
Daily Mail & General Trust	Media	2,495	1.9
GVC Holdings	Travel & Leisure	2,494	1.9
Greencore Group	Food Producers	2,469	1.8
Bovis Homes Group	Household Goods & Home Construction	2,446	1.8
LondonMetric Property	Real Estate Investment Trusts	2,399	1.8
National Grid	Gas, Water & Multiutilities	2,351	1.8
Cairn Homes	Household Goods & Home Construction	2,338	1.7
Thirty largest equity investments		111,038	83.0
Other equity investments (12)		22,221	16.6
Total equity investments		133,259	99.6
Higher Yield investments (4)		492	0.4
Total investments		133,751	100.0

Condensed Unaudited Consolidated Statement of Comprehensive Income

		Six months to 30 September 2017		
Notes		Revenue £'000	Capital £'000	Total £'000
	Gains on investments held at fair value	–	482	482
	Exchange differences	–	(16)	(16)
2	Investment income	3,364	–	3,364
3	Investment management fee	(148)	(345)	(493)
	Other expenses	(172)	–	(172)
	Profit before finance costs and taxation	3,044	121	3,165
	Net finance costs			
	Interest on bank loan	(88)	(206)	(294)
	Total finance costs	(88)	(206)	(294)
	Profit/(loss) before tax	2,956	(85)	2,871
	Tax on ordinary activities	–	–	–
	Profit/(loss) for the period	2,956	(85)	2,871
	Total comprehensive income for the period	2,956	(85)	2,871
4	Earnings per share	2.50p	(0.07)p	2.43p

All of the profit and comprehensive income for the period is attributable to the owners of the Company. All items in the above statement derive from continuing operations.

		Six months to 30 September 2016			Year to 31 March 2017*		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
		–	13,674	13,674	–	20,184	20,184
		–	(377)	(377)	–	(545)	(545)
		2,911	–	2,911	5,447	–	5,447
		(140)	(328)	(468)	(287)	(670)	(957)
		(170)	–	(170)	(397)	–	(397)
		2,601	12,969	15,570	4,763	18,969	23,732
		(89)	(208)	(297)	(178)	(415)	(593)
		(89)	(208)	(297)	(178)	(415)	(593)
		2,512	12,761	15,273	4,585	18,554	23,139
		–	–	–	–	–	–
		2,512	12,761	15,273	4,585	18,554	23,139
		2,512	12,761	15,273	4,585	18,554	23,139
		2.09p	10.59p	12.68p	3.82p	15.48p	19.30p

*these figures are audited.

Condensed Unaudited Consolidated Balance Sheet

As at				
Notes	30 September 2017 £'000	30 September 2016 £'000	31 March 2017* £'000	
Non-current assets				
8	Investments held at fair value through profit or loss	133,751	136,460	136,041
		133,751	136,460	136,041
Current assets				
	Receivables	649	640	979
	Cash and cash equivalents	4,556	9,289	12,982
		5,205	9,929	13,961
Total assets				
		138,956	146,389	150,002
Current liabilities				
9	Bank loan	–	(18,000)	(18,000)
	Payables	(323)	(310)	(353)
		(323)	(18,310)	(18,353)
Non-current liabilities				
9	Bank loan	(7,500)	–	–
		(7,500)	–	–
Total liabilities				
		(7,823)	(18,310)	(18,353)
Net assets				
		131,133	128,079	131,649
Capital and reserves				
10	Share capital	134	134	134
10	Share premium	153	153	153
10	Capital redemption reserve	5	5	5
10	Buy back reserve	82,190	84,204	82,711
	Special capital reserve	18,839	20,319	19,589
	Capital reserves	23,188	17,480	23,273
	Revenue reserve	6,624	5,784	5,784
Equity shareholders' funds				
		131,133	128,079	131,649
11	Net asset value per Ordinary/A share	111.22p	106.82p	111.19p
11	Net asset value per B share	111.22p	106.82p	111.19p

Approved by the Board, and authorised for issue, on 8 December 2017 and signed on its behalf by:

Iain McLaren, Director

*these figures are audited.

Condensed Unaudited Consolidated Statement of Changes in Equity

Notes	Six months to 30 September 2017 £'000	Six months to 30 September 2016 £'000	Year to 31 March 2017* £'000	
	Opening equity shareholders' funds	131,649	116,528	116,528
	Net profit for the period	2,871	15,273	23,139
10	Shares bought back for treasury	(521)	(888)	(2,381)
7	Dividends paid on Ordinary/A shares	(2,116)	(2,095)	(4,168)
7	Capital repayments paid on B shares	(750)	(739)	(1,469)
	Closing equity shareholders' funds	131,133	128,079	131,649

*these figures are audited.

Condensed Unaudited Consolidated Cash Flow Statement

	Six months to 30 September 2017 £'000	Six months to 30 September 2016 £'000	Year to 31 March 2017* £'000
Net cash flow from operating activities	5,767	7,107	15,576
Net cash flow from financing activities	(14,181)	(4,694)	(9,286)
Net (decrease)/increase in cash and cash equivalents	(8,414)	2,413	6,290
Currency losses	(12)	(388)	(572)
Net cash and cash equivalents at beginning of period	12,982	7,264	7,264
Net cash and cash equivalents at end of period	4,556	9,289	12,982

*these figures are audited.

Notes to the Condensed Accounts (unaudited)

1. Accounting Policies

The condensed unaudited consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the accounting policies set out in the statutory accounts of the Group for the year ended 31 March 2017. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2017, which were prepared under full IFRS requirements to the extent that they have been adopted by the European Union.

2. Income for the period is derived from:

	30 September 2017 £'000	30 September 2016 £'000	31 March 2017 £'000
Equity investments	3,296	2,581	5,000
Fixed interest investments	60	319	426
Deposit interest	8	10	21
Underwriting commission and other income	–	1	–
	3,364	2,911	5,447

- The Company's investment manager is F&C Investment Business Limited. F&C Investment Business Limited receives an investment management fee of 0.75 per cent per annum of the net asset value of the Company payable quarterly in arrears.
- The earnings per share are based on the net profit for the period and on 118,325,177 shares (period to 30 September 2016 – 120,454,847; year to 31 March 2017 – 119,906,901), being the weighted average number of shares in issue during the period.
- Earnings for the six months to 30 September 2017 should not be taken as a guide to the results of the full year.

- The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, of investing in equity and higher yielding securities, and that therefore the Group has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value measuring debt at fair value. The reconciliation between the measure of profit or loss used by the Board and that contained in the financial statements is as follows:

	30 September 2017 Pence per share £'000	30 September 2016 Pence per share £'000	31 March 2017 Pence per share £'000
Shareholders' funds per financial statements	131,133	111.22	128,079
Closing fair value adjustment on fixed-rate term loan	–	–	(171)
Shareholders' funds with debt at fair value	131,133	111.22	127,908
Profit for the period per financial statements	2,871	2.43	15,273
Movement in fair value on fixed-rate term loan	78	0.07	(15)
Profit for the period with debt at fair value	2,949	2.50	15,258

Notes to the Condensed Accounts (unaudited) (continued)

7. Dividends and capital repayments

	Six months to 30 September 2017 £'000	Six months to 30 September 2016 £'000	Year to 31 March 2017 £'000
In respect of the previous period:			
Fourth interim dividend paid at 1.21p (2016: 1.18p) per A share	1,058	1,055	1,055
Fourth capital repayment paid at 1.21p (2016: 1.18p) per B share	375	371	371
In respect of the period under review:			
First interim dividend paid at 1.21p (2016: 1.17p per A share) per Ordinary share	1,058	1,040	1,040
First capital repayment paid at 1.21p (2016: 1.17p) per B share	375	368	368
Second interim dividend paid at 1.17p per A share	–	–	1,038
Second capital repayment paid at 1.17p per B share	–	–	365
Third interim dividend paid at 1.17p per A share	–	–	1,035
Third capital repayment paid at 1.17p per B share	–	–	365
	2,866	2,834	5,637

A second interim dividend for the year to 31 March 2018, of 1.21p per Ordinary share, was paid on 3 November 2017 to Ordinary shareholders on the register on 6 October 2017. A second quarter capital repayment of 1.21p per B share was paid on 3 November 2017 to B shareholders on the register on 6 October 2017. Although these payments relate to the period ended 30 September 2017, under IFRS they will be accounted for in the six months to 31 March 2018, being the period during which they are paid.

At the Annual General Meeting held on 29 June 2017 Shareholders approved the proposal to change the name of the Company's A shares to Ordinary shares.

8. Investments held at fair value through profit or loss

	Group (Level 1) £'000
Opening book cost	103,009
Opening fair value adjustment	33,032
Opening valuation	136,041
Movement in the period:	
Purchases at cost	37,506
Sales – proceeds	(40,278)
– gains on sales	4,220
Decrease in fair value adjustment	(3,738)
Closing valuation at 30 September 2017	133,751
Closing book cost at 30 September 2017	104,457
Closing fair value adjustment at 30 September 2017	29,294
Closing valuation at 30 September 2017	133,751

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

- **Level 1** – quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level 2** – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group held no such instruments during the period under review.
- **Level 3** – techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The Group held no such instruments during the period under review.

There were no transfers between levels of the fair value hierarchy during the six months ended 30 September 2017.

9. On 28 September 2017 the Company repaid its existing £18 million secured term loan with JPMorgan Chase Bank. On the same date the Company drew down a £7.5 million unsecured term loan from Scotiabank Europe plc. The new facility has a five year term to 28 September 2022 and has a fixed interest rate of 2.58 per cent per annum. The Company also entered into a five year unsecured multicurrency revolving credit facility with Scotiabank (Ireland) Designated Activity Company, for £7.5 million. £nil was drawn down at 30 September 2017.

The fair value of the £7.5 million term loan is not materially different from the value reflected in the Balance Sheet. The fair value of the £18 million term loan, on a marked to market basis, was £18,171,000 at 30 September 2016 (31 March 2017 – £18,078,000).

Notes to the Condensed Accounts (unaudited) (continued)

- 10.** The Company bought back 500,000 Ordinary shares to hold in treasury during the period (period to 30 September 2016 – 750,000 A shares; year to 31 March 2017 – 2,000,000 A shares) and nil B shares during the period (period to 30 September 2016 – 200,000 B shares; year to 31 March 2017 – 450,000 B shares). The Company did not resell any Ordinary shares or B Shares from treasury (period to 30 September 2016 – nil A or B Shares; year to 31 March 2017 – nil A or B Shares).

At 30 September 2017 the Company held 15,139,000 Ordinary shares and 1,100,000 B shares in treasury (30 September 2016 – 13,389,000 A shares and 850,000 B shares; 31 March 2017 – 14,639,000 A shares and 1,100,000 B shares).

The Company did not issue any new shares during the period (period to 30 September 2016 – nil; year to 31 March 2017 – nil).

- 11.** The net asset value per share is based on shareholders' funds at the period end and on 86,928,144 Ordinary shares and 30,976,703 B shares, being the number of shares in issue at the period end (30 September 2016 – 88,678,144 A shares and 31,226,703 B shares; 31 March 2017 – 87,428,144 A shares and 30,976,703 B shares).

- 12.** Other than the £18 million bank term loan, as disclosed in note 9, the fair values of the Group's financial assets and liabilities are not materially different from their carrying values in the financial statements.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial statements for the year ended 31 March 2017.

- 13.** Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's objective and policy, which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian and has agreements relating to its borrowing facilities with which it has complied. Cash is held only with banks approved and regularly reviewed by the Manager.

As part of the going concern review, the Directors noted that borrowing facilities of a £7.5 million fixed term loan and a £7.5 million revolving credit facility are committed to the Company until 28 September 2022.

The Directors believe, in the light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the accounts. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

- 14.** The Group results consolidate those of Investors Securities Company Limited, a wholly owned subsidiary which deals in securities. This company is dormant.
- 15.** The Company's auditor, Deloitte LLP, has not audited or reviewed the Interim Report to 30 September 2017 pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'. These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year ended 31 March 2017, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts in respect of any period after 31 March 2017 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

Statement of Principal Risks and Uncertainties

Most of the Company's principal risks are market related and comparable to those of other investment trusts investing primarily in listed securities. These risks, and the way in which they are managed, are described under the heading 'Principal Risks and Viability Statement' within the Strategic Report in the Group's Annual Report for the year ended 31 March 2017. The Company's principal risks and uncertainties have not changed materially since the date

of that report and are not expected to change materially for the remainder of the Group's financial year. The most important types of risk associated with financial instruments are credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk. Other risks faced by the Company include investment and strategic, regulatory, operational and custody risks.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Chairman's Statement (constituting the Interim Management Report) together with the Statement of Principal Risks and Uncertainties include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and

- the Chairman's Statement together with the condensed set of consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Iain McLaren
Director

8 December 2017

Shareholder Information

Dividends

Dividends on Ordinary shares and capital repayments on B shares are paid quarterly in August, November, February and May each year. Shareholders who wish to have distributions paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Equiniti Limited (see Corporate Information page for contact details) on request. The Company operates the BACS system for the payment of distributions. Where distributions are paid directly into shareholders' bank accounts, dividend and capital repayment tax vouchers are sent directly to shareholders' registered addresses.

Share Prices and Daily Net Asset Value

The Company's securities are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in the *Financial Times* and other newspapers. The net asset value of the Company's shares can be obtained by contacting F&C Asset Management Investment Services on 0345 600 3030.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Equiniti Limited, under the signature of the registered holder.

Financial Calendar 2017/18

3 November 2017	Second quarter's distribution paid (XD Date 5 October 2017)
2 February 2018	Third quarter's distribution paid (XD Date 4 January 2018)
4 May 2018	Fourth quarter's distribution paid (XD Date 5 April 2018)
May 2018	Announcement of Annual Results and Posting of Annual Report
July 2018	Annual General Meeting

Warning to shareholders – Boiler Room Scams

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from www.fca.org.uk to see if the person or firm contacting you is authorised by the Financial Conduct Authority ("FCA")
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at www.fca.org.uk/scams where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

How to Invest

One of the most convenient ways to invest in F&C UK High Income Trust plc is through one of the savings plans run by F&C Investments.

F&C Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2017/18 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

F&C Junior ISA (JISA)*

You can invest up to £4,128 for the tax year 2017/18 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA.

F&C Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £4,128 for the 2017/18 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

F&C Private Investor Plan (PIP)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children's Investment Plan (CIP)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18. **Calls may be recorded or monitored for training and quality purposes.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Features Document before you invest and this can be found on our website fandc.co.uk. F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a professional financial adviser.

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F&C Management Limited

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Charges

Annual management charges and other charges apply according to the type of plan.

Annual account charge

ISA: £60+VAT
PIP: £40+VAT
JISA/CIP/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing charges

ISA: 0.2%
PIP/CIP/JISA: postal instructions £12, online instructions £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

For full details of our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website fandc.com/literature.

How to Invest

To open a new F&C savings plan, apply online at fandc.com/apply

Note, this is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

New Customers

Call: **0800 136 420**** (8.30am – 5.30pm, weekdays)
Email: info@fandc.com

Existing Plan Holders

Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)
Email: investor.enquiries@fandc.com
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, TD Direct Investing, The Share Centre**

Corporate Information

Directors

I A McLaren (Chairman)
J Le Blan*
J M Evans
A K Watkins
J P Williams

Alternative Investment Fund Manager (*AIFM), Investment Manager and Company Secretary

F&C Investment Business Limited
6th Floor, Quatermile 4,
7a Nightingale Way,
Edinburgh EH3 9EG

Brokers

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Auditors

Deloitte LLP
110 Queen Street
Glasgow G1 3BX

Depository

JPMorgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Bankers and Custodian

JPMorgan Chase Bank
25 Bank Street
Canary Wharf
London E14 5JP

Bankers

Scotiabank Europe
201 Bishopsgate
London EC2M 3NS

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Company Number

SC314671

Website

www.fandcukhit.co.uk

* Chairman of the Audit Committee

F&C UK High Income Trust plc

INTERIM REPORT 2017

Registered Office

6th Floor, Quatermile 4,
7a Nightingale Way,
Edinburgh EH3 9EG
Tel: 0207 628 8000
Fax: 0131 718 1280

Registrars and Transfer Office

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrars' Shareholder Helpline: 0371 384 2470*

Registrars' Broker Helpline: 0906 559 6025†

Registrars' Overseas Helpline: +44 121 415 7047‡

* Lines open 8.30 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

† Calls to this number are charged at £1 per minute from a BT landline. Other telephony providers' costs may vary.
Lines open 8.30 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

‡ Local overseas call rates will apply.