Invesco Perpetual UK Smaller Companies Investment Trust plc

Annual Financial Report
Year ended 31 January 2015

Contents

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If you have any queries about Invesco Perpetual UK Smaller Companies Investment Trust plc, or any of the other specialist funds managed by Invesco Perpetual, please contact our Investor Services Team on

☎ 0800 085 8677

www.invescoperpetual.co.uk/ipukscit

Front Cover: Abstract granite, Cornwall.

THE COMPANY IN BRIEF

Investment Objective

Invesco Perpetual UK Smaller Companies Investment Trust plc is an investment trust whose investment objective is to achieve long-term total return for shareholders primarily by investment in a broad cross-section of small to medium sized UK quoted companies.

Benchmark

The Company aims to achieve long-term total returns which are in excess of its benchmark, the Numis Smaller Companies Index (excluding Investment Companies).

Dividend Policy

The Company's dividend policy is to distribute all available revenue earned by the portfolio in the form of dividends to shareholders. In addition, the Board has approved the use of the Company's capital reserves to enhance dividend payments. Therefore, the total dividend, paid to shareholders on a quarterly basis, is made up partly of income received from the portfolio and partly from capital reserves.

Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing its funds according to the investment objective with the aim of spreading investment risk and generating a return for shareholders. The Company may use bank borrowings, the proceeds from which can also be invested with the aim of enhancing returns to shareholders. Such additional investment would increase the potential risk to shareholders should the value of the investments fall.

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

The Company's Investment Style

The Company's investment style is:

– to seek to identify well managed, financially strong companies which have unique propositions or clear competitive advantages, and whose share prices are reasonable in relation to their quality and growth;

– to moderate risk by investing in a wide range of stocks; and

– to take advantage of anticipated market strength or special situations by the careful use of borrowings.

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 HIGHLIGHTS

The Benchmark Index of the Company is the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested

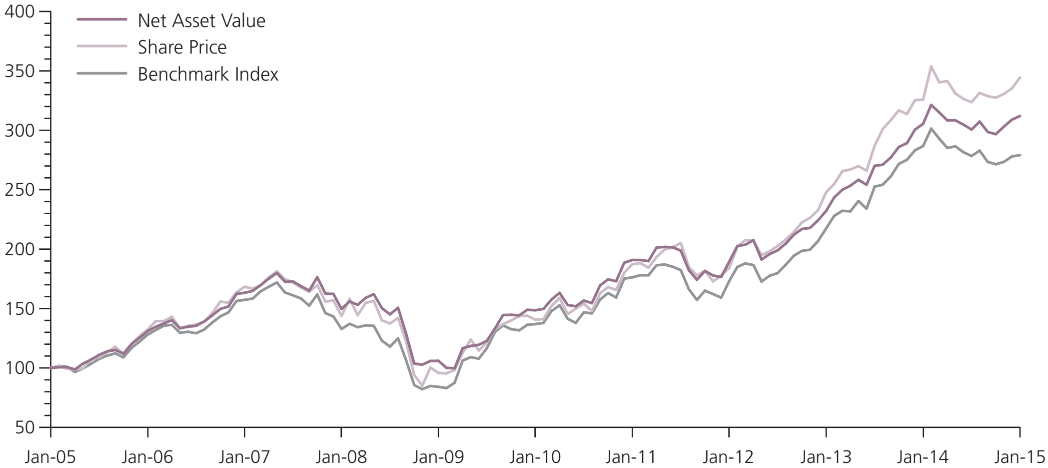
	AT 31 JANUARY 2015	AT 31 JANUARY 2014	% CHANGE
Net asset value per share, as shown on the balance sheet	370.1p	367.9p	+0.6
Shareholders' funds (£'000)[1]	196,914	195,749	+0.6
Share price	328.3p	316.8p	+3.6
Discount[1]	11.3%	13.9%	
Total return (with income reinvested):			
Net asset value[1][2]			+2.2
Benchmark Index[1][2]			–2.6
FTSE All-Share Index[2]			+7.1
Capital return:			
Net asset value[1][2]			+0.4
Benchmark Index[1][2]			–5.3
FTSE All-Share Index[2]			+3.6
Gearing:			
– gross gearing[1]	nil	1.2%	
– net gearing[1]	nil	nil	
– net cash[1]	4.1%	1.2%	
Maximum permissible gearing[1]	10.2%	10.2%	
Return and dividend per ordinary share:			
Revenue return	7.4p	6.9p	
Capital return	1.3p	81.2p	
Total return	8.7p	88.1p	
Interim dividend	1.60p	1.60p	
Final dividend	12.15p	4.90p	
Total dividends	13.75p	6.50p	+111.5
Ongoing charges[1]			
– excluding performance fee	0.83%	0.83%	
– performance fee	0.73%	nil	

Notes: (1) The term is defined in the Glossary on page 57.
(2) Source: Thomson Reuters Datastream.

Cumulative Ten Year Share Price and NAV Performance vs Benchmark (Total Return)

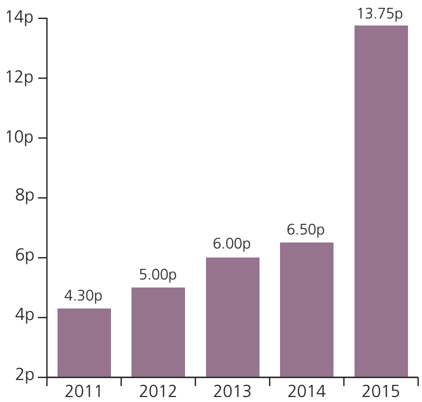
From 31 January 2005 to 31 January 2015

Figures have been rebased to 100 at 31 January 2005



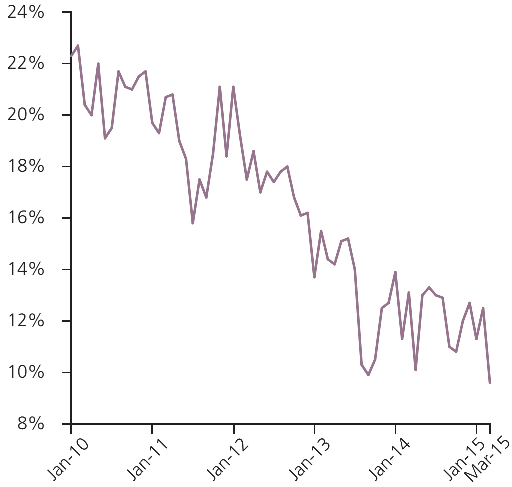
Five Year Dividend History

Pence per Share

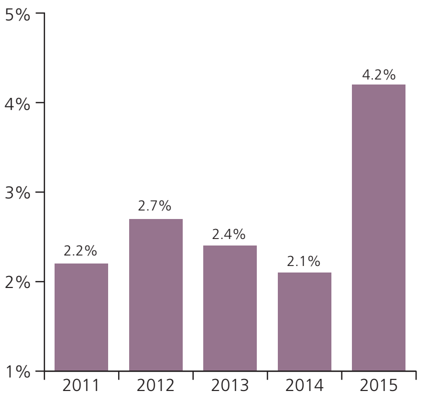


The dividends shown above are those proposed in respect of each year.

Discount Since 31 January 2010



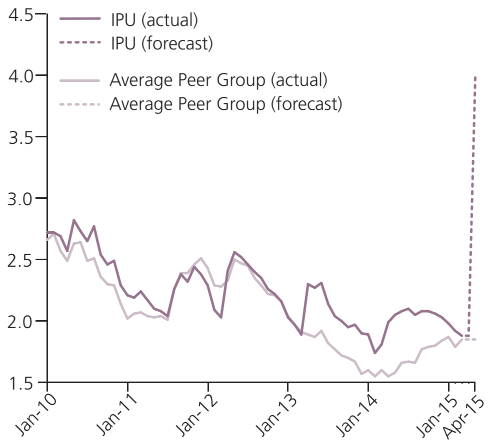
Five Year Dividend Yield



The dividend yield is based on the dividend for the year and the year end share price.

Yield Since 31 January 2010

Average Peer Group vs Company



Source: Thomson Reuters Datastream/Invesco.

The IPU figures include the final proposed dividend of 12.15p which is ex on 23 April 2015.

Ten Year Historical Record

TO 31 JANUARY	GROSS INCOME £'000	NET REVENUE RETURN AVAILABLE FOR SHAREHOLDERS £'000	DIVIDENDS ON SHARES[1] COST £'000	DIVIDENDS ON SHARES[1] RATE p	TOTAL SHARE-HOLDERS FUNDS £'000	NET ASSET VALUE PER SHARE p	SHARE PRICE p	ONGOING CHARGES %	PERFORM-ANCE FEE %
2006	2,448	1,765	1,645	2.40[2]	127,666	186.2[2]	157.2[2]	0.98	1.22
2007	2,976	2,140	2,095	3.15	151,165	226.3	195.5	0.97	0.85
2008	3,264	2,463	2,289	3.75	124,971	205.2	164.3	0.94	0.03
2009	3,666	3,560	3,075[3]	5.30[3]	84,348	144.7	107.0	0.93	1.18
2010	2,909	2,477	2.472	4.30	111,281	193.7	150.5	0.86	–
2011	2,985	2,312	2,399	4.30	133,999	242.9	195.0	0.86	–
2012	3,590	2,852	2,676	5.00	126,771	237.6	187.5	0.89	0.31
2013	4,123	3,370	3,193	6.00	152,034	285.7	246.5	0.87	–
2014	4,555	3,673	3,459	6.50	195,749	367.9	316.8	0.83	–
2015	**4,468**	**3,930**	**7,316[4]**	**13.75[4]**	**196,914**	**370.1**	**328.3**	**0.83**	**0.73**

(1) The dividends shown above are those proposed in respect of each year.
(2) Adjusted for 5:1 share split on 6 December 2006.
(3) Includes a special dividend of 1.2p per ordinary share in respect of VAT recovered on management fees.
(4) Reflects the change in dividend policy.

Ten Year Total Return Performance

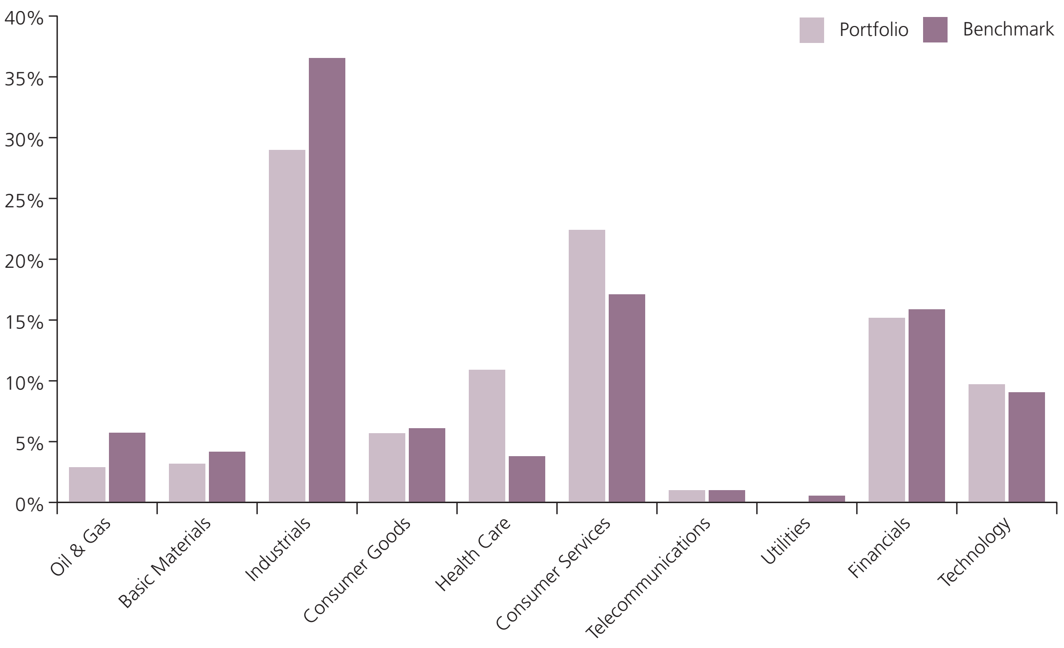
Net Asset Value vs Benchmark

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	THREE YEARS	FIVE YEARS	TEN YEARS
Net Asset Value %	+31.0	+24.7	–8.3	–29.2	+40.1	+28.6	–0.8	+22.4	+31.6	+2.2	+64.6	+110.0	+212.0
Benchmark %	+28.0	+22.9	–15.6	–36.7	+62.8	+28.7	–1.8	+25.6	+31.8	–2.6	+61.3	+103.9	+179.2
Variance %	+3.0	+1.8	+7.3	+7.5	–22.7	–0.1	+1.0	–3.2	–0.2	+4.8	+3.3	+6.1	+32.8

Source: Thomson Reuters Datastream.

Industry Allocation of Portfolio vs Benchmark

As at 31 January 2015



STRATEGIC REPORT
FOR THE YEAR ENDED 31 JANUARY 2015

CHAIRMAN'S STATEMENT

I am pleased to report that for the year ended 31 January 2015 the net asset value (NAV) of your Company, on a total return basis, rose by 2.2%. This compared very favourably with the benchmark index of the Company, the Numis Smaller Companies Index (excluding Investment Companies), which fell by 2.6%. The UK Smaller Companies sector as a whole underperformed the wider UK stock market, as measured by the FTSE All-Share Index, which rose by 7.1%. However, as mentioned in the Portfolio Manager's Report, over the long term the sector has materially outperformed the main index. Over the Company's financial year, the share price of the Company rose from 316.8p to 328.3p per share, an increase of 3.6%, and the discount narrowed from 13.9% to 11.3%. As a result of this significant outperformance, a performance fee of £1,408,000 has been earned by the portfolio manager.

Changes to the Company's Dividend Policy

The Board, mindful of the current interest rate environment and the imminent reform to pension rules, believes that investors are attracted to income-producing investments. Following consultation with the Company's major shareholders, the Company announced on 10 March 2015 that it would be implementing a material increase in its dividend on an ongoing basis, targeting an initial yield of approximately 4% per annum (based on the prevailing share price of 344p). Dividends will be funded by distributing 100% of available income each year, with the balance being paid from capital reserves which, for the year to 31 January 2016, is anticipated to amount to approximately 2% of assets. This should be seen in the context of annualised capital growth of nearly 10% over the last ten years. We hope that the potential resulting minor tax disadvantage to some shareholders of distributing a small percentage of capital reserves as income will be offset by a permanent narrowing of the discount to NAV at which the Company's shares trade. Going forward, the Company will pay quarterly dividends comprising three equal interim dividends, followed by a final dividend.

As a result of these changes, the investment objective of the Company will no longer include wording to the effect that 'the pursuit of income is of secondary importance'. I should emphasise that there will be no change to the current investment policy or style, although the portfolio manager will have the scope to hold slightly larger positions in higher-yielding stocks within the portfolio, where they fit his normal investment criteria.This change will not affect the total return produced by the portfolio manager, but is designed to alter the way that return is paid to shareholders via a significant increase in the annual dividend payment.

The changes to the Company's dividend policy will not affect the Board's commitment to shareholders for a vote on various options for the Company's future in 2017, as announced previously.

Dividend

For the year ended 31 January 2015, an interim dividend of 1.6p per share was paid on 24 October 2014 to those shareholders who were on the register on 26 September 2014. The Board is proposing a final dividend for the year ended 31 January 2015 of 12.15p per share, making a total dividend for the year of 13.75p per share, an increase of 111.5% on the dividend for the year ended 31 January 2014. The final dividend will be payable on 5 June 2015 to shareholders on the register on 24 April 2015. The shares will go ex-dividend on 23 April 2015.

This final dividend will be substantially funded out of available income and brought forward revenue reserves. The balance of £589,000 (representing 0.3% of net assets) will be funded from capital reserves.

The Company received £0.6 million or 1.2p per share (2014: £0.6 million or 1.1p) of special dividends. By their nature, special dividends are non-recurring and future receipts are uncertain.

Annual General Meeting

This year's Annual General Meeting will be held on Thursday, 4 June 2015. The Directors have carefully considered all of the resolutions proposed in the Notice of the AGM and believe them to be in the best interests of shareholders and the Company as a whole. The Directors, accordingly, recommend that shareholders vote in favour of each resolution.

CHAIRMAN'S STATEMENT continued

Outlook

As you will read in the Portfolio Manager's Report, the smaller company sector underperformed the main market which, in turn, underperformed other major world markets in the period under review. However, empirical evidence shows that smaller companies have outperformed larger stocks, with lower volatility, over longer time scales.

The UK economy continues to benefit from low levels of unemployment, continued record-low interest rates and the anticipated pre-election stimulus. As a result, the conditions for investing in the equity of high quality smaller companies appear relatively benign, even allowing for risks, political and economic, on the world stage. The portfolio manager believes, therefore, that this Company's diversified portfolio of UK-quoted smaller companies should perform well in relative and absolute terms in the year ahead.

Ian Barby
Chairman

17 April 2015

BUSINESS REVIEW

Invesco Perpetual UK Smaller Companies Investment Trust plc is an investment company and its investment objective is set out below. The strategy the Board follows to achieve that objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below and have been approved by shareholders.

The Company has contracted the services of Invesco Fund Managers Limited (the 'Manager') to manage the portfolio in accordance with the Board's strategy and under its oversight. The portfolio manager responsible for the day to day management of the portfolio is Jonathan Brown, assisted by Robin West, Deputy Portfolio Manager.

Investment Objective

The Company's investment objective was amended on 10 March 2015 by the removal of the sentence "The pursuit of income is of secondary importance." Further details of this change are set out in the Chairman's Statement on page 5. The revised investment objective is as follows:

'The Company is an investment trust whose investment objective is to achieve long-term total return for shareholders primarily by investment in a broad cross-section of small to medium sized UK quoted companies.'

Investment Policy

The portfolio primarily comprises shares traded on the London Stock Exchange, though it will also usually include a small proportion traded on AIM. The portfolio manager can also invest in unquoted securities, though these are limited to a maximum of 5% of gross assets at the time of acquisition.

The Manager seeks to outperform the benchmark index. As a result, the Manager's approach can, and often does, result in significant overweight or underweight positions in individual stocks or sectors compared with the benchmark. Sector weightings are ultimately determined by stock selection decisions.

Risk diversification is sought through a broad exposure to the market, where no single investment may exceed 5% of the Company's gross assets at the time of acquisition. The Company may utilise index futures to hedge risk of no more than 10% and other derivatives (including warrants) of no more than 5%. In addition, the Company will not invest more than 10% in collective investment schemes or investment companies, nor more than 10% in non-UK domiciled companies. All these limits are referenced to gross assets at the time of acquisition.

Borrowings may be used to raise market exposure up to the lower of 30% of net asset value and £25 million.

Dividend Policy

The Company's dividend policy is to distribute all available revenue earned by the portfolio in the form of dividends to shareholders. In addition, the Board has approved the use of the Company's capital reserves to enhance dividend payments. Therefore, the total dividend, paid to shareholders on a quarterly basis, is made up partly of income received from the portfolio and partly from capital reserves.

Performance

The Board reviews performance by reference to a number of Key Performance Indicators which include the following:

- the movement in net asset values (NAV) per share on a total return basis;
- the performance relative to the peer group;
- the discount;
- dividend per share;
- the ongoing charges; and
- the risk and volatility.

The ten year record for the NAV and share price performance compared with the Company's benchmark index can be found on page 3, together with the five year discount record. The ten year record for dividends and ongoing charges is shown on page 4. Returns versus volatility are shown on the graph on page 11.

Results and Dividends

In the year ended 31 January 2015 the net asset value total return was 2.2%, compared with a total return on the benchmark index of –2.6%, an outperformance of 4.8%. The discount at the year end was 11.3%. The Portfolio Manager's Report shows an analysis of the relative performance in a table on page 11.

For the year ended 31 January 2015, an interim dividend of 1.6p per ordinary share was paid to shareholders on 24 October 2014. As explained in the Chairman's Statement, the final dividend has been

BUSINESS REVIEW continued

increased substantially to 12.15p (2014: 4.9p), following the change in the Company's dividend policy. The final dividend will be proposed to shareholders at the AGM on 4 June 2015 and will be paid on 5 June 2015 to shareholders on the register on 24 April 2015. This dividend will be funded from current year and brought forward revenue reserves, with the balance of 1.1p (£589,000) being funded from capital reserves.

Financial Position and Borrowings

At 31 January 2015 the Company's net assets were valued at £197 million (2014: £196 million), comprising a portfolio of equity investments and net current assets, with no borrowings (2014: £2.4 million). Borrowings, which are authorised by shareholders up to a maximum of £25 million, would be funded by the Company's uncommitted bank overdraft facility. This facility has a maximum of the lower of 30% of net asset value and £20 million.

Outlook, including the Future of the Company

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Manager's Report. Details of the principal risks affecting the Company are set out under 'Principal Risks and Uncertainties' below.

As previously announced, on or around the Company's AGM in 2017, the Board will make available options for shareholders as set out in the Chairman's Statement. The Board has assured shareholders that the Manager will continue to use its best endeavours to attempt to achieve above-average performance and thereby earn the authority from shareholders for the Company's continuation.

Principal Risks and Uncertainties

The most significant risks of the Company, and the steps taken to mitigate them follow. Most of these risks are market related and are similar to those of other investment trusts investing primarily in listed markets.

Market (Economic) Risk

Factors such as general fluctuations in stock markets, interest rates and exchange rates are not under the control of the Board and the portfolio manager, 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 discount to NAV. To a limited extent, futures can be used to mitigate this risk.

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 do 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.

The portfolio manager's 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 manager 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 manager is relatively risk averse, looks for lower volatility in the portfolio and seeks to outperform in more challenging markets. In comparison to peer group investment trusts, the Company's portfolio often has a higher than average market capitalisation and a lower than average exposure to the AIM market. The portfolio manager remains 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 and has guidelines in place to ensure that the portfolio manager adheres to the approved investment policy. The continuation of the portfolio 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.

As explained in the Chairman's Statement, the Company has announced a dividend policy which is targeting an initial yield of approximately 4% per annum. Dividends are likely to be funded partly from capital reserves in the future.

The Board and the portfolio manager maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying net asset value; and there are in place both share buy back and issuance facilities to help the management of this process.

Borrowings

The Company may borrow money for investment purposes. If the investments fall in value, any borrowings (or gearing) will magnify the extent of any loss. If the borrowing facility could not be renewed, the Company might have to sell investments to repay any borrowings made under it. All borrowing and gearing levels are reviewed at every Board meeting and preset limits agreed.

Reliance on the Manager and other Third Party Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party providers both for its executive function and other service provision. In particular, the Manager performs services which are integral to the operation of the Company. 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 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. Any damage to the reputation of the Manager could result in potential 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. The Company's main service providers are listed on page 56.

The Audit Committee regularly reviews the performance and internal controls of the Manager, the results of which are reported to the Board. The Manager reviews the performance of all third party providers regularly through formal and informal meetings.

Regulatory Risk

The Company is subject to various laws and regulations by virtue of its status as an investment trust, and its listing on the London Stock Exchange. A loss of investment trust status could lead to the Company being subject to capital gains tax 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 daily 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 Officers produce regular reports for review at the Company's Audit Committee.

A significant regulatory change in the year was the implementation of the Alternative Investment Fund Managers Directive. This required the appointment of a depositary and a change in the contractual arrangements with the Manager, which continues to bear the main compliance obligations.

Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 18 to the financial statements.

Board Diversity

The Company's policy on diversity is set out on page 22. The Board considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience, amongst other factors when reviewing its composition and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. The Board consists of five directors, one of whom is female.

Social and Environmental Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. The Manager considers various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Manager does not necessarily decide to, or not to, make an investment on environmental and social grounds alone. The Manager applies the United Nations Principles for Responsible Investment.

PORTFOLIO MANAGER'S REPORT

Jonathan Brown

Investment Review

The year to 31 January 2015 saw generally good returns from global stock markets, as they shrugged off fears about the ending of quantitative easing in the US. However, there was a sharp sell-off in the Autumn, led by oil and mining companies, which followed commodity prices downward. The situation was exacerbated by escalating geopolitical tensions and deteriorating economic news, especially from Europe. Thankfully, the weakness was relatively short lived. Expectations for a US interest rate increase receded into the distance, as cheaper energy and raw materials exerted further downward pressure on inflation. The market also began to focus on the benefits of a significantly lower oil price, which provides a substantial boost to household discretionary expenditure and to the profitability of many energy consumptive businesses. The decision taken by the European Central Bank in January 2015 to launch a massive asset purchase programme provided further impetus to equity markets, pushing a number of indices to all-time highs.

The UK stock market, as measured by the FTSE All-Share Index, rose 7.1% on a total return basis which, while decent, is some way below many of the other major global indices. This is largely due to the UK market having a higher relative exposure to mining and oil & gas companies. The economic backdrop in the UK has continued to be favourable, with the lowest level of unemployment seen for many years, record low interest rates and a pre-election pick-up in government spending, supporting a continuing economic expansion. The uncertainty around the Scottish independence vote was unhelpful for business confidence, but we have nonetheless seen decent levels of investment, which is an important support for continued growth. Against this backdrop, the underperformance of UK smaller companies relative to the wider market, with the Numis Smaller Companies Index (ex-investment trusts) declining 2.6% on a total return basis, is somewhat disappointing. This might just be the small cap market 'handing back' a small amount of the huge outperformance we have seen over recent years, as 'all cap' investors reduced their exposure. With hindsight, smaller company valuations became slightly stretched versus the wider market, but pleasingly we saw a resumption of small cap outperformance over the second half of the period.

Portfolio Strategy and Review

Against this background, your Company produced an increase in net asset value on a total return basis of 2.2% for the year to 31 January 2015. Positive contributions came from the Healthcare and Technology sectors, while the portfolio's exposure to the Oil & Gas and Industrial sectors had a negative effect on performance.

At the individual stock level, the stand-out performer was Synergy Health (+68%), a world leading healthcare outsourcing business, which received a takeover bid from US rival Steris. Synergy Health is a stock the Company has held for many years and has been a terrific performer over the long term. CVS Group, a veterinary services business, also had an excellent year (+72%). The stock re-rated significantly as the market began to understand better the growth potential and resilient qualities of the company. As with last year, the portfolio also benefited from its holding in Howden Joinery (+26%), which is a leading manufacturer of pre-fabricated kitchens. The company continued to benefit from improving household cash flows and market share gains. Other strong performers in the portfolio included EMIS Group (+49%), a healthcare software business, which made a strategically important acquisition early in the period, and Microfocus (+45%), another software business which also benefited from a highly earnings-accretive deal.

While contributors to the portfolio outweighed detractors, there were disappointments, particularly from companies exposed to the oil & gas sector. The shares of RPS (–45%), an environmental consultancy which also provides services to the oil & gas industry, had a poor year. The stock has partially recovered since the end of the period, after management indicated that they had so far seen little fall-out from the lower oil price. Aveva (–37%), a software business with some exposure to oil & gas, also suffered during the year but has subsequently recovered some of its losses. Oil production company Amersiur Resources (–34%) was another casualty, although the business remains profitable and benefits from a cash-rich balance sheet.

The following table analyses the performance of the Company's NAV relative to the Benchmark.

Invesco Perpetual UK Smaller Companies Investment Trust plc

Performance attribution for the year ended 31 January 2015

	TOTAL ABSOLUTE %
Net asset value total return	2.2
Less: Benchmark total return	(2.6)
Relative outperformance	4.8
Analysis of Relative Performance	
Portfolio total return	3.8
Less: Benchmark total return	(2.6)
Portfolio outperformance	6.4
Net gearing effect	—
Management fees	(0.7)
Performance fees	(0.7)
Interest payable	—
Other expenses	(0.2)
Total	4.8

Performance attribution analyses the Company's performance relative to its benchmark.

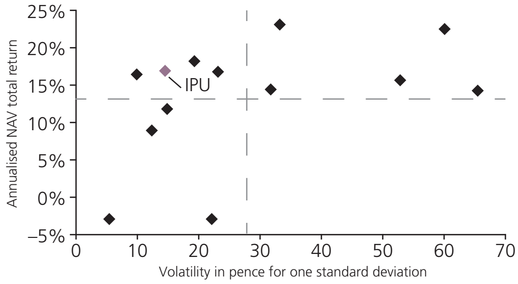
Portfolio out performance measures the relative effect of the Company's investment portfolio against that of its benchmark.

Net gearing effect measures the impact of borrowings and cash on the Company's relative performance. This is nil where there is no gearing in a year.

Management fees, performance fees, other expenses and interest payable reduce the level of assets and therefore result in a negative effect for relative performance. There are no fees or expenses imputed to the benchmark index.

The following scatter diagram displays your Company's position compared with its peer group in terms of performance and highlights the Company's low risk (volatility) profile.

Returns vs. Volatility† Over Five Years – UK Smaller Companies Investment Trust Peer Group (13 trusts)



IPU = Invesco Perpetual UK Smaller Companies Investment Trust plc.

— represents the average performance (vertical) and the average volatility (horizontal) of the peer group.

† Defined in the Glossary of Terms on page 57.

Investment Strategy

The UK smaller companies sector, whilst only a small proportion of the market by value, has over many years generated significant returns for investors. In fact, over the last 60 years the sector, as measured by the Numis Smaller Companies Index (ex-investment trusts), has on average returned 15.3% per year on a total return basis compared to a return of 11.9% from the FTSE All-Share Index. The market has many appealing characteristics for 'stock pickers'. Due to their smaller scale, the companies receive far less attention from analysts than their larger brethren, enabling diligent managers to profit from genuinely undervalued 'hidden gems'. The management of the companies also tend to own a much higher proportion of the stock in their own businesses, meaning that their interests are better aligned with other shareholders, which is likely to result in decisions being taken for the long term benefit of the business, rather than for short term gain. Companies can also gain exposure to higher growth niches within the economy, which would be insignificant for a 'mega-cap' stock, but can represent a substantial opportunity for the kind of business we seek to invest in. While the fortunes of the FTSE 100 are tied closely to the performance of a relatively small number of sectors, such as banks, oil, mining and pharmaceuticals; investment in the smaller companies sector can provide a useful diversification into more interesting and potentially higher return areas of the economy.

We seek to run a portfolio of around 90-100 stocks, which allows us to reduce company specific risk through diversification, whilst being able to take larger positions in companies which

PORTFOLIO MANAGER'S REPORT continued

we feel are particularly interesting at the time. The proportion of assets invested into a particular sector is principally determined by the number of fundamentally attractive companies we can find, rather than by taking a more general view on the wider economy.

We look for companies that either have great products or services that can enable them to take market share off their competitors, or companies that are exposed to higher growth niches within the UK economy or overseas. A business also needs to be able to make strong profit margins, and have a means of preventing them being competed away. These 'barriers to entry' can be in the form of intellectual property, specialist knowhow, strong brands or a particularly high share of their chosen market. We also like businesses that have strong balance sheets and strong cash flows. If a company's profit is not turning into cash, it is often a symptom of a deeper issue with a business, and certainly warrants thorough investigation.

This 'stock-picking' process currently finds us with our largest exposure in the highly diverse Industrial sector, which contains everything from recruitment consultancies to electrical engineering businesses. The portfolio includes Senior, which manufactures aerospace components for companies such as Boeing and Airbus. The company enjoys better visibility than many engineering businesses due to its customers' order books, some of which stretch out for 8 or 9 years at current build rates. Other holdings include Diploma, a highly cash generative distribution business which is benefiting from the US economic recovery, and RPC, a manufacturer of plastic containers, where the new management have overseen a significant improvement in the profitability of the business.

Our second largest exposure is to healthcare, which is an area rich in innovation and intellectual property. This sector continues to benefit from increases in global healthcare spending, driven by the burgeoning middle classes in the emerging markets and ageing populations in more developed countries. There are some very attractive companies in this sector, including Advanced Medical Solutions, a manufacturer of wound dressings, sutures and other surgical products, which is successfully taking market share from larger competitors in the UK and US, and Abcam, which is the world's leading supplier of antibodies to the medical research sector.

The smaller companies sector also offers a broader range of exposure to 'consumer cyclicals', such as retail and leisure stocks at a time when the UK consumer is forecast to benefit from a higher growth in discretionary income than seen for many years. This is being driven by accelerating wage inflation due to a tighter employment market, lower petrol prices, low interest rates and a supermarket price war reducing the cost of the weekly shop. Some of this money will be finding its way into home improvements, pubs, restaurants and the retail sector. The stocks we favour in this area include pub company JD Wetherspoon, which offers some of the lowest prices on the high street, homewares retailer Dunelm, which has become a sector leader by offering unrivalled choice and everyday low prices, and home shopping company N Brown, which specialises in out-sized clothing and owns brands such as JD Williams, Simply Be and Jacamo.

Outlook

Liquidity is a major driver of asset prices and the ECB decision to pour over €1 trillion into the European economy via open market asset purchases will offer significant support to stock markets over the next year. Equities, in particular smaller companies, continue to look better value than bonds, which appear to have slipped into a strange parallel universe, with some investors now paying for the privilege of lending to the German government. We continue to find interesting and attractively priced stocks to add to the portfolio and with earnings expectations now at particularly low levels, UK smaller companies could even start to see the benefit of earnings upgrades for the first time in a few years. Notwithstanding all the geopolitical and macro-economic issues which are looming large at the current time, including a potentially inconclusive UK general election, we see good prospects for the companies we invest in and hope for another year of positive returns.

Jonathan Brown
Portfolio Manager

Robin West
Deputy Portfolio Manager

The Strategic Report was approved by the Board of Directors on 17 April 2015.

Invesco Asset Management Limited
Company Secretary

INVESTMENTS IN ORDER OF VALUATION

AT 31 JANUARY 2015

Ordinary shares unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
CVS AIM	General Retailers	6,042	3.2
Senior	Aerospace & Defence	5,675	3.0
Diploma	Support Services	5,326	2.8
Bovis Homes	Household Goods & Home Construction	4,477	2.3
Ultra Electronics	Aerospace & Defence	4,207	2.2
N Brown	General Retailers	4,171	2.2
RPC	General Industrials	4,078	2.1
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	4,012	2.1
Mears	Support Services	3,635	1.9
Northgate	Support Services	3,592	1.9
Top Ten Holdings		**45,215**	**23.7**
Marston's	Travel & Leisure	3,525	1.9
Safestore	Real Estate Investment Trusts	3,351	1.8
EMIS AIM	Software & Computer Services	3,271	1.7
Innovation	Software & Computer Services	3,107	1.6
Victrex	Chemicals	3,062	1.6
Elementis	Chemicals	3,011	1.6
Euromoney Institutional Investor	Media	2,898	1.5
St. Modwen Properties	Real Estate Investment & Services	2,776	1.5
Vectura	Pharmaceuticals & Biotechnology	2,733	1.4
Dunelm	General Retailers	2,729	1.4
Top Twenty Holdings		**75,678**	**39.7**
Aveva	Software & Computer Services	2,693	1.4
JD Sports	General Retailers	2,690	1.4
FDM Group	Software & Computer Services	2,634	1.4
Synergy Health	Health Care Equipment & Services	2,600	1.4
Consort Medical	Health Care Equipment & Services	2,560	1.3
JD Wetherspoon	Travel & Leisure	2,541	1.3
Essentra	Support Services	2,446	1.3
Topps Tiles	General Retailers	2,413	1.3
Abcam AIM	Pharmaceuticals & Biotechnology	2,398	1.3
Brewin Dolphin	Financial Services	2,391	1.3
Top Thirty Holdings		**101,044**	**53.1**
Cambian	Health Care Equipment & Services	2,374	1.2
Patisserie AIM	Travel & Leisure	2,366	1.2
Crest Nicholson	Household Goods & Home Construction	2,338	1.2
UTV Media	Media	2,329	1.2
Polypipe	Construction & Materials	2,216	1.2
Staffline AIM	Support Services	2,210	1.2
RWS AIM	Support Services	2,163	1.2
Advanced Medical Solutions AIM	Health Care Equipment & Services	2,146	1.1
Interserve	Support Services	2,143	1.1
Savills	Real Estate Investment & Services	2,119	1.1
Top Forty Holdings		**123,448**	**64.8**
Servelec	Software & Computer Services	2,085	1.1
Jupiter Fund Management	Financial Services	2,024	1.1
Howden Joinery	Support Services	2,002	1.1
Amerisur Resources AIM	Oil & Gas Producers	1,999	1.0
Bellway	Household Goods & Home Construction	1,988	1.0
Gamma Communications AIM	Mobile Telecommunications	1,950	1.0
RPS	Support Services	1,930	1.0
Cape	Oil Equipment, Services & Distribution	1,909	1.0
LSL Property Services	Real Estate Investment & Services	1,867	1.0
Dignity	General Retailers	1,850	1.0
Top Fifty Holdings		**143,052**	**75.1**

INVESTMENTS IN ORDER OF VALUATION continued

Ordinary shares unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Ebiquity AIM	Media	1,826	1.0
Brammer	Support Services	1,804	1.0
Domino Printing Sciences	Electronic & Electrical Equipment	1,762	0.9
Dairy Crest	Food Producers	1,756	0.9
Balfour Beatty	Construction & Materials	1,743	0.9
Sthree	Support Services	1,736	0.9
Stanley Gibbons AIM	General Retailers	1,627	0.9
Brooks Macdonald AIM	Financial Services	1,567	0.8
Fidessa	Software & Computer Services	1,548	0.8
NewRiver Retail AIM	Real Estate Investment Trusts	1,524	0.8
Top Sixty Holdings		**159,945**	**84.0**
Mountview Estates	Real Estate Investment & Services	1,511	0.8
Workspace	Real Estate Investment Trusts	1,468	0.8
Guinness Peat	Financial Services	1,433	0.8
WS Atkins	Support Services	1,377	0.7
Polar Capital AIM	Financial Services	1,340	0.7
CLS	Real Estate Investment & Services	1,299	0.7
Rathbone Brothers	Financial Services	1,292	0.7
M&C Saatchi AIM	Media	1,220	0.6
Tungsten AIM	Financial Services	1,210	0.6
Restaurant Group	Travel & Leisure	1,204	0.6
Top Seventy Holdings		**173,299**	**91.0**
Sinclair IS Pharma AIM	Pharmaceuticals & Biotechnology	1,200	0.6
Norcros	Construction & Materials	1,188	0.6
Boohoo AIM	General Retailers	1,123	0.6
4imprint	Media	1,101	0.6
Hansteen	Real Estate Investment Trusts	1,025	0.5
Microgen	Software & Computer Services	1,009	0.5
Vertu Motors AIM	General Retailers	997	0.5
Earthport AIM	Software & Computer Services	916	0.5
Keywords Studios AIM	Support Services	914	0.5
Oxford Instruments	Electronic & Electrical Equipment	853	0.5
Top Eighty Holdings		**183,625**	**96.4**
Fisher (James) & Sons	Industrial Transportation	844	0.4
Faroe Petroleum AIM	Oil & Gas Producers	780	0.4
Latchways	Support Services	773	0.4
Accesso Technology AIM	Software & Computer Services	770	0.4
EKF Diagnostics AIM	Health Care Equipment & Services	722	0.4
Urban & Civic	Real Estate Investment & Services	707	0.4
Utilitywise AIM	Support Services	502	0.3
Premier Oil	Oil & Gas Producers	445	0.2
Redcentric AIM	Software & Computer Services	416	0.2
Ithaca Energy AIM	Oil & Gas Producers	404	0.2
Top Ninety Holdings		**189,988**	**99.7**
Hilton Food	Food Producers	318	0.2
Severfield	Industrial Engineering	204	0.1
Total Investments		**190,510**	**100.0**

AIM Investments quoted on AIM

DIRECTORS

Ian Barby†
Joined the Board in 2004. He is Chairman of the Board and the Nomination Committee. A barrister, he was formerly a vice chairman of Mercury Asset Management plc and has wide experience of the investment trust sector. He is also a director of BlackRock World Mining Trust plc, Pantheon International Participations plc and chairman of Schroder Income Growth Fund plc and Ecofin Water and Power Opportunities plc.

Christopher Fletcher†*
Joined the Board in December 2010. For a number of years until 2011, he was Head of Retail Investments at Baillie Gifford & Co with responsibility for administration and non-institutional business development, particularly of investment trusts and pooled funds. He is a director of Northern 2 VCT plc, Spark Energy Limited and The Association of Investment Companies. Prior to joining Baillie Gifford & Co in 1997, Mr Fletcher was a partner in the Edinburgh office of KPMG. He is a Trustee of the National Museums of Scotland.

Jane Lewis
Joined the Board in December 2013. She is Chairman of the Management Engagement Committee. She is an investment trust specialist who, until August of 2013, was Director of Corporate Finance and Broking at Winterflood Investment Trusts. Prior to this she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at West LB Panmure as an investment trust broker. Jane has a BA and LLB and also holds the Securities Institute Diploma and the Investment Management Certificate.

Richard Brooman*
Joined the Board in 1988. He is Deputy Chairman of the Board and Chairman of the Audit Committee. A chartered accountant, he was formerly group finance director of Sherwood International Plc. Prior to this, he was finance director of VCI plc and CFO of the global consumer healthcare business at SmithKline Beecham plc, having held senior financial and operational roles at Mars and qualifying at Price Waterhouse. He is a non-executive director and chairman of the Audit Committee of HgCapital Trust plc, Acal plc and of the Camden & Islington NHS Foundation Trust. He is also a Trustee and Audit Committee Chair of Leonard Cheshire Disability.

Garth Milne†*
Joined the Board in 2001. He has been involved in investment funds in the City for over 40 years. He was formerly head of the investment funds team at UBS Warburg, having originally set up the team at Laing & Cruickshank. He is a non-executive director of Utilico Emerging Markets Limited.

All Directors are independent and non-executive and are members of the Management Engagement Committee.
* Member of the Audit Committee.
† Member of the Nomination Committee.

THE COMPANY'S GOVERNANCE FRAMEWORK

The Board and Committees

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management to the Manager and administration to the Manager and other external service providers.

The Board

Chairman – Ian Barby

Deputy Chairman and Senior Independent Director – Richard Brooman

Three additional non-executive directors

Key responsibilities:

– to set strategy, values and standards;

– to provide leadership within a framework of prudent effective controls which enable risk to be assessed and managed; and

– to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee	Audit Committee	Nominations Committee	Remuneration Committee Function
Chairman Jane Lewis	Chairman Richard Brooman	Chairman Ian Barby	The Board as a whole performs this function
All the directors	Additional members: – Christopher Fletcher – Garth Milne	Additional members: – Christopher Fletcher – Garth Milne	
Key objective: – to review regularly the management contract and the performance and remuneration of the Manager.	Key objectives: – to oversee the risk and control environment and financial reporting; and – to review other service providers, including the auditor.	Key objectives: – to review regularly the Board's structure and composition; and – to make recommendations for any changes or new appointments.	Key objective: – to set the remuneration policy of the Company.

Portfolio Manager and Deputy Portfolio Manager

Jonathan Brown is a member of the UK Equity team specialising in smaller companies and has been with Invesco Perpetual for more than ten years. He became the portfolio manager at the end of June 2014, following Richard Smith's retirement.

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 in his own right.

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.

During the year Robin West joined Invesco Perpetual and, having worked closely with Jonathan, has become the deputy portfolio manager. Robin started his career at KPMG and is a small company specialist who worked at Invesco initially, then Oriel Securities and Aviva Investors, before returning to Invesco Perpetual in 2014.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2015

The Board is committed to maintaining high standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

The Board has considered the principles and recommendations of the 2013 AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2012 UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The AIC Code is available from the Association of Investment Companies (www.theaic.co.uk). The UK Code is available from the Financial Reporting Council website (www.frc.org.uk).

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of Invesco Perpetual UK Smaller Companies Investment Trust plc, being an externally managed investment company with no executive employees and in view of the Manager having an internal audit function. The Company has therefore not reported further in respect of these provisions.

Information on how the Company has applied the principles of the AIC Code and the UK Code is provided in the Directors' Report as follows:

The composition and operation of the Board and its committees are detailed on pages 21 and 22, and page 18 in respect of the Audit Committee.

The Company's approach to internal control and risk management is detailed on page 24.

The contractual arrangements with, and assessment of, the Manager are summarised on page 25.

The Company's capital structure and voting rights are summarised on page 27.

The most substantial shareholders in the Company are listed on page 27.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 23. There are no agreements between the Company and its directors concerning compensation for loss of office.

Powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles of Association require a resolution to be passed by shareholders.

By order of the Board

Invesco Asset Management Limited
Company Secretary

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

17 April 2015

AUDIT COMMITTEE CHAIRMAN'S LETTER

FOR THE YEAR ENDED 31 JANUARY 2015

Dear Shareholder,

This is my second report to you, setting out the range of work the Audit Committee has undertaken and the judgments it has exercised during the year. The Committee met three times in the year. It continues to support the Board in fulfilling its oversight responsibilities, reviewing financial reporting, the system of internal controls and management of risk, the audit process and the Company's process for monitoring compliance with laws and regulations.

The Audit Committee is chaired by me, Richard Brooman and the other members are Christopher Fletcher and Garth Milne. The Committee members consider that collectively they have substantial recent and relevant financial experience, properly to fulfil the role. The Committee has written terms of reference that clearly define its responsibilities and duties. These can be inspected at the registered office of the Company, as well as on the Manager's website. A separate risk committee has not been established.

The Audit Committee's responsibilities include:

– evaluation of the effectiveness of the internal controls and risk management systems, including reports received on the operational controls of the Company's service providers and the Manager's whistleblowing arrangements;

– consideration of the annual and half-yearly financial reports prepared by the Manager, of the appropriateness of the accounting policies applied and of any financial judgements and key assumptions therein, together ensuring compliance with relevant statutory and listing requirements;

– advising the Board on whether the Committee believes that the annual financial report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy; and

– managing the relationship with the external auditor, including evaluation of their reports and the scope, effectiveness, independence and objectivity of their audit, as well as their appointment, re-appointment and removal.

The Committee normally meets three times a year to review and consider each of the above responsibilities as appropriate and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk management processes. Representatives of the Manager's Compliance and Internal Audit Departments attend at least two meetings each year. Representatives of the external auditor, Grant Thornton UK LLP, attend the Committee meeting at which the draft annual financial report is reviewed and are given the opportunity to speak to Committee members without the presence of representatives of the Manager.

The audit programme and timetable are drawn up and agreed with the auditor in advance of the end of the financial period and matters for audit focus are discussed and agreed. The auditor ensures that these matters are given particular attention during the audit process and reports on them, and other matters as required, in their report to the Committee. This report, together with reports from the Manager, and the Manager's Internal Audit and Compliance Departments, form the basis of the Audit Committee's consideration and discussions with the various parties, prior to approval and signing of the financial statements.

Principal Matters Considered by the Committee in 2014/15

During the year, the Committee discharged its responsibilities by monitoring, reviewing and, where necessary, challenging. The principal matters considered and how these were addressed are shown in the following table.

PRINCIPAL MATTERS CONSIDERED	HOW ADDRESSED
Accuracy of the portfolio valuation encompassing proof of existence of all the portfolio holdings	Actively traded listed investments are valued using stock exchange bid prices provided by third party pricing vendors. There were no reported differences between the portfolio holdings shown in the accounting records and those held by the depositary or the custodian.

PRINCIPAL MATTERS CONSIDERED	HOW ADDRESSED
Review of the allocation of management fees and finance costs and recommendation to the Board to revise the allocation from 1 February 2014.	The Committee recommended a change following its review of a paper from the Manager which covered both historical and projected capital/revenue returns as well as peer companies' allocations.
The focusing of risk management on the key risks pertinent to the Company and the Board.	The Committee considered the strategy, investment policy and objective of the Company in assessing whether risk management processes were appropriate.
Assessing the risks arising in relation to the Company's operations and internal controls and other actions used to mitigate those risks.	The Committee reviewed the Company's risk matrix of the Company's principal risks, details of which are provided in the Strategic Report; and identified the controls exercised to mitigate them by the Board, the Manager and other service providers.
Evaluation of the effectiveness of controls, with emphasis on external service providers and safeguarding of the Company's assets.	The Committee received and considered, together with representatives of the Manager where appropriate, independent audited reports on the operational controls of the Manager, accounting administrator, custodian and the Registrar. These reviews identified no issues of significance during the last year.
Following the Board's request, the Committee reviewed the annual financial report to ensure that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, its business model and its strategy.	The Committee considered, together with the Manager and the auditor, the annual financial report to ensure that the overall layout of the report and the narrative therein presents a clear and concise story that reflects the year being reported as well as the position of the Company at the year end.
Audit planning.	Discussion pre-year end with the Manager and external auditor, including identification of key risks.
Effectiveness of the external audit process and independence and objectivity of external auditor.	Detailed consideration of audit findings and discussions with the external auditor. Additionally, the Audit Committee considered carefully the independence of Grant Thornton UK LLP and the objectivity of the audit process and is satisfied that, as auditor, it has fulfilled its obligations to shareholders and is independent of the Company.

The significant issue considered by the Committee in relation to the annual financial report is the first one of the above table: the accuracy of the reported portfolio position and the safeguarding of assets.

Review of the External Auditor, including Non-Audit Services and Reappointment

The Audit Committee considers that Grant Thornton UK LLP carried out its duties as auditor of the Company in a professional and effective manner. As part of the review of audit effectiveness, a formal evaluation process was followed, which incorporated views from the members of the Committee and relevant personnel of the Manager.

It is the Company's policy normally not to seek substantial non-audit services from its auditor. Non-audit services related to tax compliance and advice were provided for the year for a fee of £5,750 (2014: £5,250), excluding VAT. Prior to any engagement for non-audit services, the Audit Committee considers whether the skills and experience of the auditor make them a suitable supplier of such services and satisfies itself that there is no threat to objectivity and independence in the conduct of the audit as a result. Individual non-audit services up to £5,000 each require approval of the Chairman of the Audit Committee; amounts in excess of this require the approval of the Committee as a whole.

The Committee is mindful of the changes to the UK Corporate Governance and AIC Codes, as well as proposed Competition Commission and European regulation in respect of audit tendering and, in the case of the latter, audit rotation. Grant Thornton UK LLP (formerly RSM Robson Rhodes) has been the auditor of the Company, since the Company's incorporation in 1987 and both the audit partner and manager have rotated in accordance with prevailing audit guidance. After proper consideration, the Committee has concluded that it is not necessary to initiate a retendering process at this time, but it will continue to keep the situation under review. The Committee has accordingly recommended to the Board the inclusion of a resolution which proposes the reappointment of Grant Thornton UK LLP at the forthcoming AGM.

Internal Controls

The Board has overall responsibility for the Company's systems of internal controls and for reviewing and monitoring their effectiveness. The Board has delegated the review and assessment of controls and their effectiveness to the Audit Committee. The system controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Company by a series of regular investment performance reviews, investment guideline reports and Manager's reports, together with the review of independent auditor reports on the external service providers. Key risks have been identified and controls put in place to mitigate them. The effectiveness of the internal controls is assessed by the Manager's Compliance and Internal Audit Departments on a continuing basis and is also reviewed by the Committee.

Internal Audit

The Company, being an externally managed investment company, does not have its own internal audit function. However, it places substantial reliance on the reports of the Manager's own internal audit team.

Committee Evaluation

The Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under 'Board, Committee and Directors' Performance Appraisal' on page 23.

I look forward to seeing you at the Company's AGM on 4 June 2015.

Yours faithfully,

Richard Brooman
Chairman of the Audit Committee

17 April 2015

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2015

Introduction

The Directors present their report for the year ended 31 January 2015.

Business and Status

The Company was incorporated and registered in England and Wales on 7 May 1987 as a public limited company, registered number 2129187. It is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within the meaning of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs have approved the Company's status as an investment trust and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain such approval.

Corporate Governance

The Corporate Governance Statement set out on page 17 is included in this Directors' Report by reference.

The Board

The Board comprises five Directors, all of whom are non-executive and all of whom the Board regards as independent of the Company's Manager.

The Board considers that the independence of Richard Brooman, Garth Milne and Ian Barby, each of whom has served on the Board for more than 10 years, is not compromised by their length of service but, to the contrary, is strengthened by their experience.

Chairman

The Chairman of the Board is Ian Barby, who has no conflicting relationships. He has been a member of the Board since 2004 and Chairman since 2005.

Senior Independent Director/Deputy Chairman

The Deputy Chairman of the Board is Richard Brooman who also fulfils the role of Senior Independent Director. He is available to shareholders if they have concerns where contact through the normal channels of Chairman or Manager have failed to resolve or for which such contact is inappropriate. No such issues were raised during the year.

Board Balance

The Directors have a range of business, financial or asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 15.

Board Responsibilities

The Board has overall responsibility for the Company's affairs. The Directors are equally responsible under United Kingdom law for promoting the success of the Company and for the proper conduct of the Company's affairs. The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company. In addition, the Board is responsible for ensuring that the Company's policies and activities are in the interests of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered. The success of the Company is promoted by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed.

The schedule of matters reserved for decision by the Board is available at the registered office of the Company and on the Manager's website at www.invescoperpetual.co.uk/ipukscit. The main responsibilities include: setting the Company's objectives; policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure; setting long-term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowing; and controlling risks. The Board also seeks to ensure that shareholders are provided with sufficient information, in order to understand the balance between risk and reward to which they are exposed

DIRECTORS' REPORT
continued

by holding the Company's shares, through the portfolio details given in the annual and half-yearly financial reports, factsheets and daily net asset value disclosures.

The Board as a whole undertakes periodically the responsibilities for remuneration. The remuneration of Directors and their shareholdings are reported on in more detail in the Directors' Remuneration Report.

Supply of Information

To enable the Directors of the Board to fulfil their roles, the Manager ensures that all Directors have timely access to all relevant management, financial and regulatory information.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are frequently updated throughout their term in office on industry and regulatory matters. The Manager and the Board have formulated a programme of induction training for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors which include briefings from key members of the Manager's staff and which ensure that Directors can keep up to date with regulation, best practice and the changing risk environment.

The Board meets on a regular basis at least five times each year. Additional meetings are arranged as necessary. Regular contact is maintained between the Manager and the Board between formal meetings.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

There is an agreed procedure for Directors, if thought necessary in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £10,000, having first consulted with the Chairman.

Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Chairman's Letter on pages 18 to 20, which is included in this Directors' Report by reference.

Nomination Committee

The Nomination Committee currently comprises Ian Barby, Christopher Fletcher and Garth Milne. The Chairman of the Nomination Committee is Ian Barby. The Committee meets at least once each year to review the Board's size, composition and structure, and to ensure an appropriate balance of skills, experience, independence and knowledge of the Company. The Committee has due regard for the benefits of diversity (including gender) in its members, but has not set any measurable objective for diversity for the Company or the Committee, there being only five directors and no employees. Following the appointment of Jane Lewis in late 2013 and her subsequent election by shareholders, no other required changes were identified following the current year's annual review.

The Committee has written terms of reference, which clearly define its responsibilities and duties. The terms of reference of the Nomination Committee are available for inspection at the AGM, at the registered office address of the Company and also available via the Manager's website.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the registered office of the Company, via the Manager's website and will also be available at the AGM.

Appointment, Re-election and Tenure of Directors

Directors are appointed by ordinary resolution at a general meeting of ordinary shareholders. The Directors have the power to appoint a Director during the year, however, any person so appointed must stand for election by shareholders at the next Annual General Meeting.

In accordance with the Board's tenure policy set out below, long-serving Directors will retire at this year's AGM and will offer themselves for re-election. Therefore, the Directors retiring and offering themselves for re-election at the Company's AGM are Ian Barby, Richard Brooman and Garth Milne, each having served on the Board for more than 9 years.

In accordance with the Company's Articles of Association, at every AGM, there shall retire from office any Director who shall have been a Director at each of the preceding two AGMs and who was not appointed or re-appointed by the Company in general meeting since. A retiring Director is eligible for re-appointment. There are no Directors retiring and standing for re-election on this basis at the Company's AGM in June 2015.

A Director's tenure of office will be for three terms of three years only, except that the Board may determine otherwise if it is considered that the continued service on the Board of an individual Director is in the best interests of the Company and its shareholders. In this case, a Director serving longer than nine years will seek re-election annually.

Board, Committee and Directors' Performance Appraisal

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Audit Committee and individual Directors. The performance of the Board, Audit Committee and Directors has been assessed during the year in terms of:

- attendance at Board and Committee meetings;
- the ability of Directors to make an effective contribution to the Board and Committees created by the diversity of skills, knowledge and experience each Director brings to meetings; and
- the Board's ability to independently challenge the Manager's recommendations, suggest areas of debate and set the future strategy of the Company.

The Board has conducted its performance evaluation through questionnaires and discussion between the Directors and the Chairman/Audit Committee Chairman respectively. The employment of a third party for the purposes of Directors' performance evaluation has been considered by the Board and the issue will be kept under review for the future. The result of the most recent performance evaluation process was that the Board collectively, and the Directors individually, continue to be effective and demonstrate commitment to the role.

Attendance at Board and Committee Meetings

All Directors are considered to have a good attendance record at Board and Committee meetings of the Company. The following table sets out the number of Directors' meetings (including Committee meetings) held during the year ended 31 January 2015 and the number of meetings attended by each Director. In addition, Directors attended a number of ad hoc meetings during the year.

	BOARD	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	NOMINATION COMMITTEE
Meetings held in year:	5	3	1	1
Ian Barby, Chairman	5	n/a	1	1
Richard Brooman	5	3	1	n/a
Christopher Fletcher	5	3	1	1
Jane Lewis	5	n/a	1	n/a
Garth Milne	5	3	1	1
John Spooner*	1	n/a	1	n/a

* John Spooner retired from the Board at the conclusion of the Company's AGM held on 5 June 2014.

Non-members of the Audit Committee and Nominations Committee may attend meetings by invitation from the respective Committee Chairman.

DIRECTORS' REPORT
continued

Directors

Directors' Interests in Shares

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 30.

Disclosable Interests

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end. The Company has entered into a Deed of Indemnity with each Director, as expanded upon below.

Conflicts of Interest

The Articles of Association of the Company give the Directors authority to approve conflicts and potential conflicts of interest, and safeguards apply. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

The Company's Register of Potential Conflicts of Interest is kept at the registered office of the Company. Currently, there are no recorded potential conflicts of interest of any of the Directors. Directors must advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

Directors' Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, deeds of indemnity have been exercised on behalf of the Company for each of the Directors under the Company's Articles of Association.

Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

Internal Controls and Risk Management

The Directors acknowledge that they are responsible for ensuring that the Company maintains a sound system of internal controls to safeguard shareholders' investment and the Company's assets.

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve the Company's objective, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from their review. There are no significant failings or weaknesses that have occurred throughout the year ended 31 January 2015 and up to the date of this annual financial report.

The Board reviews financial reports and performance against revenue forecasts, stock market indices and the Company's peer group. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Internal Audit and Compliance Departments of the Manager. Formal reports are also produced on the internal controls and procedures in place for custodial, investment management and accounting activities, and these are reviewed annually by the Board.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after approval of the financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments and the ability of the Company to meet all of its liabilities, including any bank borrowings and ongoing expenses from its assets.

The Manager and the Management Engagement Committee

Prior to 22 July 2014, the Manager was Invesco Asset Management Limited (IAML). Post implementation of the Alternative Investment Managers Directive on 22 July 2014, the Manager, who is also the Company's Alternative Investment Fund Manager, is Invesco Fund Managers Limited (IFML). IFML is an associated company of IAML. IAML continues to manage the Company's investments under delegated authority from IFML.

The Directors have delegated to the Manager the responsibility for the day-to-day investment management activities of the Company.

The Manager also provides full administration, company secretarial and accounting services to the Company, ensuring that the Company complies with all legal, regulatory and corporate governance requirements and officiating at Board meetings and shareholders' meetings. The Manager additionally maintains complete and accurate records of the Company's investment transactions and portfolio and all monetary transactions from which the Manager prepares half-yearly and annual financial reports on behalf of the Company.

Investment Management Agreement (IMA)

The Manager provides investment and administration services to the Company under an agreement dated 22 July 2014. The agreement is terminable by either party giving not less than one year's notice and immediately in certain circumstances. With effect from 1 February 2015, the notice period was reduced to six months. Prior to this, Invesco Asset Management Limited provided these services.

The management fee is payable monthly in arrears and is calculated at the rate of 0.65% per annum by reference to the Company's gross funds under management.

A performance fee is payable annually in arrears if the change in the Company's net asset value (capital only) exceeds the change in the benchmark index excluding income reinvested. The performance fee calculation has been clarified to ensure that any distribution of capital does not materially change the fee due to the Manager. The Directors believe that the performance fee should reward the portfolio manager's outperformance and that it should not be adversely impacted by the new dividend policy. The performance fee is equal to 12.5% of the value of outperformance, but cannot exceed in any one year 1% of the value of the Company's average funds under management. Any unpaid, but earned, performance fees are held over and paid in the following year subject to an overall cap of two times 1% of the Company's average funds under management. Any performance fee is based on the outperformance over the benchmark index after taking into account any previous underperformance (up to a maximum of two times 1% of the Company's average funds under management).

The Management Engagement Committee

The Management Engagement Committee comprises the entire Board under the chairmanship of Jane Lewis. The Management Engagement Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference of the Management Engagement Committee, including its role and authority, will be available for inspection at the AGM, can be inspected at the registered office of the Company and are available via the Manager's website. The Committee meets at least annually to review the investment management agreement and to review the service provided by the Manager during the year.

Assessment of the Manager

The Management Engagement Committee has carried out a review following the Company's financial year end on 31 January 2015 and determined that the continuing appointment of IFML as Manager is in the best interests of the Company and its shareholders.

Company Secretary

The Board has direct access to the advice and services of the corporate company secretary, Invesco Asset Management Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. Finally, the Company Secretary is responsible for advising the Board through the Chairman on all governance matters.

Stewardship

The Board considers that the Company has a responsibility as a shareholder to encourage that high standards of Corporate Governance are maintained in the companies in which it invests. The Company's stewardship functions have been delegated to the Manager. The Manager has adopted a clear and considered policy towards its responsibility to shareholders on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests consider shareholder value and comply with local recommendations and practices, such as the UK Corporate Governance Code. To achieve this, the Manager does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to improve those standards. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are exercised on an informed and independent basis. A copy of the Manager's Policy on Corporate Governance and Stewardship can be found at www.invescoperpetual.co.uk.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the daily publication of the net asset value and the monthly and daily fact sheets. At each AGM, a presentation is made by the Manager following the formal business of the meeting and shareholders have the opportunity to communicate directly with the whole Board. All shareholders are encouraged to attend the AGM.

Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or in writing to the Company Secretary at the address given on page 56.

Shareholders can also visit the Manager's website in order to access copies of annual and half-yearly financial reports, pre-investor information, any shareholder circulars, factsheets and Stock Exchange announcements. Shareholders can also access various Company reviews and information, such as an overview of UK equities and the Company's share price. Finally, shareholders are able to access copies of the Schedule of Matters Reserved for the Board, the Terms of Reference of the Committees of the Board and, following any shareholders' general meetings, proxy voting results.

There is a regular dialogue between the Manager and individual major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

The Board employs Kepler Partners to complement the marketing activities of Invesco Perpetual. Kepler is a specialist marketing firm that seeks to widen investment interest in the Company's shares amongst the regional offices of private client wealth managers and other adviser firms. To date, the Board is pleased with the results produced by Kepler on behalf of the Company and its shareholders.

Greenhouse Gas Emissions

The Company has no employees or premises and does not purchase energy for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes.

Share Capital

Capital Structure and Repurchases

At 31 January 2015, the Company's issued share capital consisted of 53,209,084 ordinary shares (2014: 53,209,084 ordinary shares) of 20p each. To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders each year to buy back and to issue shares. During the year, the Company did not issue, repurchase or cancel any ordinary shares. There has been no change to the issued share capital since the financial year end.

Restrictions

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Voting

At a general meeting of the Company, every shareholder has one vote on a show of hands and, on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.

Substantial Holdings in the Company

At 31 March 2015, the Company had been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	AS AT 31 MARCH 2015		AS AT 31 JANUARY 2015	
	HOLDING	%	HOLDING	%
1607 Capital Partners	6,793,038	12.8	6,677,338	12.6
Lazard Asset Management	5,846,984	11.0	5,913,834	11.1
Royal London Asset Management	4,079,297	7.7	4,081,743	7.7
West Yorkshire PF	2,985,000	5.6	2,976,196	5.6
Investec Wealth & Investment	2,709,805	5.1	2,561,387	4.8
Sarasin Partners	2,216,051	4.2	2,447,894	4.6
Invesco Perpetual	2,027,914	3.8	2,027,914	3.8
CG Asset Management	1,868,400	3.5	1,868,400	3.5
Individuals	1,767,306	3.3	1,704,434	3.2
Invesco Perpetual ISA	1,640,590	3.1	1,662,127	3.1

Disclosure Required by Listing Rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that all such reporting applied to only non applicable events for the year to 31 January 2015.

Individual Savings Accounts (ISA)

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

Business of the Annual General Meeting

The following summarises the special business of the forthcoming AGM of the Company, which is to be held on 4 June 2015 at 12.00 noon. The notice of the AGM and related notes can be found on pages 51 to 54. All resolutions are ordinary resolutions unless otherwise identified.

Resolution 1 is for members to receive this Annual Financial Report (AFR), including the financial statements and auditor's report.

Resolution 2 is to approve the Directors' Remuneration Policy. The Directors' Remuneration Policy is set out on page 29 of this AFR.

Resolution 3 is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration is set out on pages 29 to 31 of this AFR.

Resolution 4 is to declare the final dividend for the year.

Resolutions 5 to 7 are to re-elect Directors. Biographies of the Directors can be found on page 15.

Resolution 8 is to reappoint the auditor. Grant Thornton UK LLP have expressed their willingness to continue to hold office until the conclusion of the next AGM of the Company.

Resolution 9 is to authorise the Directors to determine the auditor's remuneration.

Special Business

Resolution 10 is an ordinary resolution to renew the Directors' authority to allot shares. Your Directors are asking for authority to allot new ordinary shares up to an aggregate nominal value of £532,090 (5% of the Company's issued share capital at 17 April 2015). This will allow Directors to issue shares within the prescribed limits should opportunities to do so arise that they consider would be in shareholders' interests. This authority will expire at the AGM in 2016.

Special Resolution 11 is to renew the authority to disapply pre-emption rights. Your Directors are asking for authority to issue new ordinary shares for cash up to an aggregate nominal value of £532,090 (5% of the Company's issued share capital as at 17 April 2015), disapplying pre-emption rights. This will allow shares to be issued to new shareholders without them first having to be offered to existing shareholders, thus broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV (with debt at fair value) and will expire at the AGM in 2016.

Special Resolution 12 is to renew the authority for the Company to purchase its own shares. Your Directors are seeking authority for the purchase of up to 14.99% of the Company's issued ordinary share capital as at the date of the AGM, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2016. Your Directors are proposing that shares bought back by the Company either be cancelled or, alternatively, held as treasury shares with a view to their resale, if appropriate, or later cancellation. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders. The current authority (to buy back up to 7,976,041 shares) expires at the AGM and had not been utilised to the date of this report.

Special Resolution 13 is to permit the Company to hold general meetings (other than annual general meetings) on 14 days notice, which is the minimum notice period permitted by the Companies Act 2006. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that this flexibility will be used only where the Board believes it is in the interests of shareholders as a whole.

The Directors have carefully considered all the resolutions proposed in the Notice of AGM and, in their opinion, consider them all to be in the best interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution.

By order of the Board

Invesco Asset Management Limited
Company Secretary

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

17 April 2015

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 JANUARY 2015

The Board presents this Remuneration Report which has been prepared under the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013 and in accordance with the Listing Rules of the Financial Conduct Authority. Ordinary resolutions for the approval of the Directors' Remuneration Policy (binding) and the Annual Statement and Report on Remuneration (advisory) will be put to shareholders at the Annual General Meeting.

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 33 to 36.

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered.

Directors' Remuneration Policy

The Board's policy is that the remuneration of Directors should be fair and reasonable in relation to that of other comparable investment trust companies and be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board taking into account the views, where appropriate, of shareholders. Remuneration levels should properly reflect time incurred and responsibility undertaken. Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £150,000 in aggregate per annum.

The level of remuneration paid to Directors is reviewed annually, although such review will not necessarily result in any changes. The same level of remuneration will apply to any new appointments.

Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Discretionary fees per day are payable to Directors for any additional work undertaken on behalf of the Company, which is outside their normal duties. Any such extra work undertaken is subject to prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to prior approval of the Chairman of the Audit Committee.

The Board did not use the services of external remuneration consultants.

The Board may amend the level of remuneration paid to Directors within the parameters of the directors' remuneration policy.

The Company has no employees and consequently has no policy on the remuneration of employees.

Directors' Fees

From 1 August 2013, Directors' fees were paid at the following per annum rates: the Chairman £27,500; the Audit Committee Chairman £23,500; and Other Directors £19,500. Discretionary fees are set at £1,250 per day.

Chairman’s Annual Statement on Directors’ Remuneration

The Board has reviewed Directors’ remuneration and considered that the current level of remuneration is appropriate. No discretionary payments were made in the year, or the previous year.

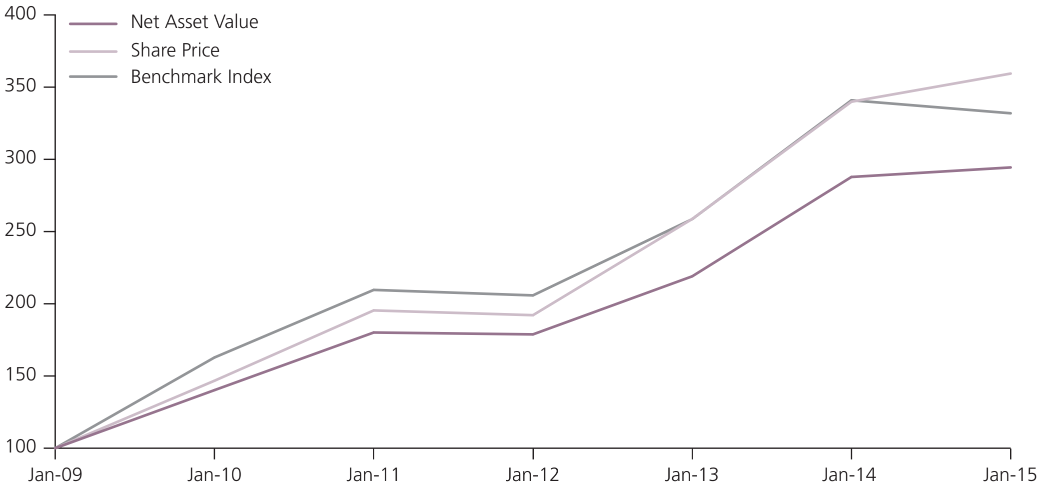
Report on Remuneration for the Year Ended 31 January 2015

Your Company’s Performance

The graph below plots the total return to ordinary shareholders compared with the total return of the Numis Smaller Companies Index (excluding Investment Companies) (the benchmark index) over the six years to 31 January 2015.

Total Return of Share Price, Net Asset Value and Benchmark Index

Figures have been rebased to 100 at 31 January 2009.



Directors’ Emoluments for the Year (Audited)

The Directors who served during the year received the following total emoluments, all of which were in the form of fees:

	2015			2014[1]
	FEES £	TAXABLE BENEFITS[2] £	TOTAL £	TOTAL £
Ian Barby – Chairman	27,500	—	27,500	26,250
Richard Brooman – Chairman of the Audit Committee	23,500	—	23,500	22,250
Christopher Fletcher	19,500	774	20,274	18,250
Jane Lewis – appointed 17 December 2013	19,500	731	20,231	2,458
Garth Milne	19,500	—	19,500	18,250
John Spooner – retired 5 June 2014	6,736	—	6,736	18,250
Total	116,236	1,505	117,741	105,708

(1) Emoluments for 2014 comprised solely of fees.

(2) Comprises amounts reimbursed for expenses incurred on Company business.

Directors' Shareholdings and Share Interests (Audited)

The beneficial interests of the Directors in the ordinary share capital of the Company are shown below:

	31 JANUARY 2015 £	31 JANUARY 2014 £
Ian Barby	25,000	25,000
Richard Brooman	19,670	19,670
Christopher Fletcher	14,150	10,450
Jane Lewis	1,507	nil
Garth Milne	5,000	5,000
John Spooner	n/a	25,000

Save as aforesaid, no Director had any interests, beneficial or otherwise, in the shares of the Company during the period. No changes to these holdings have been notified up to the date of this report. No connected person interests have been notified.

Directors hold shares in the Company at their discretion and, although share ownership is encouraged, no guidelines have been set.

Relative Importance of Spend on Pay

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders in the year to 31 January 2015 and the prior year. This disclosure is a statutory requirement, however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment trust with an objective of providing shareholders with long-term total return.

	2015 £'000	2014 £'000	CHANGE £'000	CHANGE %
Aggregate Directors' Emoluments	116	106	10	+9.4
Aggregate Shareholder Distributions	7,316	3,459	3,857	+111.5

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 5 June 2014, resolutions approving the Directors' Remuneration Policy and the Chairman's Annual Statement and Report on Remuneration were passed. The votes cast (including votes cast at the Chairman's discretion) were as follows.

	VOTES FOR	VOTES AGAINST	WITHHELD
Directors' Remuneration Policy	99.92%	0.08%	32,001
Annual Statement and Report	99.92%	0.08%	23,336

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 17 April 2015.

Ian Barby
Chairman

Signed on behalf of the Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the Annual Financial Report

The Directors are responsible for preparing the annual financial report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing the Strategic Report, a Corporate Governance Statement, a Directors' Remuneration Report and a Directors' Report that comply with the law and regulations.

In so far as each of the Directors is aware:

- there is no information, relevant to the audit, of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors of the Company each confirm to the best of their knowledge, that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- this annual financial report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and

The Directors consider that this annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance and its business model and strategy.

Signed on behalf of the Board of Directors

Ian Barby
Chairman

17 April 2015

Electronic Publication

The annual financial report is published on *www.invescoperpetual.co.uk/ipukscit* which is the Company's website maintained by the Company's Manager. The work carried out by the Auditor did not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR’S REPORT

to the Members of Invesco Perpetual UK Smaller Companies Investment Trust plc

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 January 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Invesco Perpetual UK Smaller Companies Investment Trust Plc’s financial statements comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users’ understanding of our audit.

Investments

The Company’s business is investing in a broad cross-section of small to medium sized UK quoted companies to achieve long-term total return for shareholders. The investment portfolio is the most quantitatively significant amount of the Company’s net asset value at the year end and the main driver of the Company’s performance. Accordingly, the investment portfolio is a significant, material balance in the financial statements. We therefore identified the ownership and valuation of the investment portfolio as a risk that requires particular audit attention. This risk was also identified as a significant issue by the Audit Committee in their report on page 18.

The risk: investments may not exist or may not be legally owned by the Company and may be valued incorrectly.

Our response: Our audit work included, but was not restricted to, the following:

- We obtained an understanding of the processes in place to value investments, record all investment transactions and reconcile the investments held against the custodian’s statements. In addition, we read the controls report on the design and operations of controls at the custodian to confirm the controls over safekeeping of assets.
- We confirmed the existence and completeness of investments through checking the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Company’s custodian.
- We independently priced all the listed equity portfolio by obtaining the bid prices from independent market sources.
- To test that investments are actively traded, we extracted a report of trading volumes around year end from an independent market source for the equity investments held.

The Company’s accounting policy on the valuation of quoted investments is included in note 1(c), and disclosures about investments held at the year end are included in note 9.

Investment income

Investment income is the Company’s major source of revenue and a significant, material item in the Statement of Comprehensive Income. Accordingly, the recognition of investment income is a risk that requires particular audit attention.

The risk: investment income may be misstated.

Our response: Our audit work included, but was not restricted to the following:

- We assessed whether the Company's accounting policy for revenue recognition is in accordance with International Accounting Standard (IAS) 18 'Revenue'.
- We obtained an understanding of the Company's process for recognising revenue in accordance with the Company's stated accounting policy. We tested that income transactions were recognised in accordance with the policy by selecting a sample of investments and agreeing the relevant investment income receivable for those quoted equities. Also, for the selected investments, we obtained the respective dividend rate entitlements from independent sources and checked against the amounts recorded in the Company's accounting records. In addition, we agreed the receipt of the dividend income to bank statements.
- We performed, on a sample basis, a search for special dividends on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised. We checked the categorisation of special dividends as either revenue or capital receipts.

The Company's accounting policy on the recognition of income is shown in note 1(f) and the components of that revenue are included in note 2.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the financial statements as a whole to be £1,969,000, which is 1% of total net assets. This benchmark is considered the most appropriate because net assets are fundamental to the performance and financial position of the business. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

For the revenue column of the Statement of Comprehensive Income we determined that misstatements of a lesser amount than materiality for the financial statements as a whole was appropriate. We established materiality for the revenue column of the Statement of Comprehensive Income of £224,000. We also determine a specific materiality for other areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £98,450. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work was focussed on obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included obtaining and reading the internal controls reports on the description, design and operating effectiveness of internal controls at relevant third-party service providers. We then identified the controls that would impact upon the financial statements to ensure that no exceptions or deficiencies were noted in these areas. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 24, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Who we are reporting to:

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Smith (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP, Statutory Auditor,
Chartered Accountants
London

17 April 2015

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY

		2015			2014		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Profits on investments held at fair value	9	—	3,032	3,032	—	43,806	43,806
Income	2	4,468	139	4,607	4,555	—	4,555
Investment management fee	3	(189)	(1,069)	(1,258)	(567)	(567)	(1,134)
Performance fee	3	—	(1,408)	(1,408)	—	—	—
Other expenses	4	(349)	(4)	(353)	(314)	(4)	(318)
Profit before finance costs and taxation		3,930	690	4,620	3,674	43,235	46,909
Finance costs	5	—	—	—	(1)	(5)	(6)
Profit before tax		3,930	690	4,620	3,673	43,230	46,903
Taxation	6	—	—	—	—	—	—
Profit after tax		3,930	690	4,620	3,673	43,230	46,903
Return per ordinary share							
Basic	7	7.4p	1.3p	8.7p	6.9p	81.2p	88.1p

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards. The profit after tax is the total comprehensive income for the year. 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 and the Company has no other gains or losses. No operations were acquired or discontinued in the year.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY

	NOTES	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 January 2013		10,642	21,244	3,386	111,847	4,915	152,034
Profit for the year		—	—	—	43,230	3,673	46,903
Dividends paid	8	—	—	—	—	(3,188)	(3,188)
At 31 January 2014		10,642	21,244	3,386	155,077	5,400	195,749
Profit for the year		—	—	—	690	3,930	4,620
Dividends paid	8	—	—	—	—	(3,455)	(3,455)
At 31 January 2015		10,642	21,244	3,386	155,767	5,875	196,914

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

FOR THE YEAR ENDED 31 JANUARY

	NOTES	2015 £'000	2014 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	190,510	193,461
Current assets			
Other receivables	10	321	1,108
Cash and cash equivalents		7,998	4,690
		8,319	5,798
Total assets		198,829	199,259
Current liabilities			
Other payables	11	(1,915)	(3,510)
Net assets		196,914	195,749
Issued capital and reserves			
Share capital	12	10,642	10,642
Share premium	13	21,244	21,244
Capital redemption reserve	13	3,386	3,386
Capital reserve	13	155,767	155,077
Revenue reserve	13	5,875	5,400
Total shareholders' funds		196,914	195,749
Net asset value per ordinary share			
Basic	14	370.1p	367.9p

These financial statements were approved and authorised for issue by the Board of Directors on 17 April 2015.

Signed on behalf of the Board of Directors

Ian Barby
Chairman

Richard Brooman
Deputy Chairman

The accompanying notes are an integral part of these financial statement.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY

	2015 £'000	2014 £'000
Cash flow from operating activities		
Profit before tax	4,620	46,903
Adjustments for:		
Purchases of investments	(76,406)	(86,351)
Sales of investments	82,463	81,044
	6,057	(5,307)
Profits on investments	(3,032)	(43,806)
Finance costs	—	6
Operating cash flows before movements in working capital	7,645	(2,204)
Decrease/(increase) in receivables	58	(49)
Increase in payables	1,431	24
Net cash flows from operating activities after tax	9,134	(2,229)
Cash flows from financing activities		
Interest paid	—	(6)
Equity dividends paid – note 8	(3,455)	(3,188)
Net cash used in financing activities	(3,455)	(3,194)
Net increase/(decrease) in cash and cash equivalents	5,679	(5,423)
Cash and cash equivalents at the beginning of the year	2,319	7,742
Cash and cash equivalents at the end of the year	7,998	2,319

Reconciliation of cash and cash equivalents to the Balance Sheet as follows:

	2015 £'000	2014 £'000
Cash held at custodian	203	—
STIC* money market fund	7,795	4,690
Bank overdraft	—	(2,371)
Cash and cash equivalents	7,998	2,319

* Short-Term Investment Company (Global Series) plc.

The accompanying notes are an integral part of these financial statement.

1. Principal Accounting Policies

Accounting policies describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the current year and the preceding year, unless otherwise stated. The financial statements have been prepared on a going concern basis. The disclosure on going concern on page 24 in the Directors' Report forms part of the financial statements.

(a) Basis of Preparation

(i) *Accounting Standards applied*

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Union. The standards are those endorsed by the European Union and effective at 31 January 2014.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in January 2009, is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the statement of comprehensive income between items of a revenue and a capital nature is presented in accordance with this.

(ii) *Adoption of New and Revised Standards*

New and revised standards and interpretations that became effective during the year had no significant impact on the amounts reported in these financial statements but may impact accounting for future transactions and arrangements.

At the date of authorising these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 Financial Instruments: Disclosure (effective 1 January 2015).
- IFRS 9: Financial Instruments (2013) (effective 1 January 2018).
- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2016).

The Directors do not expect the adoption of the above standards and interpretations (or any other standards and interpretations which are in issue but not effective) will have a material impact on the financial statements of the Company in future periods.

(b) Foreign Currency and Segmental Reporting

(i) *Functional and presentation currency*

The financial statements are presented in sterling, which is the Company's functional and presentation currency and the currency in which the Company's share capital and expenses are denominated, as well as a majority of its assets and liabilities.

(ii) *Transactions and balances*

Foreign currency assets and liabilities are translated to sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currency, are translated to sterling at the rates of exchange ruling on the dates of such transactions, and are taken to revenue or capital depending on whether they are revenue or capital in nature. All are recognised in the statement of comprehensive income.

(iii) *Segmental reporting*

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies operating and generating revenue mainly in the UK.

(c) Financial Instruments

(i) *Recognition of financial assets and financial liabilities*

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. The Company offsets financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(ii) *Derecognition of financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as an asset.

(iii) *Derecognition of financial liabilities*

The Company derecognises financial liabilities when its obligations are discharged, cancelled or expired.

(iv) *Trade date accounting*

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

(v) *Classification of financial assets and financial liabilities*

Financial assets

The Company's investments are designated at fair value through profit or loss as the investments are managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy, and this is also the basis on which information about the investments is provided internally to the Board.

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost and are subsequently valued at fair value.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted bid prices at the balance sheet date.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

(d) Derivatives and Hedging

Derivative instruments are valued at fair value in the balance sheet. Derivative instruments may be capital or revenue in nature and, accordingly, changes in their fair value are recognised in revenue or capital in the income statement as appropriate.

Futures contracts may be entered into for hedging purposes and any profits and losses on the closure or revaluation of positions are included in capital.

(e) Cash and Cash Equivalents

Cash and cash equivalents include any cash held at custodian and approved depositories, holdings in Short Term Investments Company (Global Services) plc (STIC), a triple-A rated money market fund and overdrafts.

(f) Income

All dividends are taken into account on the date investments are marked ex-dividend; other income from investments is taken into account on an accruals basis. Deposit interest and underwriting commission receivable are taken into account on an accruals basis. Special dividends representing a return of capital are allocated to capital in the statement of comprehensive income and then taken to capital reserves.

1. Principal Accounting Policies (continued)

(g) Expenses and Finance Costs

All expenses and finance costs are accounted for in the statement of comprehensive income on an accruals basis.

With effect from 1 February 2014 the investment management fee allocation was revised to be 85% charged to capital and 15% charged to revenue (previously it was charged equally to capital and revenue). This is in accordance with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the portfolio.

The performance-related management fee is allocated wholly to capital as it arises from capital returns on the portfolio.

The Company has a bank overdraft facility to enable the portfolio manager to borrow when it is believed it is advantageous to do so. This will normally only be with a view to capital growth. The allocation of finance costs was harmonised with investment management fees and from 1 February 2014 is: 85% charged to capital and 15% charged to revenue (previously it was charged 80% to capital and 20% to revenue).

Except for custodian transaction charges, all other expenses are allocated to revenue in the statement of comprehensive income.

(h) Taxation

Tax represents the sum of tax payable, withholding tax suffered and deferred tax. Tax is charged or credited in the statement of comprehensive income. Any tax payable is based on taxable profit for the year, however, as expenses exceed taxable income no corporation tax is due. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period when the liability is settled or the asset realised.

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

(i) Dividends

Dividends are not accrued in the financial statements, unless there is an obligation to pay the dividends at the balance sheet date. Proposed final dividends are recognised in the financial year in which they are approved by the shareholders.

(j) Consolidation

Consolidated accounts have not been prepared as the subsidiary, whose principal activity is investment dealing, is not material in the context of these financial statements. The one hundred pounds net asset value of the investment in Berry Starquest Limited has been included in the investments in the Company's balance sheet. Berry Starquest Limited has not traded throughout the year and the preceding year and as a dormant company has exemption under 480(1) of the Companies Act 2006 from appointing auditors or obtaining an audit.

2. Income

This note shows the income generated from the portfolio (investment assets) of the Company and income received from any other source.

	2015 £'000	2014 £'000
Income from listed investments		
UK dividends	3,605	3,453
UK unfranked investment income	123	36
Scrip dividends	56	206
Overseas dividends	192	273
Special dividends	481	587
	4,457	4,555
Other income		
Deposit interest	2	—
Money market deposit	1	—
Underwriting commission	8	—
Total income	4,468	4,555

Special dividends of £139,000 have been recognised in capital (2014: nil).

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

3. Investment Management Fees

This note shows the fees due to the Manager. These are made up of the management fee calculated and paid monthly and a performance fee calculated and paid annually. Both are based on the value of the assets being managed.

	2015			2014		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Base management fee	189	1,069	1,258	567	567	1,134
Performance fee charged to capital	—	1,408	1,408	—	—	—
	189	2,477	2,666	567	567	1,134

Details of the Investment Management Agreement can be found in the Directors' Report.

At 31 January 2015, £108,000 (2014: £107,000) was accrued in respect of the base management fee and £1,408,000 (2014: nil) was accrued for the performance fee.

4. Other Expenses

The other expenses of the Company are presented below; those paid to the Directors and the auditor are separately identified.

	2015			2014		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' fees	116	—	116	106	—	106
Auditor's remuneration:						
– the audit of the annual financial statements	24	—	24	24	—	24
– other services relating to taxation compliance	6	—	6	5	—	5
Other expenses	203	4	207	179	4	183
	349	4	353	314	4	318

4. Other Expenses (continued)

The Director's Remuneration Report provides further information on Directors' fees. Included within other expenses is £10,000 (2014: £9,000) of employer's National Insurance payable on Directors' fees. As at 31 January 2015, the amounts outstanding on Directors' fees and employer's National Insurance was £10,000 (2014: £12,600).

Fees payable to the Company's auditor are shown excluding VAT, which is included in other expenses.

Any expenses to capital arise from custodian transaction charges.

5. Finance Costs

Finance costs arise on any borrowing facilities the Company has.

	2015			2014		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest on bank overdraft	—	—	—	1	5	6

6. Taxation

As an investment trust the Company pays no tax on capital gains and, as the Company invested principally in UK equities, it has little overseas tax. In addition, no deferred tax is required to provide for tax that is expected to arise in the future due to differences in accounting and tax bases.

(a) Current tax charge

	2015 £'000	2014 £'000
Overseas taxation	—	—

(b) Reconciliation of current tax charge

	2015 £'000	2014 £'000
Total return on ordinary activities before taxation	4,620	46,903
Theoretical tax at UK Corporation Tax rate of 21.32% (2014: 23.2%)	985	10,864
Effects of:		
– UK dividends which are not taxable	(913)	(983)
– Overseas dividends which are not taxable	(35)	(61)
– Gains on investments which are not taxable	(647)	(10,147)
– Expenses in excess of taxable income	609	326
– Disallowable expenses	1	1
Actual current tax amount	—	—

(c) Factors that may affect future tax changes

The Company has excess management expenses of £25,938,000 (2014: £23,083,000) that are available to offset future taxable revenue. A deferred tax asset of £5,188,000 (2014: £4,617,000) at 20% (2014: 20%) has not been recognised in respect of these expenses, since they are recoverable only to the extent that the Company has sufficient future taxable revenue. The Company has no deferred tax liability at the balance sheet date.

7. Earnings per Ordinary Share

Return per share is the amount of gain generated for the financial year divided by the weighted average number of ordinary shares in issue.

	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000	2014 REVENUE £'000	2014 CAPITAL £'000	2014 TOTAL £'000
Basic	7.4p	1.3p	8.7p	6.9p	81.2p	88.1p

Basic total earnings per ordinary share is based on the net total profit for the financial year of £4,620,000 (2014: £46,903,000).

Basic revenue earnings per ordinary share is based on the net revenue profit for the financial year of £3,930,000 (2014: £3,673,000).

Basic capital earnings per ordinary share is based on the net capital profit for the financial year of £690,000 (2014: £43,230,000).

All three earnings are based on the weighted average number of shares in issue during the year of 53,209,084 (2014: 53,209,084).

8. Dividends on Ordinary Shares

The Company paid two dividends in the year – an interim and a final.

The final dividend is based on shares in issue at the record date or, if the record date has not been reached, on shares in issue on the date the balance sheet is signed.

	2015 pence	2015 £'000	2014 pence	2014 £'000
Dividends paid in the year:				
Final paid in respect of previous year	4.90	2,607	4.40	2,341
Interim paid	1.60	852	1.60	852
Return of unclaimed dividends from previous years	—	(4)	—	(5)
	6.50	3,455	6.00	3,188

	2015 pence	2015 £'000	2014 pence	2014 £'000
Dividends payable in respect of the year:				
Interim	1.60	852	1.60	852
Final	12.15	6,464	4.90	2,607
	13.75	7,316	6.50	3,459

As explained in the Chairman's Statement the Company's dividend policy was changed so that dividends will be paid firstly from any revenue reserves available, and thereafter from capital reserves. The amount payable in respect of the year is shown below:

	2015 pence	2015 £'000	2014 pence	2014 £'000
Dividend payable in respect of the year:				
– from revenue reserves	12.64	6,727	6.50	3,459
– from capital reserves	1.11	589	—	—
	13.75	7,316	6.50	3,459

NOTES TO THE FINANCIAL STATEMENTS
continued

9. Investments

The portfolio is made up of investments which are listed or traded on a regulated stock exchange or AIM. Gains and losses in the year are either:

- **realised, usually arising when investments sold; or**
- **unrealised, being the difference from cost on those investments still held at the year end.**

	2015 £'000	2014 £'000
Investments listed on a recognised stock exchange	146,907	158,213
AIM quoted investments	43,603	35,248
	190,510	193,461
Opening valuation	193,461	146,338
Movements in year:		
Purchases at cost	75,751	84,470
Sales – proceeds	(81,734)	(81,153)
– profit on disposal of investments	27,964	23,926
Movement in investment holding gains	(24,932)	19,880
Closing valuation	190,510	193,461
Closing book cost	148,975	126,994
Closing investment holding gains	41,535	66,467
Closing valuation	190,510	193,461
Profit on disposals of investments in year	27,964	23,926
Movement in investment holding gains in year	(24,932)	19,880
Total profits for year	3,032	43,806

The transaction costs included in gains on investments amount to £322,000 on purchases and £120,000 for sales (2014: £443,000 and £133,000 respectively).

10. Other Receivables

Other receivables are amounts which are due to the Company, such as monies due from brokers for investments sold and income which has been earned (accrued) but not yet received.

	2015 £'000	2014 £'000
Amounts due from brokers	67	796
Prepayments and accrued income	254	312
	321	1,108

11. Other Payables

Other payables are amounts which must be paid by the Company, and include any amounts due to brokers for the purchase of investments or amounts owed to suppliers (accruals), such as the Manager and auditor.

	2015 £'000	2014 £'000
Amounts due to brokers	304	959
Bank overdraft	—	2,371
Performance fee accrued	1,408	—
Other accruals and deferred income	203	180
	1,915	3,510

12. Share Capital

Share capital represents the total number of shares in issue, on which dividends accrue.

	2015 NUMBER	2015 £'000	2014 NUMBER	2014 £'000
Allotted, called-up and fully paid				
Ordinary shares of 20p each	53,209,084	10,642	53,209,084	10,642

During the year, the Company did not issue or repurchase any ordinary shares (2014: nil).

13. Reserves

This note explains the different reserves attributable to shareholders. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

The share premium arises whenever shares are issued at a price above the nominal value and any issue costs. The capital redemption reserve maintains the equity share capital and arises from the nominal value of shares repurchased and cancelled. The share premium and capital redemption reserve are non-distributable.

Capital investment gains and losses are shown in note 9, and form part of the capital reserve. The revenue reserve shows the net revenue retained after payment of any dividends. The capital and revenue reserves are distributable by way of dividend.

14. Net Asset Value per Ordinary Share

The Company's total net assets (total assets less total liabilities) are often termed shareholders' funds and are converted into net asset value per ordinary share by dividing by the number of shares in issue.

The net asset value per share and the net asset values attributable at the year end were as follows:

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2015 PENCE	2014 PENCE	2015 £'000	2014 £'000
Ordinary shares				
– Basic	370.1	367.9	196,914	195,749

Net asset value per ordinary share is based on net assets at the year end and on 53,209,084 (2014: 53,209,084) ordinary shares, being the number of ordinary shares in issue at the year end.

15. Subsidiary Undertaking

The Company has one dormant subsidiary which has total assets of £100.

	NET ASSET VALUE AT 31 JANUARY 2015	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION AND OPERATION	DESCRIPTION OF SHARES HELD	PERCENTAGE HELD
Berry Starquest Limited	£100	Investment dealing	England and Wales	Ordinary shares	100%

16. Contingencies, Guarantees and Financial Commitments

Any liabilities the Company is committed to honour but which are dependent on a future circumstance or event occurring would be disclosed in this note if any existed.

There are no contingencies, guarantees or financial commitments of the Company at the year end (2014: £nil).

17. Related Party Transactions and Transactions with the Manager

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. Under accounting standards, the Manager is not a related party.

Under International Financial Reporting Standards, the Company has identified the Directors as related parties and Directors' fees and interests have been disclosed in the Directors' Remuneration Report on pages 29 to 31 with additional disclosure in note 4. No other related parties have been identified.

Up to 22 July 2014, the Manager was Invesco Asset Management Limited. Thereafter, the Manager was Invesco Fund Managers Limited. Details of this change and the Manager's services and fees are disclosed in the Director's Report on page 25, and note 3.

18. Risk Management and Financial Instruments

Financial instruments comprise the Company's investment portfolio and any derivative financial instruments held as well as any cash, borrowings, other receivables and other payables.

Financial Instruments

The Company's financial instruments comprise its investment portfolio (as shown on pages 13 and 14), cash, overdraft, other receivables and other payables that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

Risk Management Policies and Procedures

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities of the Company as more fully described in the Report of the Directors.

As an investment trust the Company invests in equities and other investments for the long-term so as to meet its investment policy (incorporating the Company's investment objective). In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. Those related to financial instruments include market risk, liquidity risk and credit risk. These policies are summarised below and have remained substantially unchanged for the two years under review.

The main risk that the Company faces arising from its financial instruments is market risk – this risk is reviewed in detail below. Since the Company invests mainly in UK equities traded on the London Stock Exchange, liquidity risk and credit risk are not significant. Liquidity risk is minimised as the majority of the Company's investments comprise a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, an overdraft if used provides short-term funding flexibility.

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £2.5 million with any one depositary, with only approved depositories being used, and a maximum of £15 million for holdings in the Short-Term Investments Company (Global Series) plc (STIC), a triple-A rated money market fund.

Market Risk

The fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Looking at the component parts of market risk, the currency risk component effect is minimal as the Company's financial instruments are either all or mainly denominated in sterling. For the remaining two components of market risk, the Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance. The Company may utilise hedging instruments to manage market risk. Gearing is used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

1. Interest Rate Risk

Interest rate movements will affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian, Bank of New York Mellon. Additionally, holdings in STIC are subject to interest rate changes.

The Company has an uncommitted bank overdraft facility up to a maximum of 30% of the net asset value of the Company or £20 million, whichever is the lower; the interest rate is charged at 0.85% over Bank of England base rate. The Company uses the facility when required at levels approved and monitored by the Board.

At the year end there was no overdraft drawn down (2014: £2.4 million drawn down). Based on the maximum amount that can be drawn down at the year end under the overdraft facility of £20 million, the effect of a +/– 1% in the interest rate would result in an increase or decrease to the Company's statement of comprehensive income of £200,000.

The Company's portfolio is not directly exposed to interest rate risk.

2. Other Price Risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the investments, but it is the business of the Manager to manage the portfolio to achieve the best return that he can.

Management of Other Price Risk

The Directors manage the market price risks inherent in the investment portfolio by meeting regularly to monitor on a formal basis the Manager's compliance with the Company's stated objectives and policies and to review investment performance.

The Company's portfolio is the result of the Manager's investment process and as a result is not correlated with the Company's benchmark or the market in which the Company invests. Therefore the value of the portfolio will not move in line with the market but will move as a result of the performance of the company shares within the portfolio.

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year would decrease by £19.1 million (2014: £19.3 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax would increase by the same amount.

Fair Values of Financial Assets and Financial Liabilities

The financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, cash at bank and overdraft).

18. Risk Management and Financial Instruments (continued)

Fair Value Hierarchy Disclosures

Except for the one Level 3 investment described below, all of the Company's investments are in the Level 1 category as defined in IFRS 13, the three levels of which follow:

Level 1 – fair value based on quoted prices in active markets for identical assets;

Level 2 – fair value based on valuation techniques using observable inputs other than quoted prices within Level 1; and

Level 3 – fair value based on valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The valuation techniques used by the Company are explained in the accounting policies note. Level 2 comprised futures none of which were held at both this and the previous year end. For both these years, the Company held one Level 3 investment, being the dormant subsidiary Berry Starquest Limited.

Maturity Analysis of Contractual Liability Cash Flows

The contractual liabilities of the Company are shown in note 12 and comprise amounts due to brokers, bank overdrafts and accruals. All are paid under contractual terms. For amounts due to brokers, this will generally be the purchase date of the investment plus two business days.

Capital Management

The Company's capital, or equity, is represented by its net assets which are managed to achieve the Company's investment objective set out on page 7.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 8 and 9. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

The Board can also manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy-back shares and it determines dividend payments.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by s1159 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility, by the terms imposed by the custodian. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year.

Total equity at 31 January 2015, the composition of which is shown on the balance sheet on page 38, was £196,914,000 (2014: £195,749,000).

THIS NOTICE OF ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Invesco Perpetual UK Smaller Companies Investment Trust plc, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting ('AGM') of Invesco Perpetual UK Smaller Companies Investment Trust plc will be held at the offices of Invesco Perpetual at 43-45 Portman Square, London W1H 6LY at 12.00 noon on 4 June 2015 for the following purposes:

Ordinary Business

1. To receive the Annual Financial Report for the year ended 31 January 2015.
2. To approve the Directors' Remuneration Policy.
3. To approve the Annual Statement and Report on Remuneration.
4. To declare a final dividend as recommended.
5. To re-elect Ian Barby a Director of the Company.
6. To re-elect Richard Brooman a Director of the Company.
7. To re-elect Garth Milne a Director of the Company.
8. To reappoint the Auditor, Grant Thornton UK LLP.
9. To authorise the Directors to determine the Auditor's remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 10 will be proposed as an ordinary resolution and 11, 12 and 13 as special resolutions:

10. THAT:

    the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £532,090, this being 5% of the Company's issued ordinary share capital as at 17 April 2015, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.

11. THAT:

    the Directors be and are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to allot equity securities for cash, either pursuant to the authority given by resolution 10 set out above or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

    (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise);

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £532,090, this being 5% of the Company's issued ordinary share capital as at 17 April 2015; and

(c) to the allotment of equity securities at a price not less than the net asset value per share (as determined by the Directors)

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this power shall allow the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this resolution.

12. THAT:
the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of its issued Shares of 20p each in the capital of the Company ('Shares').

PROVIDED ALWAYS THAT:

(i) the maximum number of shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary shares, this being 7,976,041 as at 17 April 2015;

(ii) the minimum price which may be paid for a Share shall be 20p;

(iii) the maximum price which may be paid for a Share shall be an amount equal to 105% of the average of the middle market quotations for a Share taken from and calculated by reference to the London Stock Exchange Daily Official List for five business days immediately preceding the day on which the Share is purchased;

(iv) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);

(v) the authority hereby conferred shall expire at the conclusion of the AGM of the Company in 2016 or, if earlier, on the expiry of fifteen months from the passing of this resolution unless the authority is renewed at any other general meeting prior to such time;

(vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and

(vii) any shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of Sections 724 to 731 of the Companies Act 2006 and any applicable regulations of the United Kingdom Listing Authority, be held (or otherwise dealt with in accordance with Section 727 or 729 of the Companies Act 2006) as Treasury Shares.

13. THAT the period of notice required for general meetings of the Company (other than AGMs) shall be not less than 14 days.

Please refer to the Directors' Report on pages 27 and 28 for further explanations of all the resolutions.

Dated this 17^{th} April 2015

By order of the Board

Invesco Asset Management Limited
Company Secretary

Jonathan Brown, the portfolio manager, will give a presentation following the Annual General Meeting.

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
    - via Capita Asset Services website www.capitashareportal.com; or
    - In hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
    - In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

    and in each case to be received by the Company not less than 48 hours before the time of the meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any changes of instructions to proxies through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
3. A form of appointment of proxy is enclosed. Appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction) does not prevent a member from attending and voting at this meeting.

    To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Capita Asset Services, The Registry, PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 12.00 noon on 2 June 2015.
4. A person entered on the Register of Members at close of business on 2 June 2015 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Members 48 hours before the time fixed for the adjourned meeting.

5. The Terms of Reference of the Audit Committee and the Management Engagement Committee and the Letters of Appointment for Directors will be available for inspection for at least 15 minutes prior to and during the Company's AGM.

6. A copy of the Articles of Association are available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the AGM and will also be available at the AGM for at least 15 minutes prior and during the Meeting.

7. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the above rights of the shareholders in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

11. As at 17 April 2015 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 53,209,084 ordinary shares of 20p each carrying one vote each.

12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/ipukscit*.

13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006 (the '2006 Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning on 1 February 2014; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 February 2014 ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

SHAREHOLDER INFORMATION

The shares of Invesco Perpetual UK Smaller Companies Investment Trust plc (the Company) are quoted on the London Stock Exchange.

Savings Plan and ISA

The Company is a member of the Invesco Perpetual Investment Trust Savings Scheme and the Invesco Perpetual Investment Trust ISA. Shares can be purchased and sold via these two schemes.

Invesco Perpetual Investment Trust Savings Scheme

The Invesco Perpetual Investment Trust Savings Scheme allows an investor to make monthly purchases from as little as £20 per month or through lump sum investments of £500 or above in the shares of the Company in a straightforward and low cost way.

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to the ISA limit. For the tax year 2015/16 this has been increased to £15,240. Investors can also choose to make lump sum investments from £500, or regular investments from as little as £20 per month.

For full details of these schemes please contact Invesco Perpetual's Investor Services team free on ☎ 0800 085 8677.

Manager's Website

Information relating to the Company can be found on the Manager's website, www.invescoperpetual.co.uk/ipukscit.

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

Net Asset Value (NAV) Publication

The NAV of the Company is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the following business day. An estimated NAV is also published daily in the newspapers detailed under Share Price Listings.

Share Price Listings

The price of your shares can be found in the Financial Times, Daily Telegraph and The Times.

In addition, share price information can be found using the IPU ticker code and on the Company's section of the Manager's website of www.invescoperpetual.co.uk/ipukscit.

Financial Calendar

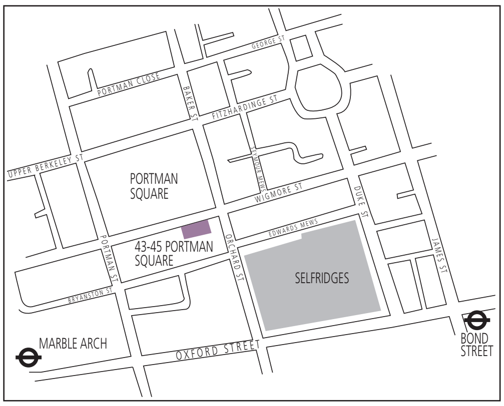
The Company publishes information according to the following calendar:

Announcements:	
Annual financial report	April
Half-yearly financial report	September
Annual General Meeting	May/June
Year End	31 January
Dividend Payable Timetable:	
Final	June
1st interim	September
2nd interim	December
3rd interim	March

Location of Annual General Meeting

To be held at 12 noon on 4 June 2015 at the offices of Invesco Perpetual at 43-45 Portman Square, London W1H 6LY.

The nearest tube stations to Portman Square are Marble Arch and Bond Street.



ADVISERS AND PRINCIPAL EXTERNAL SERVICE PROVIDERS

Company History

Invesco Perpetual UK Smaller Companies Investment Trust plc was launched in March 1988, and was formerly known as Berry Starquest plc. Perpetual took over the management of the investment trust on 1 March 1994. On 13 June 2002, following shareholder resolution, the investment trust's name changed to Invesco Perpetual UK Smaller Companies Investment Trust plc.

Registered Office and Company Number

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

Registered in England and Wales
Number 2129187

Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contacts: Kevin Mayger and Kelly Nice

Correspondence address

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

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to you from 8.30 am to 6.00 pm Monday to Friday (excluding Bank Holidays). Current valuations, statements and literature can be ordered, however, no investment advice can be given.
☎ 0800 085 8677
www.invescoperpetual.co.uk/ipukscit

Savings Scheme and ISA Administration

For queries relating to both the Invesco Perpetual Investment Trust Savings Scheme and ISA please contact:
Invesco Perpetual
P.O. Box 11150
Chelmsford
CM99 2DL
☎ 0800 086 8677.

The Association of Investment Companies

The Company is a member of the Association of Investment Companies. Contact details are:
☎ 020 7282 5555
Email: enquiries@theaic.co.uk
Website: www.theaic.co.uk

Registrars

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

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars on:
☎ 0871 664 0300.
Calls cost 10p per minute plus network charges.
From outside the UK: +44 20 8639 3399. Lines are open from 9.00 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

Shareholders can also access their holding details via Capita's websites: www.capitaassetservices.com or www.capitashareportal.com.

Capita Asset Services provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or
☎ 0871 664 0454.
Calls cost 10p per minute plus network charges.

From outside the UK: +44 20 3367 2699. Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

Depositary

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

Custodian

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

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Corporate Broker

JP Morgan Cazenove
25 Bank Street
London E14 5JP

GLOSSARY OF TERMS

Benchmark

A market index, which averages the performance of companies in any sector, giving a good indication of any rises or falls in the market. The benchmark used in these accounts is the Numis Smaller Companies Index (excluding Investment Companies).

Discount

The amount by which the mid-market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Yield

The annual dividend expressed as a percentage of the current market price

Gearing

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which shareholders' funds are geared; a nil gearing percentage, or 'nil', shows the company is ungeared.

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

Gross Gearing
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 shareholders' funds.

Net Gearing
This reflects the amount of net borrowings invested, ie borrowings less cash. It is based on net borrowings as a percentage of shareholders' funds.

Maximum Permissible Gearing
This reflects the maximum permissible borrowings of a company taking into account both any gearing limits laid down in the investment policy and the maximum borrowings laid down in covenants under any borrowing facility. It is calculated from maximum permissible borrowings as a percentage of shareholders' funds.

Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure. Leverage of 100% indicates that the Company is ungeared.

Net Cash

This reflects the Company's net exposure to cash and cash equivalents expressed as a percentage of shareholders' funds after any offset against its gearing.

Market Capitalisation

For a company is calculated by multiplying the stockmarket price of an ordinary share by the number of ordinary shares in issue.

Net Asset Value

Also described as shareholders' funds, the net asset value is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value per share is calculated by dividing the net asset value by the number of ordinary shares in issue.

Ongoing Charges

The annualised ongoing charges, including those charged to capital but excluding interest, incurred by the Company, expressed as a percentage of the average undiluted net asset value (with debt at fair value) in the period reported.

Volatility

The relative rate at which the price of a security moves up and down. Volatility is found by calculating the annualised standard deviation of daily change in price. If the price of a stock moves up and down rapidly over short time periods, it has high volatility. If the price changes infrequently, it has low volatility.

ALTERNATIVE INVESTMENT FUND MANAGER DIRECTIVE DISCLOSURE

Alternative Investment Fund Manager (AIFM) and the Alternative Investment Fund Managers Directive (the 'AIFMD', the Directive)

Invesco Fund Managers Limited (IFML) was authorised as an AIFM, and appointed by the Company as such, with effect from 22 July 2014. IFML is an associated company of Invesco Asset Management Limited (IAML), the previous Manager, and IAML continues to manage the Company's investments under delegated authority from IFML. In accordance with the Directive, the Company qualifies as an Alternative Investment Fund (AIF).

Amongst other things, the AIFMD requires certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invescoperpetual.co.uk/ipukscit) in a downloadable document entitled 'AIFMD Investor Information'. There have been no material changes to this information since its publication in July 2014. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

In addition, the Directive requires information in relation to the remuneration of the Company's AIFM, IFML, and the Company's leverage (both 'gross' and 'commitment' – see Glossary on page 57) and to be made available to investors.

Accordingly:

- the AIFM remuneration policy is available from the Company's company secretary, on request (see contact details on page 56) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 December 2015) will be made available in due course; and
- the leverage calculated for the Company at the year end was 96.9% for gross and 96.9% for commitment. The limits the AIFM has set for the Company are 250% and 200%, respectively.

The Manager of Invesco Perpetual UK Smaller Companies Investment Trust plc is Invesco Fund Managers Limited.

Invesco Fund Managers Limited is a wholly owned subsidiary of Invesco Limited and is authorised and regulated by the Financial Conduct Authority.

Invesco is one of the largest independent global investment management firms, with assets under management of approximately $800 billion.*

We aim to provide the highest returns available from markets, through active management, but in a controlled manner, conscious of the risks involved and within our clients' objectives.

** Assets under Management as at 31 March 2015.*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

Investing for Income, Income Growth and Capital Growth (from equities and fixed interest securities)

City Merchants High Yield Trust Limited

A Jersey incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments combined with a degree of security. The Company may use bank borrowings.

Invesco Income Growth Trust plc

Aims to produce income and capital growth superior to that of the UK stock market and dividends paid quarterly that, over time, grow at above the rate of inflation. The Company may use bank borrowings.

Invesco Perpetual Enhanced Income Limited

A Jersey-incorporated closed-ended Company that aims to provide a high level of income, paid gross to UK investors, whilst seeking to maximise total return through investing, primarily in a diversified portfolio of high-yielding corporate and government bonds. The Company seeks to balance the attraction of high-yield securities with the need for protection of capital and to manage volatility. The Company uses repo financing to enhance returns.

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio

Aims to generate income from a variety of fixed income instruments combined with a high degree of security. Income will reduce during periods of very low interest rates.

Invesco Perpetual Select Trust plc – UK Equity Portfolio

Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily in the UK equity market. The portfolio may use bank borrowings.

Keystone Investment Trust plc

Aims to provide shareholders with long-term growth of capital mainly from UK investments. The Company has debenture stocks in issue.

Perpetual Income and Growth Investment Trust plc

Aims to generate capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK and fixed interest markets. The Company has a debenture stock in issue and may use bank borrowings.

The Edinburgh Investment Trust plc

Invests primarily in UK securities with the long-term objective of achieving:

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

The Company has a debenture stock in issue and may use bank borrowings.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total returns for the Company's shareholders primarily by investment in a broad cross-section of small to medium sized UK quoted companies. The Company may use bank borrowings.

Investing Internationally

Invesco Asia Trust plc

Aims to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian securities. The Company aims to achieve growth in its net asset value in excess of the MSCI All Country Asia Pacific ex Japan Index, measured in Sterling. With effect 1 May 2015, the benchmark will be the MSCI AC Asia ex-Japan Index. The Company may use bank borrowings.

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

Aims to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide. The portfolio may use bank borrowings.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

Aims to provide shareholders with an attractive total return in differing economic and inflationary environments and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

The portfolio is constructed so as to balance risk, is long-only, using transparently-priced exchange-traded futures contracts and other derivative instruments to gain such exposure and to provide leverage.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Portfolio
- Global Equity Income Portfolio
- Managed Liquidity Portfolio
- Balanced Risk Portfolio

A choice of four investment policies and objectives, each intended to generate attractive risk-adjusted returns from segregated portfolios, with the ability to switch between them, four times a year, free from capital gains tax liability. Dividends are paid quarterly, apart from Balanced Risk which will not normally pay dividends.

Please contact our Investor Services Team on 0800 085 8677 if you would like more information about the investment trusts or other specialist funds listed above. Further details are also available on the following website: www.invescoperpetual.co.uk/investmenttrusts

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