Invesco Perpetual UK Smaller Companies Investment Trust plc

Annual Financial Report

Year ended 31 January 2019

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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, please contact our Client Services Team on

☎ 0800 085 8677

www.invesco.co.uk/ipukscit

Front Cover: Abstract granite, Cornwall.

THE COMPANY IN BRIEF

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.

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 below and policy as set out on page 8 are adhered to. The Company has no employees.

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), with income reinvested.

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, comprises income received from the portfolio, with the balance from capital reserves.

In normal circumstances, the dividend for the year is calculated to give a yield of 4% per annum based on the year end share price.

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 potential for growth;

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

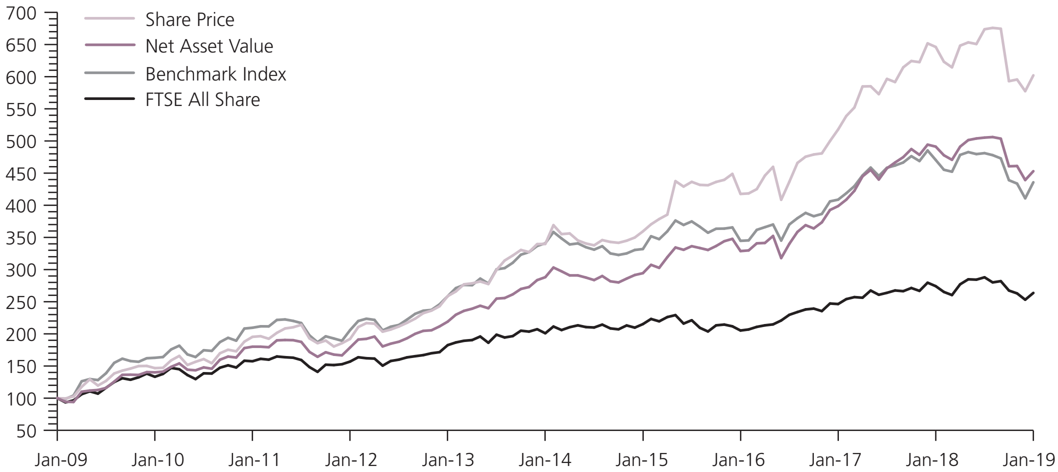
AT 31 JANUARY	2019	2018	CHANGE
Net asset value[1] (NAV) per share	481.8p	543.6p	–11.4%
Total shareholders' funds (£'000)	158,285	178,571	–11.4%
Share price	465.0p	520.0p	–10.6%
Discount[1]	3.5%	4.3%	
Gearing[1]:			
– gross gearing	nil	nil	
– net gearing	nil	nil	
– net cash	6.6%	3.1%	
Maximum authorised gearing	9.5%	8.4%	

FOR THE YEAR ENDED 31 JANUARY	2019	2018	
Total return (with income reinvested):			
NAV[1] [2]	–7.8%	+23.9%	
Benchmark Index[1] [2] [3]	–7.4%	+15.1%	
FTSE All-Share Index[2]	–3.8%	+11.3%	
Share price[2]	–6.8%	+24.8%	
Return[1] and dividend per ordinary share:			
Revenue return	10.72p	8.36p	
Capital return	(51.50)p	96.65p	
Total return	(40.78)p	105.01p	
First interim dividend	3.65p	3.55p	
Second interim dividend	3.65p	3.55p	
Third interim dividend	3.65p	3.55p	
Final dividend	7.65p	10.15p	
Total dividends	18.60p	20.80p	–10.6%
Dividend payable for the year (£'000):			
– from revenue	3,521	3,573	
– from capital	2,589	3,260	
	6,110	6,833	
Capital dividend as a % of year end net assets	1.6%	1.8%	
Ongoing charges[1] – excluding performance fee	0.88%	0.82%	
Performance fee[4]	0.07%	1.27%	

Notes: (1) See Glossary of Terms and Alternative Performance Measures on pages 63 to 65.
(2) Source: Refinitiv (Thomson Reuters).
(3) The Benchmark Index of the Company is the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested.
(4) Performance fee is calculated on the capital outperformance of the NAV against the Benchmark Index; both excluding income reinvested.

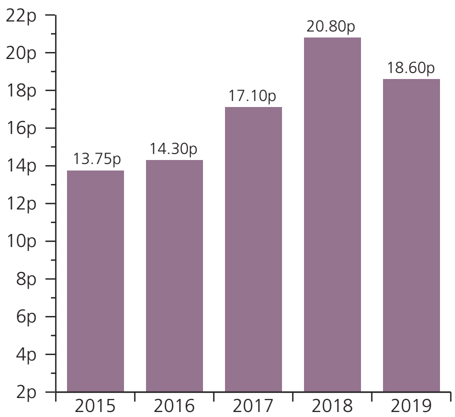
Cumulative Ten Year Share Price and NAV Performance vs Benchmark (Total Return)

Figures have been rebased to 100 at 31 January 2009



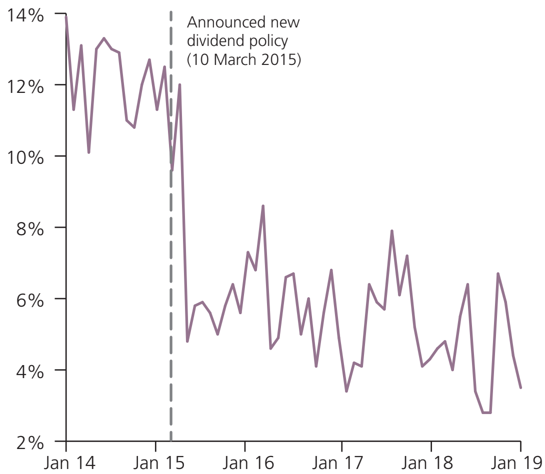
Source: Refinitiv (Thomson Reuters)

Five Year Dividend History



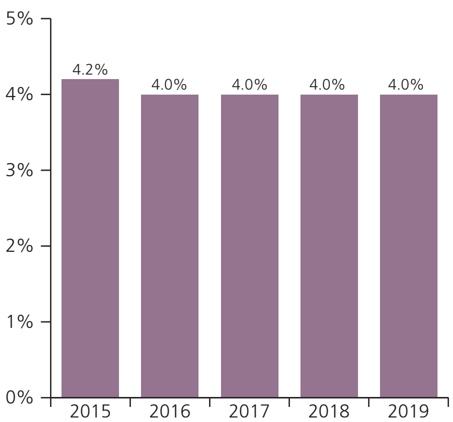
The dividends shown above are those proposed in respect of each year, and are in pence per share.

Discount Since 31 January 2014



Source: Refinitiv (Thomson Reuters).

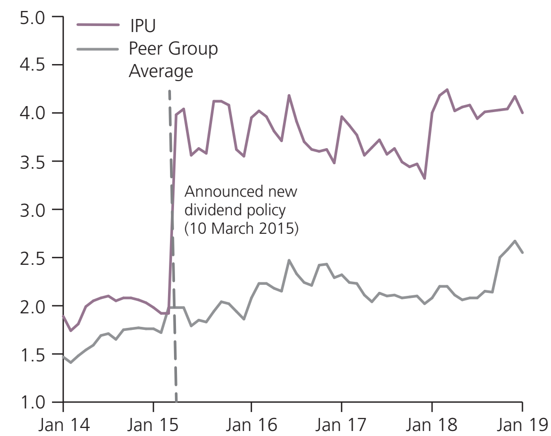
Five Year Dividend Yield History



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

Yield Since 31 January 2014

Peer Group Average vs Company



Source: Refinitiv (Thomson Reuters)/Invesco.

Ten Year Historical Record

TO 31 JANUARY	GROSS INCOME £'000	NET REVENUE RETURN AVAILABLE FOR SHAREHOLDERS £'000	DIVIDENDS ON SHARES(1) COST £'000	RATE p	TOTAL SHARE-HOLDERS FUNDS £'000	NET ASSET VALUE PER SHARE p	SHARE PRICE p	ONGOING CHARGES %	PERFORM-ANCE FEE %
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(2)	4,468	3,930	7,316	13.75	196,914	370.1	328.3	0.83	0.73
2016	5,331	4,779	7,609	14.30	207,657	390.3	362.0	0.82	1.01
2017	4,523	3,924	9,099	17.10	241,603	454.1	432.0	0.82	0.44
2018(3)	4,116	3,573	6,833	20.80	178,571	543.6	520.0	0.82	1.27
2019	**4,080**	**3,521**	**6,110**	**18.60**	**158,285**	**481.8**	**465.0**	**0.88**	**0.07**

(1) The dividends shown above are those proposed in respect of each year.
(2) Dividend policy changed 2015.
(3) The 38.26% take-up of the tender offer in June 2017 is reflected in the decrease in shareholder's funds at the year end.

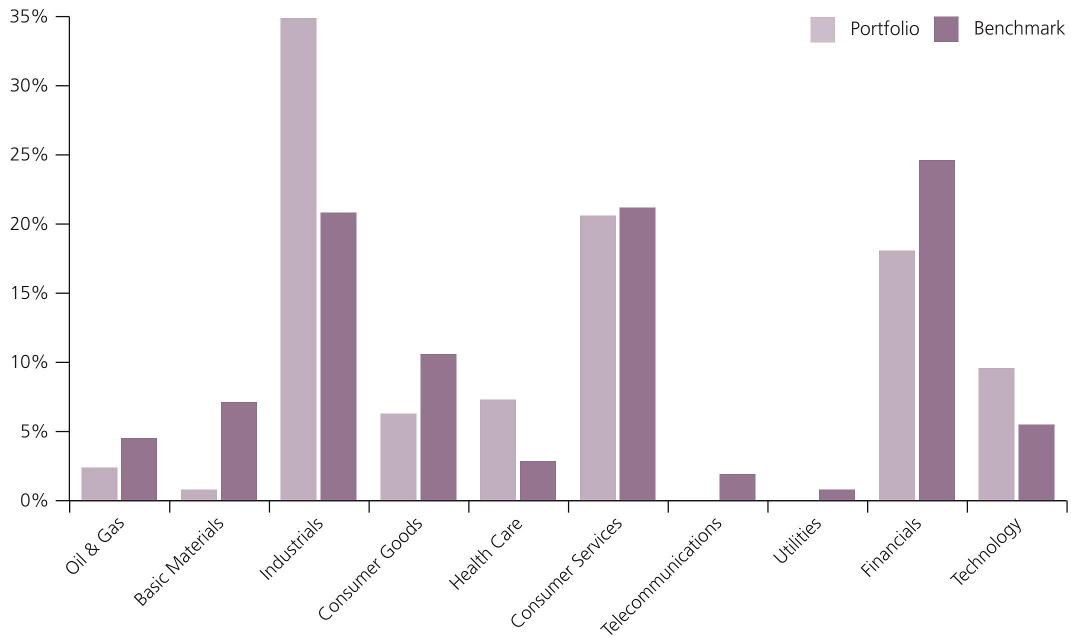
Ten Year Total Return Performance

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	ANNUALISED THREE YEARS	ANNUALISED FIVE YEARS	ANNUALISED TEN YEARS
Share Price %	46.7	33.2	–1.7	34.6	31.4	5.8	16.2	24.0	24.8	–6.8	13.0	12.1	19.7
Net Asset Value (NAV) %	40.1	28.6	–0.8	22.4	31.6	2.2	11.7	21.3	23.9	–7.8	11.5	9.6	16.4
Benchmark Index %	62.8	28.7	–1.8	25.6	31.8	–2.6	3.8	18.6	15.1	–7.4	8.1	5.0	15.9
Variance (NAV to Index) %	–22.7	–0.1	1.0	–3.2	–0.2	4.8	7.9	2.7	8.8	–0.4	3.4	4.6	0.5

Source: Refinitiv (Thomson Reuters).

Industry Allocation of Portfolio vs Benchmark

As at 31 January 2019



Source: Refinitiv (Thomson Reuters).

STRATEGIC REPORT
FOR THE YEAR ENDED 31 JANUARY 2019

CHAIRMAN'S STATEMENT

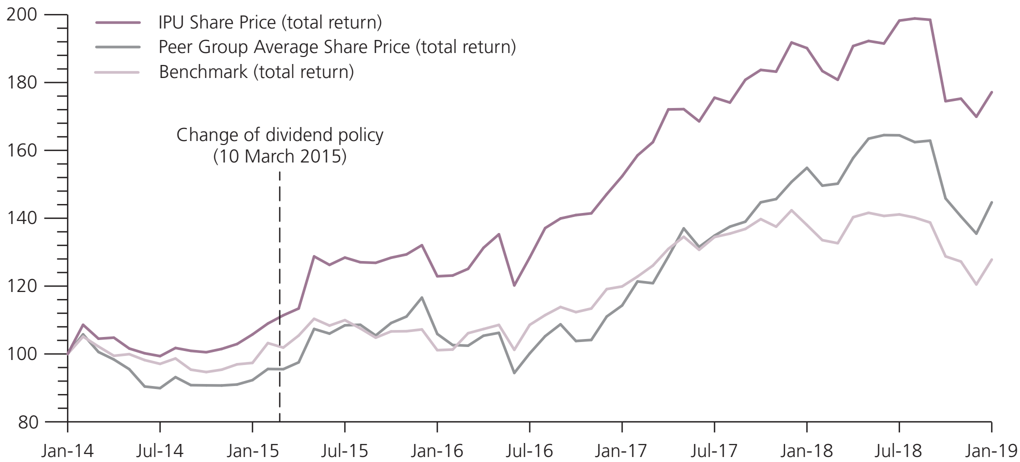
Performance

Against a backdrop of difficult market conditions and continued political and economic uncertainty, for the year ended 31 January 2019 your Company returned –7.8% in net asset value (NAV) terms, marginally underperforming its benchmark index, the Numis Smaller Companies Index (excluding Investment Companies), which returned –7.4%, (in each case measured on a total return basis). The share price total return for the year was –6.8% (2018: +24.8%).

The Company also underperformed by 4.0% against the wider UK stock market (as measured by the FTSE All Share Index), which declined by 3.8% over the same period.

Despite the negative results for the year, the longer-term share price performance of your Company remains good, as can be seen by the following graph, showing its five-year total return results well in excess of both the benchmark index and the Company's peer group average.

Share Price – Company versus benchmark index and close peer group average



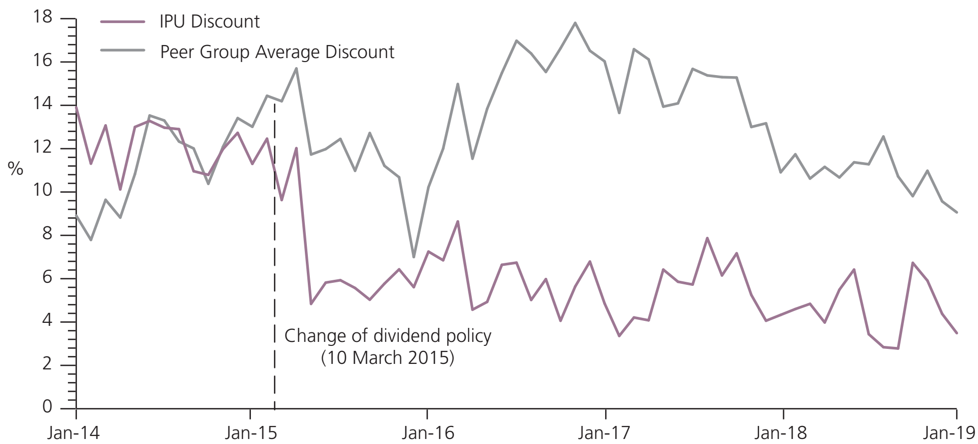
Source: Refinitiv (Thomson Reuters).

Discount and Dividend Yield

Over the past 12 months the underlying share price discount to NAV narrowed slightly from 4.3% to 3.5%. As at the latest practicable date prior to the publication of this report, being 2 April 2019, the discount stands at 4.2%, confirming it as one of the narrowest within the UK small-cap peer group. Nevertheless, the Board continues to monitor the discount level and may seek to limit any future volatility through the prudent use of share buybacks.

Significantly, your Company's dividend yield of 4.0% (as at 31 January 2019) continues to outstrip most of its peers following the Board's commitment in 2015 to enhance it through the use of realised capital profits.

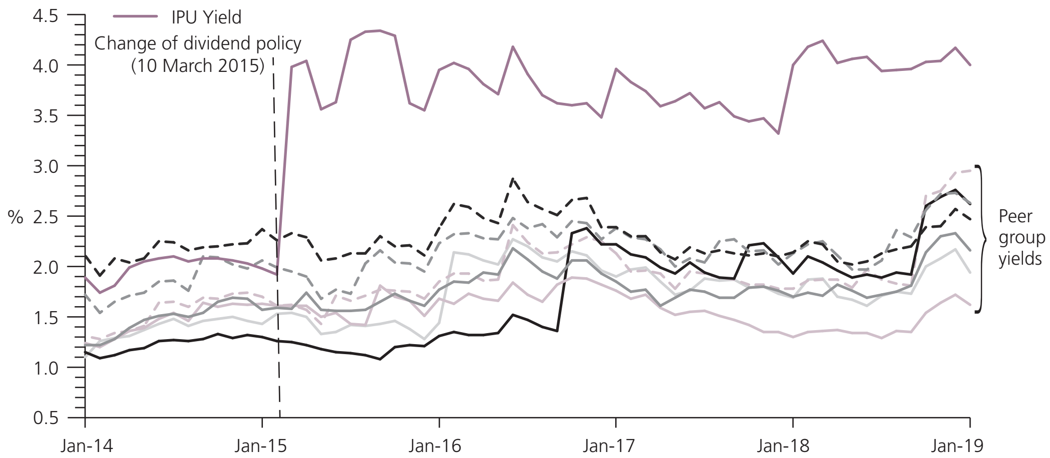
Discount – Company versus the close peer group average



Source: Refinitiv (Thomson Reuters).

CHAIRMAN'S STATEMENT continued

Dividend Yield – Company versus close peer group yields



Source: Refinitiv (Thomson Reuters).

Dividends

The 2015 initiative referred to above significantly increased the annual dividend level to an initial yield target of 4% (based on the then prevailing share price). The total dividend for this year of 18.60p per share also equates to a 4% yield on the year-end share price which was 465p, representing a decrease from the previous year's total dividend of 20.80p per share.

The Company pays quarterly dividends – in September, December, March and June. For the year ended 31 January 2019, three interim dividends of 3.65p each have already been paid and the Board has announced a proposed final dividend of 7.65p per share, making a total for the year of 18.60p per share. The final dividend will be payable, subject to shareholder approval, on 7 June 2019 to shareholders on the register on 3 May 2019 and the shares will go ex-dividend on 2 May 2019.

Revenue per share has increased from 8.36p last year to 10.72p this year, which means that the resulting balance of dividend being paid from capital reserves, represents 1.6% of net assets, lower than 2018's 1.8%. It also continues to represent only a small proportion of the longer-term returns achieved by the manager.

Investment Management Fee

Shareholders will be pleased to know that, for the future, the Board has agreed a simplified fee structure with the Manager - comprising the removal of the performance fee (which over the last five years had exceeded, in aggregate, the total amount of the base fees paid) offset by a small increase in the base management fee from 0.65% per annum to 0.75% per annum of gross funds under management. As part of these fee negotiations, the Board has agreed to pay the Manager all of the accrued but unpaid performance fees from previous periods, amounting to £785,000. This amount, together with the performance fee earned and payable for the year ended 31 January 2019 of £116,000, has already been taken into account in the calculation of the Company's NAV, therefore there is no financial effect for shareholders. These changes will be effective as from 1 February 2019.

The Board considers these changes to be a good outcome for the Company, its shareholders and potential investors, who will have greater transparency of the costs associated with their investment.

Future of the Company

Prior to the 2015 initiative in relation to dividends, the Board made a commitment in 2012 to offer shareholders an opportunity to realise their investment at close to NAV in 2017.This took the form of a tender offer for up to 40% of the Company's shares which was slightly undersubscribed at 38.2%. The tender offer allowed several institutional investors, which had built up significant positions and which had supported the Company during the period when its shares traded at a wide discount to NAV, to dispose of their shareholdings in an orderly manner at close to NAV. Given that many of the Company's other shareholders chose not to participate in the tender, this resulted in a positive rebalancing of the shareholder register toward supportive, long-term shareholders.

At that time, the Board committed to put a further range of options to shareholders at the Company's 2020 AGM. Your Directors have subsequently reviewed the Company's position and prospects and consulted leading shareholders. The Company has good long-term performance and the Board has confidence in the portfolio managers' ongoing ability to find attractive investment opportunities. In addition, the newly revised fee structure and the commitment to maintain a relatively high level of dividend – which, in turn helps underpin its narrow discount – means that the Company is well positioned for the future.

Taking these factors into account and following consultation with leading shareholders, the Board believes there is little merit in putting forward the option of a tender or other cash exit in the near term, given that it could reduce the size of the Company to a point of non-viability, and, at the very least, have a negative impact on liquidity and increase the ongoing charges ratio.

As a result, the Board believes that it is desirable to allow the Company the opportunity to continue to grow over a longer market cycle and therefore, instead of waiting until 2020, it will give shareholders the opportunity to vote for the continuation of the Company at the forthcoming AGM on 6 June 2019.

If Resolution 15 is passed and the Company remains in being, the Directors intend to put further options to shareholders at the AGM in 2024, or sooner if the Board believes this to be in the interests of shareholders. If Resolution 15 is not passed, the Directors will put forward appropriate proposals at or before the AGM in 2020, in line with previous statements. The precise nature of these options will depend upon the circumstances prevailing at the time.

The Directors believe that a continuation of the Company is in the interests of shareholders and recommend that you vote in favour of the continuation resolution, as they intend to do in respect of their own shareholdings.

Board Composition and Succession Planning

Having served on the Board for 15 years, I will retire as a Director of the Company at the conclusion of the forthcoming AGM. The Nomination Committee has continued its review of the composition of the Board and the Company's succession plan and I am pleased to announce that Jane Lewis will be appointed Chairman of the Board and Nomination Committee on my retirement. The Board believes that her broad experience of investment companies and markets as well as the period that she has already spent as a non-executive director of your Company demonstrate her strong credentials to lead the Company forward.

The Board has appointed Trust Associates Limited, an external search consultant, to conduct a search for a new director.

General Meetings

This year's AGM will be held on Thursday, 6 June 2019. In line with good corporate governance, all Directors, with the exception of myself, will be standing for re-election. The Directors have carefully considered all of the resolutions proposed and believe them to be in the best interests of shareholders and the Company as a whole. Accordingly, the Directors recommend that shareholders vote in favour of each resolution, as will the Directors in respect of their own shareholdings.

Outlook

The year under review saw continued market and political uncertainty. The Portfolio Managers' Report that follows discusses these in more detail. However, one thing is certain – continued uncertainty around Brexit is likely to have an impact on the markets in which your Company invests for some time to come.

However, your portfolio managers have a disciplined approach to stock selection which has served shareholders well for many years. While they continue with their investment strategy of investing in good quality and well-managed companies, they are also mindful of the many potential pitfalls in markets that are anything but straightforward - and are well aware of the many political distractions on the horizon. Notwithstanding these cautionary factors, your Board continues to be fully supportive of, and reassured by, their considered and astute approach to portfolio construction.

Ian Barby
Chairman

4 April 2019

BUSINESS REVIEW

Strategy and Business Model

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.

In addition, the Company has contractual arrangements with Link Asset Services Limited to act as registrar and The Bank of New York Mellon (International) Limited (BNYMIL) as depositary and custodian.

Investment Objective

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 and those 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 its benchmark, the Numis Smaller Companies Index (excluding Investment Companies). 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 under this investment policy 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, comprises income received from the portfolio, with the balance from capital reserves.

In normal circumstances, the dividend for the year is calculated to give a yield of 4% based on the year end share price.

Performance

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

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

The ten year record for the NAV and share price performance compared with the Company's benchmark index can be found on page 4, and the five year discount record is on page 3. The ten year record for dividends and ongoing charges is shown on page 4. Returns versus volatility are shown on the graph on page 13.

Results and Dividends

In the year ended 31 January 2019, the net asset value total return was –7.8%, compared with a total return on the benchmark index of –7.4%, an underperformance of 0.4%. The discount at the year end was 3.5% (2018: 4.3%). The Portfolio Managers' Report shows an analysis of the relative performance in a table on page 12.

For the year ended 31 January 2019, three interim dividends of 3.65p per share were paid to shareholders in September and December 2018 and March 2019. A final dividend of 7.65p per share will be proposed to shareholders at the AGM on 6 June 2019 and will be paid on 7 June 2019 to shareholders on the register on 3 May 2019, subject to shareholder approval. This will give total dividends for the year of 18.6p (2018: 20.8p), representing a yield of 4% based on the year end share price. Of the total dividend 58% (2018: 52%) was generated from revenue in the year. The remainder was funded from capital and represents 1.6% (2018: 1.8%) of the year end net assets.

Financial Position and Borrowings

At 31 January 2019, the Company's net assets were valued at £158 million (2018: £179 million), comprising a portfolio of equity investments and net current assets, with no borrowings (2018: £nil). The Company currently has a facility with The Bank of New York Mellon under which borrowings are limited to the maximum of the lower of 30% of net assets and £15 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 Managers' Report. Details of the principal risks affecting the Company are set out under 'Principal Risks and Uncertainties' below.

Principal Risks and Uncertainties

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Most of these risks are market related and are similar to those of other investment trusts investing primarily in listed markets. In carrying out this assessment, consideration is being given to the market and possible regulatory uncertainty arising from Brexit.

Market (Economic) Risk

Factors such as fluctuations in stock markets, interest rates and exchange rates are not under the control of the Board or the portfolio 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 the discount to its 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 may not generally have the financial strength, diversity and resources of larger companies, they may find it more difficult to overcome periods of economic slowdown or recession.

The portfolio managers' approach to investment is one of individual stock selection. Investment risk is mitigated via the stock selection process, together with the slow build-up of holdings rather than the purchase of large positions outright. This allows the portfolio 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. 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 Manager's mandate is reviewed annually.

Shareholders' Risk

The value of an investment in the Company may go down as well as up and an investor may not get back the amount invested. The Board reviews regularly the Company's investment objective and strategy to ensure that it remains relevant, as well as reviewing the composition of the shareholder register, peer group performance and the Company's discount.

BUSINESS REVIEW continued

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; both share buy back and issuance facilities are in place 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 limits agreed.

Reliance on the Manager and other Third Party Providers

The Company has no employees and the Directors are all non-executive. The Company is therefore reliant upon the performance of third party service providers for its executive function and service provisions. Third party service providers are subject to ongoing monitoring by the Manager and the Company. The Company's operational structure means that all cyber risk (information and physical security) arises at its third party service providers, including fraud, sabotage or crime against the Company. 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 successfully to pursue its investment policy. The Company's main service providers, of which the Manager is the principal provider, are listed on page 62.

The Manager may be exposed to reputational risks. In particular, the Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Damage to the reputation of the Manager could 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 Audit Committee reviews regularly the performance and internal controls of the Manager and all third party providers regularly through audited service organisation control reports, regular updates on information security and business continuity plans and testing, 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, its listing on the London Stock Exchange and being an Alternative Investment Fund under the Alternative Investment Fund Managers Directive. A loss of investment trust status could lead to the Company being subject to corporation tax on the chargeable capital gains arising on the sale of its investments. Other control failures, either by the Manager or any other of the Company's service providers, could result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with tax and other financial regulatory requirements on a 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.

Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 17 to the financial statements.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Company is an investment trust, a collective investment vehicle designed and managed for long term investment. While the appropriate period over which to assess the Company's viability may vary from year to year, the long term for the purpose of this viability statement is currently considered by the Board to be at least five years, with the life of the Company not intended to be limited to that or any other period.

The main risks to the Company's continuation are: poor investment performance over an extended period; or shareholder dissatisfaction through failure to meet the Company's investment objective; or the investment policy not being appropriate in prevailing market conditions. Accordingly, failure to meet the Company's investment objective, and contributory market and investment risks, are deemed by the Board to be principal risks of the Company and are given particular consideration when assessing the Company's long term viability.

The investment objective of the Company has been substantially unchanged for many years. The 2015 amendment to dividend policy gave some additional weight to targeting increased dividend income to shareholders. This change does not affect the total return sought or produced by the portfolio manager but was designed to increase significantly returns distributed to shareholders. The Board considers the investment objective remains appropriate. This is confirmed by contact with major shareholders and demonstrated by demand for the Company's shares, as evidenced by the narrower discount to net asset value at which they now trade (see page 3).

Performance derives from returns for risk taken. The Portfolio Managers' Report on pages 12 to 14 sets out his current investment strategy. The Company's performance has been strong through different market cycles, as shown by the ten year total return performance graph on page 3, and by comparison with its peer group's returns versus volatility over five years, as set out on page 13. Whilst past performance may not be indicative of performance in the future, it should be noted that the Company's current Manager has been in place throughout that ten years, the current portfolio manager has been involved with the Company for over 13 years, and there has been no material change in the Company's investment objective or policy.

Demand for the Company's shares and performance are not things that can be forecast, but there are no current indications that either or both of these may decline materially over the next five years so as to affect the Company's viability.

The Company's portfolio is readily realisable and is many times the value of its normal level of short term liabilities and annual operating costs with the Company able to meet its obligations as they fall due.

Based on the above analysis, and that shareholders pass the resolution at the forthcoming AGM for the continuation of the Company, the Directors confirm that they expect the Company will continue to operate and meet its liabilities, as they fall due, during the five years ending January 2024.

Board Responsibilities

As set out in the Directors' Report on pages 23 and 24 the Directors have a statutory duty to promote the success of the Company, whilst also having regard to certain broader matters, including the need to engage with employees, suppliers, customers and others, and to have regard to their interests (s172 Companies Act 2006). However, the Company has no employees and no customers in the traditional sense. In accordance with the Company's nature as an investment trust the Board's principal concern has been, and continues to be, the interests of the Company's shareholders taken as a whole. Notwithstanding this, the Board has a responsible governance culture and also has due regard for broader matters so far as they apply. In particular, the Board engages with the Manager at every Board meeting and reviews its relationships with other service providers at least annually.

Board Diversity

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. At the year end the Board consisted of five directors, two of whom are women, thereby constituting 40% female representation.

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 Company does not have a human rights policy, although the Manager applies the United Nations Principles for Responsible Investment.

The Company is an investment vehicle and does not provide goods or services in the normal course of its business, or have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

PORTFOLIO MANAGERS' REPORT

Investment Review

The year under review was a difficult period for global stock markets. Gains in the first half were reversed as investors took fright at the worsening outlook for the global economy. The trade dispute between the US and China, tightening monetary policy and high valuations in the technology sector all gave investors a reason to sell. These issues were further magnified in the UK by the uncertainty around Brexit. The domestic economy slowed as both businesses and consumers reduced expenditure which, combined with the political uncertainty, made buying the UK market a tough call for international investors.

Over the last twelve months, the UK stock market, as measured by the FTSE All-Share Index, fell 3.8% on a total return basis. Larger companies received some benefit from the fall in Sterling due to their greater proportion of foreign earnings. However, more domestically focused smaller companies fared less well, falling 7.4% on a total return basis, as measured by the Numis Smaller Companies Index (excluding investment companies). Uncertainty around Brexit has prompted overseas investors to reduce exposure to the UK domestic economy. This headwind has led to a significant de-rating of many stocks within cyclical sectors such as retail, leisure and construction.

Invesco Perpetual UK Smaller Companies Investment Trust plc

Performance attribution for the year ended 31 January 2019

	TOTAL ABSOLUTE %
Net asset value total return[1]	(7.8)
Less: Benchmark total return[1]	(7.4)
Relative underperformance	(0.4)
Analysis of Relative Performance	
Portfolio total return including cash and excluding expenses	(6.9)
Less: Benchmark total return[1]	(7.4)
Portfolio outperformance	0.5
Net gearing effect	–
Management fees	(0.6)
Performance fee	(0.1)
Other expenses	(0.2)
Total	(0.4)

(1) Source: Refinitiv (Thomson Reuters).

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

Portfolio (under)/outperformance measures the relative effect of the Company's investment portfolio including cash and excluding expenses against that of its benchmark.

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

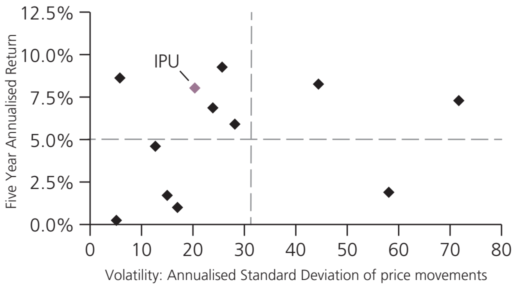
Management fees, performance fee and other expenses reduce the level of assets and therefore result in a negative effect for relative performance. There are no fees or expenses imputed to the benchmark index.

Portfolio Strategy and Review

Your Company's net asset value total return was –7.8% for the fiscal year. Positive contributions came from the technology and media sectors, while the portfolio's exposure to the retail sector negatively affected performance.

At the individual stock level, the best performers included: **Future (+41%)**, a publishing business which owns title such as TechRadar and What Hi-Fi, and is transitioning from printing magazines to a predominantly online business model. Management have significantly increased margins by generating new revenue streams from their content via online advertising and e-commerce. Financial administration platform, **AJ Bell (+126%)**, which allows individual investors to manage their portfolios online, had a very strong performance following its initial public offering ('IPO'). North Sea oil and gas producer **Faroe Petroleum (+48%)**, benefitted from a takeover approach and the holding was subsequently sold. **Softcat (+54%)**, a software and hardware re-selling business, benefitted from increased cyber security spending and growth in e-commerce activity amongst its small and medium sized enterprises customer base. Inevitably there were some disappointments in the period, most notably **Patisserie Holdings (–100%)**, which collapsed following the discovery of a fraud that had been perpetrated over a number of years. The scale and complexity of the apparent deceit was unlike anything we had previously encountered. It is disappointing that neither the board nor the auditor detected the issues earlier when the company could have been saved. **CVS (–66%)**, the veterinary services business, which had been a fantastic performer for us over many years, saw reduced margins due to increased staff costs. We had sold the bulk of the holding at higher levels but believe that the business may be attractive to an acquirer.

Returns vs. Volatility† Over Five Years – UK Smaller Companies Investment Trust Peer Group (12 trusts)



IPU = the Company.

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

† Defined in the Glossary of Terms on page 65.

Source: J.P. Morgan Cazenove

Investment Strategy

Our investment strategy remains unchanged. The year end portfolio comprised 73 stocks, with the sector weightings being determined by where we are finding attractive companies at a given time, rather than by allocating assets according to a "top down" view of the economy. We continue to seek growing businesses, which have the potential to be significantly larger in the medium term. These tend to be companies that either have great products or services, that can enable them to take market share from their competitors, or companies that are exposed to higher growth niches within the UK economy or overseas. We prefer to invest in cash generative businesses that can fund their own expansion, although we are willing to back strong management teams by providing additional capital to invest for growth.

The sustainability of returns and profit margins is vital for the long-term success of a company. The assessment of a business's position within its supply chain and a clear understanding of how work is won and priced are key to determining if a company has "pricing power". It is also important to determine which businesses possess unique capabilities, in the form of intellectual property, specialist know-how or a scale advantage in their chosen market. We conduct around 350 company meetings and site visits a year, and these areas are a particular focus for us on such occasions.

Typically, we have around a third of our portfolio invested in the highly diverse industrials sector. We prefer companies that have a strong market share in a niche, which can often lead to superior profit margins. An example of this is marine services business **James Fisher and Sons**, which benefits from dominant positions in a variety of niches, including submarine rescue, where it is the world leader in the supply of specialist equipment and services to navies globally. It is also a leading player in the construction and maintenance of offshore wind farms around the UK.

Around a quarter of the portfolio is invested in the consumer goods and services sector. Whilst consumer spending has struggled over the last year, wage inflation has begun to outstrip the increases in the cost of living, which should lend some support to retail and leisure stocks. Although our retail exposure is only around 3.5% of the portfolio, we did add **Ted Baker** to the portfolio following a fall in its share price. The company has a strong brand, is expanding overseas, and produced a relatively resilient performance in a tough UK market. Within the leisure sector, we prefer pub groups with differentiated offerings, such as the value led proposition at **JD Wetherspoon** and the premium offering at **Young & Co's Brewery**. Within the media sub-sector, we own exciting growth businesses such as **4imprint**, a promotional products business focussed on North America, and online publishing company **Future**, whose proprietary ecommerce and digital advertising platforms are allowing it to transform the profitability of content.

Our exposure to the financial sector has grown over the last year. We generally favour administration businesses due to their significantly higher margins and the stability afforded by recurring revenue. However, we did acquire a position in **Amigo,** which is the leading player in the fast-growing guarantor loans market. In addition to buying investment platform **AJ Bell,** we added offshore fund administration business **JTC** to the portfolio, which we bought as an IPO. Within the real estate sub-sector our largest holding is **St. Modwen Properties**, which has successfully restructured itself under new management to primarily focus on housebuilding and developing logistics sites.

Technology and healthcare combined account for around 17% of the portfolio. In technology,

PORTFOLIO MANAGERS' REPORT continued

we added to our position in **Kainos**, an IT services business which reduces government administrative costs by developing customer facing applications. A good example of this is DVLA website, which Kainos designed to make paying for car tax much more efficient. Their ability to slash administrative costs has led to a stream of public sector work despite the distractions of Brexit. In the healthcare sector we have added to our holding in **Clinigen**, which is a world leading specialist distributor of pharmaceuticals for use on an unlicensed and pre-approved basis. It also acquires the rights to drugs where there is potential to grow sales by extending usage of the product through further regulatory approvals. The business has a good record of growing profits and has plenty of future potential, both organically and via acquisition.

Outlook

In forming our investment strategy we remain keenly aware that debt and demographics are significant forces holding back economic growth. While increasing financial leverage enhanced global growth over the last 40 years, it has left governments and consumers with unprecedented levels of debt. Only a sustained period of GDP growth can meaningfully reduce debt ratios. Economic growth is derived from the size of the working population combined with their level of productivity. However, the working age population in G20 countries is now declining and significant productivity improvements are proving elusive. For this reason, we believe the relatively anaemic growth we have seen since the financial crisis will continue for some time to come.

There are always uncertainties to be navigated, and the coming year is no exception with Brexit, trade wars and a global economic slowdown. In light of this, we continue to favour stocks with "self-help" characteristics that enable them to grow independently of the economy. This can include the restructuring of underperforming businesses, sector consolidation, roll-out strategies or market share gains led by innovation.

The valuation of many stocks reduced materially over the last few months of 2018 which presents us with opportunities to invest in great businesses at sensible valuations. Additionally, there is likely to be a pause in the interest rate increases we have seen over the last 18 months, which should support equity markets. So we are far from disheartened, and with careful stock selection we remain hopeful of a decent outcome for the coming year.

Jonathan Brown
Portfolio Manager

Robin West
Deputy Portfolio Manager

The Strategic Report was approved by the Board of Directors on 4 April 2019.

Invesco Asset Management Limited
Company Secretary

INVESTMENTS IN ORDER OF VALUATION

AT 31 JANUARY 2019

Ordinary shares unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Future	Media	6,169	4.1
Coats	General Industrials	4,665	3.1
4imprint	Media	3,992	2.7
Clinigen[AIM]	Pharmaceuticals & Biotechnology	3,813	2.6
James Fisher and Sons	Industrial Transportation	3,621	2.4
RWS[AIM]	Support Services	3,620	2.4
Consort Medical	Health Care Equipment & Services	3,540	2.4
Johnson Service[AIM]	Support Services	3,352	2.2
Sanne	Support Services	3,211	2.2
Equiniti	Support Services	3,179	2.1
Top Ten Holdings		**39,162**	**26.2**
Safestore	Real Estate Investment Trusts	3,168	2.1
Polypipe	Construction & Materials	3,150	2.1
St. Modwen Properties	Real Estate Investment & Services	3,057	2.1
Hill & Smith	Industrial Engineering	2,982	2.0
VP	Support Services	2,838	1.9
Hilton Food	Food Producers	2,818	1.9
Ultra Electronics	Aerospace & Defence	2,818	1.9
Microgen	Software & Computer Services	2,778	1.9
Robert Walters	Support Services	2,734	1.8
SDL	Software & Computer Services	2,690	1.8
Top Twenty Holdings		**68,195**	**45.7**
JTC	Financial Services	2,538	1.7
Savills	Real Estate Investment & Services	2,428	1.6
M&C Saatchi[AIM]	Media	2,350	1.6
Euromoney Institutional Investor	Media	2,321	1.6
Tarsus	Media	2,283	1.5
AJ Bell	Financial Services	2,194	1.5
Essentra	Support Services	2,176	1.5
FDM	Software & Computer Services	2,155	1.4
CLS	Real Estate Investment & Services	2,155	1.4
Keywords Studios[AIM]	Support Services	2,120	1.4
Top Thirty Holdings		**90,915**	**60.9**
Vectura	Pharmaceuticals & Biotechnology	2,077	1.4
Workspace	Real Estate Investment Trusts	2,050	1.4
Young & Co's Brewery – Non-Voting[AIM]	Travel & Leisure	2,037	1.4
JD Wetherspoon	Travel & Leisure	2,016	1.3
Severfield	Industrial Engineering	2,013	1.3
Diploma	Support Services	1,927	1.3
Hollywood Bowl	Travel & Leisure	1,854	1.2
Ted Baker	Personal Goods	1,806	1.2
Bovis Homes	Household Goods & Home Construction	1,758	1.2
Brooks Macdonald[AIM]	Financial Services	1,731	1.2
Top Forty Holdings		**110,184**	**73.8**

INVESTMENTS IN ORDER OF VALUATION continued

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
XPS Pensions	Financial Services	1,726	1.2
Amigo	Financial Services	1,707	1.1
Ricardo	Support Services	1,707	1.1
Kainos	Software & Computer Services	1,688	1.1
Bakkavor	Food Producers	1,652	1.1
Marston's	Travel & Leisure	1,637	1.1
NCC	Software & Computer Services	1,631	1.1
CVS[AIM]	General Retailers	1,621	1.1
Urban & Civic	Real Estate Investment & Services	1,590	1.1
Staffline[AIM]	Support Services	1,559	1.1
Top Fifty Holdings		**126,702**	**84.9**
boohoo.com[AIM]	General Retailers	1,556	1.1
Restore[AIM]	Support Services	1,553	1.1
Softcat	Software & Computer Services	1,498	1.0
Energean Oil & Gas	Oil & Gas Producers	1,453	1.0
Premier Oil	Oil & Gas Producers	1,375	0.9
Northgate	Support Services	1,374	0.9
Superdry	Personal Goods	1,371	0.9
Alfa Financial Software	Software & Computer Services	1,355	0.9
Victrex	Chemicals	1,240	0.8
Knights[AIM]	Support Services	1,217	0.8
Top Sixty Holdings		**140,694**	**94.3**
Arrow Global	Financial Services	1,196	0.8
Topps Tiles	General Retailers	1,187	0.7
Majestic Wine[AIM]	General Retailers	1,021	0.7
Secure Trust Bank	Banks	879	0.6
Hurricane Energy[AIM]	Oil & Gas Producers	794	0.5
Advanced Medical Solutions[AIM]	Health Care Equipment & Services	788	0.5
Dunelm	General Retailers	681	0.5
Horizon Discovery[AIM]	Pharmaceuticals & Biotechnology	609	0.4
Learning Technologies[AIM]	Software & Computer Services	555	0.4
Thruvision[AIM]	Electronic & Electrical Equipment	424	0.3
Top Seventy Holdings		**148,828**	**99.7**
Nucleus Financial[AIM]	Financial Services	293	0.2
Rathbone Brothers	Financial Services	90	0.1
Patisserie Holdings[UQ]	Travel & Leisure	–	–
Total Investments (73)		**149,211**	**100.0**

AIM: Investments quoted on AIM.

UQ: Unquoted.

The percentage of the portfolio invested in AIM stocks at the year end was 21.0% (2018: 28.5%).

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 non-executive director and chairman of the audit committee of Pantheon International plc and non-executive chairman of Schroder Income Growth Fund plc. He is a Director of The Fitzwilliam Museum Development Trust.

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 marketing, administration and non-institutional business development, particularly of investment trusts and pooled funds. He is a director of 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 and 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. Jane is a non-executive director of Majedie Investments plc, F&C Capital and Income Investment Trust plc, The Scottish Investment Trust PLC and BlackRock World Mining Trust plc.

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 and Valuation Committee of HgCapital Trust plc and of the Audit and Risk Committee of discoverIE Group plc. He is also a Trustee and Audit Committee Chair of Leonard Cheshire Disability.

Bridget Guerin*
Joined the Board in May 2018. She has spent 33 years in the investment industry and has held senior positions as marketing director at Ivory & Sime and Schroders, where she was responsible for the launch and support of several investment trusts. She was also managing director of Matrix Money Management Limited. She is currently a non-executive director of Charles Stanley Group plc, Mobeus Income & Growth VCT plc, Schroder Income Growth Fund plc, Cantab Quantitative Fund, Cantab Core Macro Fund, Cantab Capital LTIP Limited, GAM Discovery Fund, York Racecourse and Beverley Racecourse. She is also a trustee of the York Racecourse Pension Fund.

All Directors are non-executive, are considered independent and are members of the Management Engagement and Nomination Committees.
* Member of the Audit 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

Chairman
Jane Lewis

All directors

Key objective:

- to review regularly the management contract and the performance and remuneration of the Manager.

Audit Committee

Chairman
Richard Brooman

Additional members:
- Christopher Fletcher
- Bridget Guerin

Key objectives:

- to oversee the risk and control environment and financial reporting; and
- to review other service providers, including the auditor.

Nomination Committee

Chairman
Ian Barby

All directors

Key objectives:

- to review regularly the Board's structure and composition; and
- to make recommendations for any changes or new appointments.

Remuneration Committee Function

The Board as a whole performs this function

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 for more than 13 years. He became the portfolio manager at the end of June 2014.

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.

Robin West is 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 in 2014.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2019

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 2016 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 2016 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 intends to comply with the 2019 AIC Code for the year ending 31 January 2020.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except for 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 that these provisions are not relevant to the position of Invesco Perpetual UK Smaller Companies Investment Trust plc, it 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 23 and 24, and page 20 in respect of the Audit Committee.

The Company's approach to internal control and risk management is detailed on pages 26 and 27.

The contractual arrangements with, and assessment of, the Manager are summarised on page 27.

The Company's capital structure and voting rights are summarised on pages 28 and 29.

The most substantial shareholders in the Company are listed on page 29.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 25. 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

4 April 2019

AUDIT COMMITTEE CHAIRMAN'S LETTER
FOR THE YEAR ENDED 31 JANUARY 2019

Dear Shareholder,

I am pleased to report on the range of work that the Audit Committee has undertaken and the judgements it has exercised during the year. The Committee meets 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 throughout the year were Christopher Fletcher, Garth Milne (until his retirement on 7 June 2018) and Bridget Guerin (with effect from 8 May 2018). The other Directors may attend by invitation and during the year have frequently been present at Committee meetings. The Committee members consider that collectively they have substantial recent and relevant financial experience to fulfil their roles. The Committee as a whole has competence relevant to the sector. A separate risk committee has not been established and the operation of risk management processes and controls is overseen by the Audit Committee.

In accordance with the 2019 AIC Code of Corporate Governance, with effect from the conclusion of the forthcoming AGM, Jane Lewis will be appointed a member of the Audit Committee.

The Audit Committee's responsibilities include, but are not limited to:

- 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 position and 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, remuneration and removal.

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, the Manager's Internal Audit and Compliance departments and the depositary 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 2018/19

During the year, the Committee discharged its responsibilities by monitoring, reviewing and, where necessary, challenging. Whilst going concern and viability of the Company are discussed at the Audit Committee, these matters are determined by the Board. 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 and ownership 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. The Committee takes comfort from the regular oversight reports received from the Manager, and the ongoing monitoring by the depositary of assets, including both their ownership and valuations.
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.
Performance fee calculation.	The Manager reports to the Board on any performance fee accruals that have been included in the Company's NAV on a regular basis and provide confirmation that it has been calculated in accordance with the investment management agreement (IMA). The Committee reviews the performance fee calculation at the financial year end and ensures that it is in accordance with the IMA.
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 position and performance, its business model and 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 present a clear and concise story that reflect 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.
Evaluation of the 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 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.

Auditor

Grant Thornton UK LLP (including its predecessor firm RSM Robson Rhodes) has been the appointed auditor of the Company since incorporation in 1987. The Committee conducted a tender exercise during the year for the audit of the Company's 2020 annual financial report. Three audit firms were invited to submit written proposals and present in person to the Committee. After due consideration, the Committee recommended the appointment of Ernst & Young LLP. The Board consequently invited them to be the Company's auditor for the year ended 31 January 2020. Grant Thornton UK LLP will resign after signing this year's report and resolutions appointing Ernst & Young LLP and for the Committee to determine their remuneration will be put to shareholders at the forthcoming AGM.

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

The Audit Committee considers that Grant Thornton UK LLP (Grant Thornton) 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. No non-audit services relating to the Company were provided by the auditor during the year (2018: £nil). 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.

Internal Controls and Risk Management

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 of controls aims 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. At the Committee meeting which reviewed the annual financial report, the Depositary provided a satisfactory report arising from its monitoring of the activities of the Company throughout the year and of the Company's position at the year end.

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 it receives from the Manager's Internal Audit department.

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 25.

I look forward to seeing you at the Company's general meeting on 6 June 2019.

Yours faithfully,

Richard Brooman
Chairman of the Audit Committee

4 April 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2019

Introduction

The Directors present their report for the year ended 31 January 2019.

Business and Status

The Company was incorporated and registered in England and Wales on 7 May 1987 as a public limited company, registered number 02129187. 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 19 is included in this Directors' Report by reference.

The Board

The Board normally comprises five Directors. All directors are non-executive and all are regarded by the Board as independent of the Company's Manager. The Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company.

Chairman

The Chairman of the Board is Ian Barby, and he has been a member of the Board since 2004 and Chairman since 2005. Ian Barby will retire at the conclusion of the forthcoming AGM and will be succeeded by Jane Lewis, who is an independent non-executive Director with no conflicting relationships.

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 which contact through the normal channels of Chairman or Manager has failed to resolve or for which such contact is inappropriate. No such issues were raised during the year.

Board Balance and Independence

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 17.

When considering the independence of directors, the Board takes into account their experience and whether a Director is independent in character and judgement. The Board considers that all Directors are independent of the Company's Manager. The Board considers that Ian Barby and Richard Brooman who have served on the Board for more than nine years, remain independent in character and judgement from the Company's Manager, a view that has been demonstrated by their actions on behalf of the Company. As noted earlier, Ian Barby will retire at the conclusion of the forthcoming AGM.

As stated in the 2018 annual financial report, Bridget Guerin was appointed a non-executive director of the Company with effect from 8 May 2018. The Board considered and concluded that the independence of both Bridget Guerin and Ian Barby is not compromised, notwithstanding that both serve on the board of Schroder Income Growth Fund plc as non-executive directors.

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 taking into consideration the likely consequences of any decision in the long-term; the need to foster business relationships with its Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly between shareholders of the Company. This is reported in the Strategic Report on page 11. 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 and has a zero tolerance approach towards the criminal facilitation of tax evasion. 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 long-term 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 Company's section of the Manager's website at www.invesco.co.uk/ipukscit. The main responsibilities include: setting the Company's strategy, and its investment objective and policies; 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; reviewing investment performance; approving loans and borrowing; and assessing risk and overseeing its mitigation. 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 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 meets on a regular basis at least five times each year. Additional meetings are arranged as necessary. 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 versus 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, industry best practice and other issues.

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.

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.

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 on pages 31 to 33.

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 Committees

The Board has three committees: the Audit Committee, the Nomination Committee and the Management Engagement Committee. Each Committee has written terms of reference, which clearly define each Committee's responsibilities and duties. The terms of reference of each Committee are available for inspection at the AGM, at the registered office address of the Company and also available via the Company's section of the Manager's website.

Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Chairman's Letter on pages 20 to 22, which is included in this Directors' Report by reference.

Management Engagement Committee

The Management Engagement Committee comprises the entire Board under the chairmanship of Jane Lewis. At the conclusion of the forthcoming AGM, Christopher Fletcher will be appointed as Chair of the Committee. The Committee meets at least annually to review the investment management agreement and to review the service provided by the Manager during the year.

Nomination Committee

All Directors are members of the Nomination Committee under the Chairmanship of Ian Barby. Upon Ian Barby's retirement, Jane Lewis will be appointed as Chairman of the Committee. The Committee meets at least once a 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) of its members, but has not set any measurable objective for diversity for the Company or the Committees.

The Committee met twice during the year and reviewed succession planning. Taking into consideration the skills and tenure of Directors, as well as Garth Milne's retirement at the 2018 AGM the Committee commenced recruitment for a new director. An external independent recruitment consultancy, Nurole Limited, was used for this search and the Committee provided a detailed description of the role and the skills required. As a result, Bridget Guerin was appointed to the Board on 8 May 2018 and elected by shareholders at the AGM in 2018.

Subsequent to the year end, noting Ian Barby's intention to retire at the forthcoming AGM, the Committee has commenced recruitment for a new Director. An external independent recruitment consultancy, Trust Associates Limited, is being used to undertake this search. A detailed description of the role and skills required has been provided.

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 Company's section of the Manager's website and will also be available at the AGM.

Appointment, Re-election and Tenure of Directors

New Directors are appointed by the Board, following recommendation by the Nomination Committee. The Articles of Association require that a Director shall be subject to election at the first AGM after appointment and re-election at least every three years thereafter. However, the Board has resolved that all Directors shall stand for annual re-election at the AGM.

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 ensure that Directors can keep up to date with regulation, best practice and the changing risk environment.

A Director's tenure of office will normally be for up to nine years, 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. The Chairman's tenure of office will also normally be for up to nine years, except that the Board may determine otherwise if it is considered that the continued service on the Board of a Chairman, who has in addition served a period of time as a Director, is in the best interests of the Company and its shareholders. In such circumstances, the Chairman may serve up to an aggregate twelve years as an officer of the Company.

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, its Committees and individual 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 challenge independently the Manager's recommendations, to suggest areas of debate and to set the future strategy of the Company.

The Board has conducted its performance evaluation through formal questionnaires and discussion between the Directors and the Chairman/Audit Committee Chairman respectively. The performance of the Chairman is also evaluated annually, with discussion of his performance led by the Deputy Chairman, who in turn provides the Chairman with feedback. The employment of a third party for the purposes of performance evaluation has been considered by the Board and 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 2019 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	2
Ian Barby, Chairman	5	N/A	1	2
Richard Brooman	5	3	1	2
Christopher Fletcher	5	3	1	2
Jane Lewis	5	N/A	1	2
Bridget Guerin (Appointed 8 May 2018)	4	2	N/A	N/A

Non-members of the Audit Committee may attend meetings by invitation from the Audit Committee Chairman, and during the year both Ian Barby and Jane Lewis attended the three meetings that took place.

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 33.

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 executed 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 2019 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. A formal report from the depositary is reviewed at the year end audit committee; this report sets out the results of the depositary's monitoring throughout the year, including safeguarding of assets and their valuation, and monitoring of cash balances and net asset values. 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, for the same reasons as set out in the Viability Statement on pages 10 and 11. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments as well as the Company's cash position and the ability of the Company to meet all of its liabilities, including any bank borrowings and ongoing expenses.

As previously explained, an ordinary resolution is proposed at this year's AGM that the Company shall continue as a closed-ended Investment Company. After making enquiries, the Directors have no reason to believe that such a resolution will not receive shareholder approval. Accordingly, the accounts do not include any adjustments were the Company to be liquidated.

The Manager

The Manager, who is also the Company's Alternative Investment Fund Manager, is Invesco Fund Managers Limited (IFML). IFML is an associated company of Invesco Asset Management Limited ('IAML'). IAML manages 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 officiates 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)

For the year ended 31 January 2019

The Manager provides investment and administration services to the Company under an agreement dated 22 July 2014 and as amended on 17 April 2015 and 10 September 2015. The agreement is terminable by either party giving not less than six months' notice and immediately in certain circumstances.

A base 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 rewards the portfolio managers' outperformance and is not designed to reflect any payment of dividends out of capital. The performance fee is equal to 12.5% of the value of outperformance, but the amount payable cannot in any one year exceed 1% of the value of the Company's average funds under management. Any deferred, but earned, performance fees are held over and paid in subsequent years subject to an overall cap of two times 1% of the Company's average funds under management and that the Company's performance is positive. 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).

For the year commencing 1 February 2019

As mentioned in the Chairman's Statement, subsequent to the year end, the Board renegotiated the Company's investment management arrangements. A revised base management fee is payable monthly in arrears and is calculated at the rate of 0.75% per annum by reference to the Company's gross funds under management. There is no longer a performance fee.

Assessment of the Manager

The Management Engagement Committee has carried out a review following the Company's financial year end on 31 January 2019 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 who exercises the Company's voting rights on an informed and independent basis. To the extent that voting rights and exercisable votes are cast it is with a view to supporting high standards of corporate governance. The Manager's approach to corporate governance and the UK Stewardship Code can be found on the Manager's website at www.invesco.co.uk together with a copy of the Manager's Stewardship Policy and the Manager's global proxy voting policy.

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 62.

Shareholders can also visit the Company's section of the Manager's website in order to access Company specific information, including: the annual and half-yearly financial reports; pre-investor information; Key Information Documents (KIDs); any shareholder circulars; proxy voting results; 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.

There is a clear channel of communication between the Board and the Company's shareholders via the Company Secretary. The Company Secretary has no express authority to respond to enquiries addressed to the Board and all communications, other than junk mail, are redirected to the Chairman.

There is also 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 LLP to complement the marketing activities of Invesco. 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

At 31 January 2019, the Company's issued share capital consisted of 32,851,929 ordinary shares and 20,357,155 treasury shares.

During the year, there has been no change to the issued share capital. There has been no change to the issued share capital since the financial year end.

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 for the authority to buy back and to issue shares.

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 2019, 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 2019		AS AT 31 JANUARY 2019	
FUND MANAGER/REGISTERED HOLDER	SHARES	%	SHARES	%
Hargreaves Lansdown, stockbrokers (EO)	3,467,608	10.6	3,373,915	10.3
Royal London Asset Management	2,943,540	9.0	2,943,540	9.0
West Yorkshire PF	2,335,000	7.1	2,335,000	7.1
Charles Stanley	1,829,848	5.6	1,817,482	5.5
Alliance Trust Savings	1,467,677	4.5	1,421,247	4.3
Brewin Dolphin, stockbrokers	1,345,538	4.1	1,356,300	4.1
Individuals	1,309,755	4.0	1,309,945	4.0
AJ Bell, stockbrokers (EO)	1,113,516	3.4	1,089,344	3.3
Interactive Investor (EO)	984,271	3.0	959,328	2.9

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 2019.

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 6 June 2019 at 12 noon. The notice of the AGM and related notes can be found on pages 57 to 60. All resolutions are ordinary resolutions unless otherwise identified.

Resolution 1 is for members to receive and consider 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 31 of this AFR.

Resolution 3 is to approve the Chairman's 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 31 to 33 of this AFR.

Resolution 4 is to approve the final dividend for the year ended 31 January 2019.

Resolutions 5 to 8 are to re-elect Directors. Biographies of the Directors can be found on page 17.

All Directors will stand for re-election by shareholders at the AGM, with the exception of Ian Barby who will retire as a non-executive Director and Chairman at the conclusion of the meeting. The Board has determined that each of the Directors is independent, continues to perform effectively and demonstrates commitment to their role. Their balance of knowledge and skills combined with their diversity and business experience makes a major contribution to the functioning of the Board and its Committees. Mr Brooman's experience as a chartered accountant and extensive knowledge of the history of the Company brings valuable technical and commercial information to meetings and the preparation of the annual financial report. Ms Lewis' background in corporate finance and broking for investment trusts have helped steer the Company through the 2017 tender offer. Mr Fletcher has experience in the investment industry and as a current director of The Association of Investment Companies brings industry knowledge. Ms Guerin had a long executive career in the investment management industry with investment trust experience and has brought her broad sector and marketing experience to the Board.

Resolution 9 is to appoint Ernst & Young LLP as auditor to the Company.

Resolution 10 is to authorise the Audit Committee to determine the auditor's remuneration.

Special Business

Resolution 11 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 £328,519 (5% of the Company's issued share capital at 4 April 2019). 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 2019.

Special Resolution 12 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 £328,519 (5% of the Company's issued share capital as at 4 April 2019), 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 potentially 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 2019.

Special Resolution 13 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% (being 4,924,504) of the Company's issued ordinary share capital as at 4 April 2019, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the next AGM or 15 months following the passing of this resolution, if earlier. 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 shares expires at the AGM and had not been utilised to the date of this report.

Special Resolution 14 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.

Resolution 15 is an ordinary resolution to vote on whether the Company should continue in existence as an investment trust. As explained in the Chairman's Statement, the Board proposes to give Shareholders an opportunity at the 2019 AGM to vote for the continuation of the Company. If Resolution 15 is passed, the Directors intend to put further options to shareholders at the Company's AGM in 2024, or sooner if the Board believes this to be in the interests of shareholders. If Resolution 15 is not passed, the Directors will put forward appropriate proposals at or before the AGM in 2020, in line with previous statements.

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, as will the Directors in respect of their own shareholdings.

By order of the Board

Invesco Asset Management Limited
Company Secretary

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

4 April 2019

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 JANUARY 2019

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 sections 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 35 to 40.

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 current Directors' Remuneration Policy was approved by shareholders at the AGM on 7 June 2018.

The 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 £200,000 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.

In their review process, 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.

Chairman's Annual Statement on Directors' Remuneration

The following Directors' fee rate applied from 1 February 2018: Chairman £35,000; Audit Committee Chairman £28,000; and Other Directors £24,000.

During the year under review, the Board reviewed Directors' fees and considered that the current level of remuneration remained appropriate. Discretionary fees are set at £1,250 per day. No Discretionary payments were made in the year, nor in the previous year.

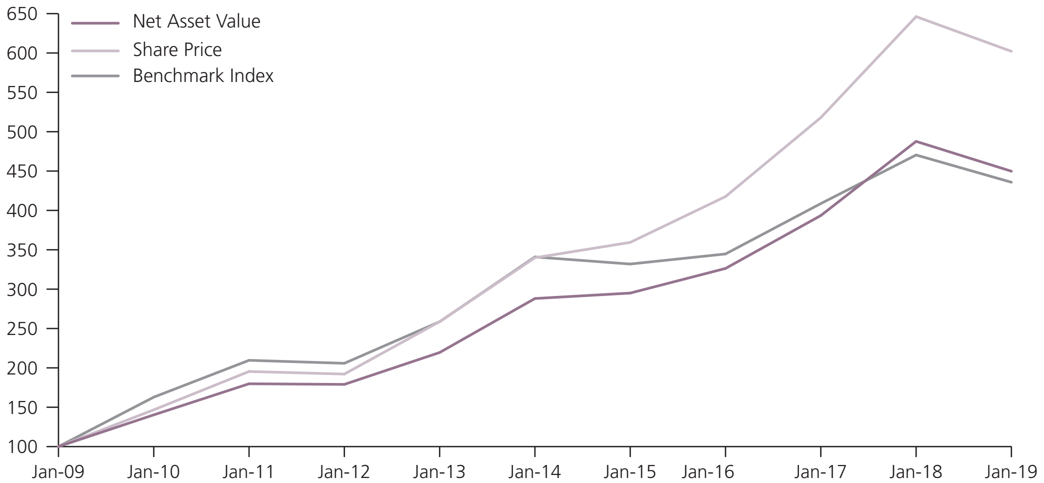
Report on Remuneration for the Year Ended 31 January 2019

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 ten years to 31 January 2019.

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

Figures have been rebased to 100 at 31 January 2009.



Single Total Figure of Remuneration for the Year (Audited)

The single total figure of remuneration for each Director is detailed below, together with the prior year comparative:

	2019 FEES £	2019 TAXABLE BENEFITS[1] £	2019 TOTAL £	2018 FEES £	2018 TAXABLE BENEFITS[1] £	2018 TOTAL £
Ian Barby – Chairman	35,000	—	35,000	27,500	—	27,500
Richard Brooman – Chairman of the Audit Committee	28,000	—	28,000	23,500	—	23,500
Christopher Fletcher	24,000	1,657	25,657	19,500	2,361	21,861
Bridget Guerin[2]	17,622	—	17,622	—	—	—
Jane Lewis	24,000	1,237	25,237	19,500	1,867	21,367
Garth Milne[3]	8,351	—	8,351	19,500	—	19,500
Total	136,973	2,894	139,867	109,500	4,228	113,728

(1) Taxable benefits relate to grossed up costs of travel.
(2) Appointed 8 May 2018.
(3) Retired 7 June 2018.

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 2019	31 JANUARY 2018
Ian Barby	25,000	25,000
Richard Brooman	19,670	19,670
Christopher Fletcher(1)	57,669	57,669
Bridget Guerin(2)	—	—
Jane Lewis	1,507	1,507

(1) Christopher Fletcher had non-beneficial interests in 7,325 ordinary shares via a connected person.
(2) Appointed 8 May 2018.

Save as aforesaid, no Director had any other 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.

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 for the year to 31 January 2019. Although this disclosure is a statutory requirement, 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.

	2019 £'000	2018 £'000	CHANGE £'000	CHANGE %
Aggregate Directors' Remuneration	140	114	+26	+22.8
Aggregate Dividends	6,110	6,833	–723	–10.6
Shares bought back through the tender offer	—	99,150	–99,150	n/a

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 7 June 2018, 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	99.93%	0.07%	22,175
Chairman's Annual Statement and Report	99.93%	0.07%	18,340

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 4 April 2019.

Signed on behalf of the Board of Directors

Ian Barby
Chairman

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.

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 loss of the Company; and
- 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.

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, business model and strategy.

Signed on behalf of the Board of Directors

Ian Barby
Chairman

4 April 2019

Electronic Publication

The annual financial report is published on *www.invesco.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. 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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Invesco Perpetual UK Smaller Companies Investment Trust plc (the 'Company') for the year ended 31 January 2019, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual financial report set out on pages 9 and 10 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 9 of the annual financial report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 27 of the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on pages 10 and 11 of the annual financial report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £1,583,000 which represents 1% of the Company's net assets;
- Key audit matters were identified as valuation and existence of investments; accuracy, occurrence and completeness of investment income; and accuracy and completeness of the performance fee.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
Valuation and existence of investments The Company's 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 listed companies. The investment portfolio at £149 million is a significant material balance in the balance sheet at year-end and the main driver of the Company's performance. We therefore identified the valuation and existence of the investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the Company's accounting policy for the valuation of investments is in accordance with IFRSs testing whether management have accounted for valuation in accordance with that policy; • Confirming the existence of investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Company's custodian; • Independently checking the pricing of 100% of the listed equity portfolio by obtaining the bid prices from independent market sources and calculating the total valuation based on Company investment holdings, which was agreed to the Company records; and • Extracting a report of trading volumes in the five trading days before and after the year end from an independent market source for the equity investments held to assess whether the investments were actively traded. The Company's accounting policy on financial instruments is shown in note 1(c) to the financial statements and related disclosures are included in note 9. The Audit Committee identified valuation, existence and ownership of investments as a significant issue in its report on page 21, where the Audit Committee also described the action that it has taken to address this issue. Key observations Our audit work did not identify any material misstatements concerning the valuation and existence of investments.

Key audit matters	How the matter was addressed in the audit
Accuracy, occurrence and completeness of investment income Investment income is the Company's major source of revenue and a significant material balance in the Statement of Comprehensive Income. Under ISA (UK) 240: The auditor's responsibilities relating to fraud in an audit of financial statements, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. There is also a risk of fraud/improper revenue recognition within this revenue stream. We therefore identified the accuracy, occurrence and completeness of investment income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the Company's accounting policy for revenue recognition is in accordance with IFRSs and the SORP; • Obtaining an understanding of the Company's process for recognising revenue in accordance with the Company's stated accounting policy; • Testing that income transactions were recognised in accordance with the policy by selecting a sample of listed investments and agreeing the relevant investment income receivable for those quoted equities to the Company's income ledger. 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 maintained by the administrator. In addition, for that sample of investments we agreed the receipt of the dividend to bank statements; • Performing, 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, on a sample basis, the categorisation of special dividends as either revenue or capital receipts; and • Testing that income recorded actually occurred by selecting a sample of dividend income recorded in the income ledger and agreeing the relevant income receivable for those listed equities to the respective dividend rate entitlements from independent sources and agreeing the investments held to Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend for that sample to income recorded to bank statements. The Company's accounting policy on investment income is shown in note 1(e) to the financial statements and related disclosures are included in note 2. **Key observations** Our audit work did not identify any material misstatements concerning the accuracy, occurrence and completeness of investment income.
Accuracy and completeness of the performance fee Performance fee is the Company's major expense and a significant material balance in the Statement of Comprehensive Income. There is a risk that the performance fee is not properly calculated due to the complexity in the calculations. We therefore identified the accuracy and completeness of the performance fee as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining an understanding of the basis for performance fee by reading the investment management agreement (IMA); and • Forming an expectation of the performance fee based on the IMA and comparing it with the expense recorded by the Company. Testing through proof-in-total the entire performance fee for the year based on the Company's outperformance of its benchmark and the percentage stipulated in the IMA for accuracy and completeness; and • Testing the allocation of the performance fee expense between revenue and capital to check that it is in accordance with the Company's accounting policy. The Company's accounting policy on performance fee is shown in note 1(f) to the financial statements and related disclosures are included in note 3. The Audit Committee identified performance fee calculation as a principal matter in its report on page 21, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any material misstatements concerning the accuracy and completeness of the performance fee.

Our application of 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 use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

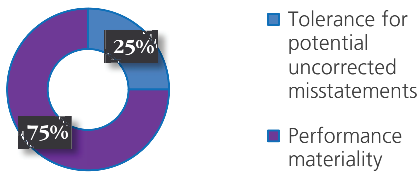
We determined materiality for the audit of the financial statements as a whole to be £1,583,000 which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance.

Materiality for the current year is lower than the level that we determined for the year ended 31 January 2018 to reflect the decrease in the Company's net assets in the current year.

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.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



We also determine a lower level of specific materiality for certain items such as Directors' remuneration, dividend income, management fee and performance fee.

We determined the threshold at which we will communicate misstatements to the audit committee to be £79,150. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its interaction with service providers, general environment and risk profile and in particular included:

- Obtaining an understanding of and evaluating relevant internal controls at the Company and third-party service providers. This included an evaluation of the internal control reports prepared by a third-party auditor detailing the description, design and operating effectiveness of internal controls implemented by the Company, and at other relevant third-party service providers.
- Performing substantive procedures of obtaining direct confirmation on the existence of all investments, valuation of all investments; and agreeing investment income to an independent source and bank for accuracy, occurrence and completeness.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual financial report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 34 – the statement given by the Directors that they consider the annual financial report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 20 to 22 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 19 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors for the financial statements

As explained more fully in the statement of Directors' responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The primary responsibility for the prevention and detection of fraud rests with those charged with governance of the Company and management. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). We followed a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report. This included selection of an audit team that has the relevant sector experience, understanding of the regulatory environment the Company operates in and previous experience with the Company. It also included discussions with the Directors and regard to specific law and regulations applicable to the Company including compliance with the relevant provisions of HMRCs regulations applicable to an Investment Trust Company. We remained alert to any indications of misstatements or non-compliance of regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We, through Robson Rhodes, with whom we merged in 2007, were appointed by the Audit Committee at the inception of the Company in 1987. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 31 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

4 April 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY

	NOTES	2019 REVENUE £'000	2019 CAPITAL £'000	2019 TOTAL £'000	2018 REVENUE £'000	2018 CAPITAL £'000	2018 TOTAL £'000
(Loss)/profit on investments held at fair value	9	—	(15,848)	(15,848)	—	45,127	45,127
Exchange differences		—	—	—	—	(9)	(9)
Income	2	4,080	—	4,080	4,116	—	4,116
Investment management fees	3	(166)	(943)	(1,109)	(215)	(1,217)	(1,432)
Performance fee	3	—	(116)	(116)	—	(2,596)	(2,596)
Other expenses	4	(391)	(2)	(393)	(326)	(2)	(328)
Profit/(loss) before finance costs and taxation		3,523	(16,909)	(13,386)	3,575	41,303	44,878
Finance costs	5	(2)	(9)	(11)	(2)	(10)	(12)
Profit/(loss) before taxation		3,521	(16,918)	(13,397)	3,573	41,293	44,866
Taxation	6	—	—	—	—	—	—
Profit/(loss) after taxation		3,521	(16,918)	(13,397)	3,573	41,293	44,866
Return per ordinary share	7	10.72p	(51.50)p	(40.78)p	8.36p	96.65p	105.01p

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The profit/(loss) after taxation is the total comprehensive income/(loss). The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the 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 2017		10,642	21,244	3,386	206,079	252	241,603
Total comprehensive income for the year		—	—	—	41,293	3,573	44,866
Dividends paid	8	—	—	—	(5,176)	(2,584)	(7,760)
Tendered shares bought back and held in treasury		—	—	—	(100,138)	—	(100,138)
At 31 January 2018		10,642	21,244	3,386	142,058	1,241	178,571
Total comprehensive income for the year		—	—	—	(16,918)	3,521	(13,397)
Dividends paid	8	—	—	—	(3,260)	(3,629)	(6,889)
At 31 January 2019		10,642	21,244	3,386	121,880	1,133	158,285

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

BALANCE SHEET

FOR THE YEAR ENDED 31 JANUARY

	NOTES	2019 £'000	2018 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	149,211	176,074
Current assets			
Other receivables	10	438	268
Cash and cash equivalents		10,399	5,500
		10,837	5,768
Total assets		160,048	181,842
Current liabilities			
Other payables	11	(1,763)	(2,486)
Total assets less current liabilities		158,285	179,356
Non-current liabilities	12	—	(785)
Net assets		158,285	178,571
Capital and reserves			
Share capital	13	10,642	10,642
Share premium	14	21,244	21,244
Capital redemption reserve	14	3,386	3,386
Capital reserve	14	121,880	142,058
Revenue reserve	14	1,133	1,241
Total Shareholders' funds		158,285	178,571
Net asset value per ordinary share			
Basic	15	481.8p	543.6p

These financial statements were approved and authorised for issue by the Board of Directors on 4 April 2019.

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

	2019 £'000	2018 £'000
Cash flow from operating activities		
(Loss)/profit before finance cost and taxation	(13,386)	44,878
Adjustments for:		
Purchases of investments	(29,667)	(59,968)
Sales of investments	40,865	164,724
	11,198	104,756
Loss/(profit) on investments held at fair value	15,848	(45,127)
(Increase)/decrease in receivables	(150)	19
(Decrease)/increase in payables	(1,695)	1,476
Net cash flow from operating activities after taxation	11,815	106,002
Cash flow from financing activities		
Finance costs paid	(27)	(12)
Tender offer:		
Cost of shares bought back	—	(99,150)
Add: cost of stamp duty thereon	—	(496)
Add: other costs of tender offer	—	(492)
	—	(100,138)
Net equity dividends paid – note 8	(6,889)	(7,760)
Net cash outflow from financing activities	(6,916)	(107,910)
Net increase/(decrease) in cash and cash equivalents	4,899	(1,908)
Cash and cash equivalents at the beginning of the year	5,500	7,408
Cash and cash equivalents at the end of the year	10,399	5,500
Reconciliation of cash and cash equivalents to the Balance Sheet as follows:		
Cash held at custodian	169	230
Short-Term Investment Company (Global Series) plc, money market fund	10,230	5,270
Cash and cash equivalents	10,399	5,500
Cash flow from operating activities includes:		
Dividends received	3,927	4,121
Interest received	1	8

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 27 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 a historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards (IFRS) 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 as at the date the financial statements were approved by the Board.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', updated by the Association of Investment Companies in February 2018, is consistent with the requirements of IFRS, the Directors have prepared 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 the SORP.

(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 have an impact on the accounting for future transactions and arrangements.

The following standards became effective during the year:

- IFRS 9: Financial Instruments (effective 1 January 2018). This replaces IAS 39 with principle-based classification and measurement of financial instruments depending on the business model and nature of cash flows which can be measured at amortised cost or fair value. Equity investments will be held at fair value under this standard. Also, included within IFRS 9 is a forward-looking expected loss impairment model and a revised framework for hedge accounting.
- IFRS 15: Revenue from contracts with customers' (effective 1 January 2018). This standard identifies revenue recognition conditions of an entity along with enhancing the nature of revenue disclosures.

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

(iii) *Critical Accounting Estimates and Judgements*

The preparation of the financial statements may require the Directors to make estimations where uncertainty exists. It also requires the Directors to make judgements, estimates and assumptions, in the process of applying the accounting policies. There have been no significant judgements, estimates or assumptions for the current or preceding year.

(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 into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currency, are translated into 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 classified as held 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) Cash and Cash Equivalents

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

(e) 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)

(f) Expenses and Finance Costs

All expenses and finance costs are accounted for in the Statement of Comprehensive Income on an accruals basis.

The investment management fee and finance costs are allocated 85% to capital and 15% to 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.

Except for custodian transaction charges and costs in relation to the tender offer, all other expenses are allocated to revenue in the Statement of Comprehensive Income.

(g) 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 probable 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.

(h) 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.

(i) 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.

	2019 £'000	2018 £'000
Income from listed investments		
UK dividends	3,197	3,593
UK unfranked investment income	157	163
Overseas dividends	192	224
Special dividends	533	128
	4,079	4,108
Other income		
Deposit interest	1	8
Total income	4,080	4,116

No special dividends have been recognised in capital (2018: £nil).

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

3. Investment Management and Performance 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.

	2019			2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Base management fee	166	943	1,109	215	1,217	1,432
Performance fee charged to capital	—	116	116	—	2,596	2,596
	166	1,059	1,225	215	3,813	4,028

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

At 31 January 2019, £86,000 (2018: £98,000) was accrued in respect of the base management fee and £901,000 (2018: £2,596,000) was accrued for the performance fee.

The performance fee payable in any year is capped at 1% of average funds under management, with any excess (subject to a total performance fee cap of 2%) carried forward as performance fee deferred (see note 12). Further details are given on page 27 of the Directors' Report.

4. Other Expenses

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

	2019			2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' remuneration (i)	140	—	140	114	—	114
Auditor's remuneration (ii):						
– for audit of the annual financial statements	28	—	28	27	—	27
Other expenses (iii)	223	2	225	185	2	187
	391	2	393	326	2	328

NOTES TO THE FINANCIAL STATEMENTS
continued

4. Other Expenses (continued)

(i) The Director's Remuneration Report provides further information.

(ii) Auditor's remuneration includes out of pocket expenses but excludes VAT. The VAT is included in other expenses.

(iii) Other expenses include:
- £12,000 (2018: £10,000) of employer's National Insurance payable on Directors' remuneration. As at 31 January 2019, the amounts outstanding of employer's National Insurance payable on Directors' remuneration was £1,000 (2018: £1,000); and
- custodian transaction charges of £1,500 (2018: £2,000). These are charged to capital.

5. Finance Costs

Finance costs arise on any borrowing facilities the Company has.

	2019 REVENUE £'000	2019 CAPITAL £'000	2019 TOTAL £'000	2018 REVENUE £'000	2018 CAPITAL £'000	2018 TOTAL £'000
Bank overdraft facility costs	2	9	11	2	10	12

The overdraft facility was renewed on 19 September 2018. From this date the facility fee was reduced from 0.08% to 0.05% and the interest rate was reduced from 0.85% to 0.75% over the Bank of England base rate.

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

	2019 £'000	2018 £'000
Overseas taxation	—	—

(b) Reconciliation of current tax charge

	2019 £'000	2018 £'000
(Loss)/profit before taxation	(13,397)	44,866
Theoretical tax at UK Corporation Tax rate of 19.00% (2018: 19.17%)	(2,545)	8,601
Effects of :		
– UK dividends which are not taxable	(608)	(689)
– Non-taxable UK special dividends	(101)	(24)
– Non-taxable overseas dividends	(30)	(37)
– Non-taxable loss/(gains) on investments	3,011	(8,651)
– Loss on exchange differences	—	2
– Expenses in excess of taxable income	273	798
Actual current tax amount	—	—

(c) Factors that may affect future tax changes

The Company has excess management expenses of £37,685,000 (2018: £36,250,000) that are available to offset future taxable revenue. A deferred tax asset of £6,407,000 (2018: £6,163,000) at 17% (2018: 17%) 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. Returns 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.

	2019			2018		
	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
Return per ordinary share	10.72p	(51.50)p	(40.78)p	8.36p	96.65p	105.01p

Basic total returns per ordinary share is based on the net total loss for the financial year of £13,397,000 (2018: profit £44,866,000).

Basic revenue returns per ordinary share is based on the net revenue profit for the financial year of £3,521,000 (2018: profit £3,573,000).

Basic capital returns per ordinary share is based on the net capital loss for the financial year of £16,918,000 (2018: profit £41,293,000).

All three returns are based on the weighted average number of shares in issue during the year of 32,851,929 (2018: 42,723,755).

8. Dividends on Ordinary Shares

The Company paid four dividends in the year – three interims and a final.

The final dividend shown below 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. The third interim and final dividends are paid after the balance sheet date.

	2019		2018	
	PENCE	£'000	PENCE	£'000
Dividends paid from revenue in the year:				
Third interim (prior year)	3.55	1,166	0.48	252
Final (prior year)	0.22	75	—	—
First interim	3.65	1,199	3.55	1,166
Second interim	3.65	1,199	3.55	1,166
Return of unclaimed dividends from previous years	—	(10)	—	—
Total dividends paid from revenue	11.07	3,629	7.58	2,584
Dividends paid from capital in the year:				
Third interim (prior year)	—	—	2.97	1,584
Final (prior year)	9.93	3,260	6.75	3,592
Total dividends paid from capital	9.93	3,260	9.72	5,176
Total dividends paid in the year	21.00	6,889	17.30	7,760

	2019		2018	
	PENCE	£'000	PENCE	£'000
Dividends payable in respect of the year:				
First interim	3.65	1,199	3.55	1,166
Second interim	3.65	1,199	3.55	1,166
Third interim	3.65	1,199	3.55	1,166
Final	7.65	2,513	10.15	3,335
	18.60	6,110	20.80	6,833

8. Dividends on Ordinary Shares (continued)

The Company's dividend policy was changed in 2015 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:

	2019 £'000	2018 £'000
Dividend payable in respect of the year:		
– from revenue reserves	3,521	3,573
– from capital reserves	2,589	3,260
	6,110	6,833

Dividend payable from capital reserves of £2,589,000 (2018: £3,260,000) as a percentage of year end net assets of £158,285,000 (2018: £178,571,000) is 1.6% (2018: 1.8%).

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.**

	2019 £'000	2018 £'000
Investments listed on a regulated stock exchange	118,198	125,218
AIM quoted investments	31,013	50,856
	149,211	176,074
Opening valuation	176,074	235,316
Movements in year:		
Purchases at cost	29,870	60,389
Sales – proceeds†	(40,885)	(164,758)
– profit on disposal of investments	16,212	55,901
Movement in investment holding gains	(32,060)	(10,774)
Closing valuation	149,211	176,074
Closing book cost	126,598	121,401
Closing investment holding gains	22,613	54,673
Closing valuation	149,211	176,074
Profit on disposals of investments in year	16,212	55,901
Movement in investment holding gains in year	(32,060)	(10,774)
Total (loss)/profit for year	(15,848)	45,127

The transaction costs included in gains on investments amount to £86,000 (2018: £252,000) on purchases and £44,000 (2018: £96,000 excluding tender pool) for sales.

† Sale proceeds for 2018 includes £96,365,000, net of transaction costs of £110,000, arising on securities realised in the tender pool.

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.

	2019 £'000	2018 £'000
Amounts due from brokers	54	34
Prepayments and accrued income	384	234
	438	268

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.

	2019 £'000	2018 £'000
Amounts due to brokers	695	492
Performance fee – earned and payable for the year	116	1,811
– prior period provision now payable	785	—
Other accruals and deferred income	167	183
	1,763	2,486

12. Non-current Liabilities

Non-current liabilities are amounts payable by the Company more than a year after the balance sheet date.

	2019 £'000	2018 £'000
Performance fee deferred		
– brought forward	785	—
– payable in year	(785)	—
– provided in year	—	785
	—	785

The basis of the performance fee deferred is given in note 3. As noted in the Chairman's Statement on page 6, the Board has agreed to pay the Manager all of the accrued but unpaid performance fees from previous periods, amounting to £785,000.

13. Share Capital

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

	2019		2018	
	NUMBER	£'000	NUMBER	£'000
Allotted, called-up and fully paid				
Ordinary shares of 20p each	32,851,929	6,570	32,851,929	6,570
Ordinary shares of 20p each held in Treasury	20,357,155	4,072	20,357,155	4,072
	53,209,084	10,642	53,209,084	10,642

13. Share Capital (continued)

No shares were repurchased for the year ended 31 January 2019. For the year ended 31 January 2018, as a result of the tender offer, a total of 20,357,155 shares were repurchased and held in treasury by the Company on 27 July 2017 at a tender offer price of 487.05p. In addition, fixed costs and stamp duty of £988,000 were also incurred on completion of the tender offer.

14. 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 plus 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 dividends. The capital and revenue reserves are distributable by way of dividend.

15. 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 assets 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	
	2019 PENCE	2018 PENCE	2019 £'000	2018 £'000
Ordinary shares	481.8	543.6	158,285	178,571

Net asset value per ordinary share is based on net assets at the year end and on 32,851,929 (2018: 32,851,929) ordinary shares, being the number of ordinary shares in issue (excluding treasury) at the year end.

16. Subsidiary Undertaking

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

	NET ASSET VALUE AT 31 JANUARY 2019	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%

During the year and the preceding year, no transactions were undertaken by the subsidiary.

17. Risk Management, Financial Assets and Liabilities

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 15 and 16), 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 Directors' Report.

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 facility 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 appointment of a depositary has substantially lessened this risk. 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 1.25% of net assets with any one deposit taker, with only approved deposit takers being used, and a maximum of 7.5% of net assets 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. 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. Currency Risk

The exposure to currency risk is considered minor as the Company's financial instruments are mainly denominated in sterling. At the current and preceding year end, the Company held no foreign currency investments or cash.

During this and the previous year, the Company did not use forward currency contracts to mitigate currency risk.

17. Risk Management, Financial Assets and Liabilities (continued)

2. 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 in variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian, The Bank of New York Mellon (International) Limited. 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 £15 million (2018: same), whichever is the lower; the interest rate is charged at 0.75% (2018: 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 (2018: none). Based on the maximum amount that can be drawn down at the year end under the overdraft facility of £15 million (2018: £15 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 £150,000 (2018: £150,000).

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

3. Other Price Risk

Other price risks (i.e. the risk of changes in market prices, other than those arising from interest rates or currency) may affect the value of the investments.

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 markets 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 loss after tax for the year would increase by £14.9 million (2018: profit after tax for the year would have decreased by £17.6 million). Conversely, if the value of the portfolio rose by 10%, the loss after tax would decrease 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).

Fair Value Hierarchy Disclosures

Except for the two Level 3 investment described below, all of the Company's investments are in the Level 1 category as set out in IFRS 7, the three levels of which follow:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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.

Patisserie Holdings and Berry Starquest Limited were the only Level 3 investments in the portfolio at the year end (2018: Berry Starquest Limited only). Level 3 investments are investments for which inputs are unobservable (i.e. for which market data is unavailable). Patisserie Holdings was a Level 1 security but was transferred to Level 3 following its suspension from trading on AIM. Since it went into administration on 22 January 2019 the fair value was written down to nil (2018: Level 1 and valued at £1,884,000). Berry Starquest Limited is a dormant subsidiary and is valued at £100 (2018: £100).

18. Maturity Analysis of Contractual Liability Cash Flows

The contractual liabilities of the Company are shown in notes 11 and 12 and comprise amounts due to brokers, accruals and performance fee deferred. 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; accruals would generally be due within three months; and performance fee deferred will be due after at least one year.

19. 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 8.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 9 and 10. 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 determines dividend payments and has taken the powers, which it is seeking to renew, to buy-back shares, either for cancellation or to be held in treasury, and to issue new shares or sell shares held in treasury.

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 and by the terms imposed by the lender. 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 2019, the composition of which is shown on the balance sheet on page 42, was £158,285,000 (2018: £178,571,000).

20. Contingent Liabilities

There were no material outstanding contingent liabilities as at 31 January 2019 (2018: nil).

21. Related Party Transactions and Transactions with Manager

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company.

Under International Financial Reporting Standards, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on pages 32 and 33 with additional disclosure in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on page 27 and in note 3.

22. Post Balance Sheet Events

There are no significant events after the end of the reporting period requiring disclosure.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURES

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, regulations enacted following AIFMD require certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invesco.co.uk/ipukscit) in a downloadable document entitled 'AIFMD Investor Information'. There have been no material changes to this information in the year to 31 January 2019 or up to the date of this report. 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 Company's leverage (both 'gross' and 'commitment' – see Glossary on page 64) and the remuneration of the Company's AIFM (IFML) to be made available to investors.

Accordingly:

– the leverage calculated for the Company at its year end was 94.5% for both gross and commitment (2018: both 98.7%). The limits the AIFM has set for the Company remain unchanged at 250% and 200%, respectively;

– the AIFM summary remuneration policy is available from the corporate policies section of the Manager's website www.invesco.co.uk and from the Company's company secretary, on request (see contact details on page 62); and

– the AIFM remuneration paid for the year to 31 December 2018 is set out below.

AIFM Remuneration

The AIFM remuneration paid is based on the financial year of the AIFM, which is 31 December 2018.

The aggregate total remuneration of Invesco staff involved in AIF related activities of the Manager in respect of performance year (1 January 2018 to 31 December 2018) is £6.54 million of which £3.84 million is fixed remuneration and £2.70 million is variable remuneration. The number of beneficiaries is 33.

The Manager has identified individuals considered to have a material impact on the risk profile of the Manager or the AIF it manages ('Identified Staff'), who include board members of the Manager, senior management, heads of control functions, other risk takers and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers. Identified Staff of the Manager are employed by Invesco.

The aggregate total remuneration paid to the Identified Staff of the Manager for AIF related activities for the performance year (1 January 2018 to 31 December 2018) is £1.34 million of which £0.31 million is paid to Senior Management and £1.03 million is paid to other Identified Staff. Please note that remuneration for AIFMD Identified Staff includes remuneration for staff employed by delegates (all delegates are employed by various entities of the Invesco Ltd. Group).

Invesco's summary remuneration policy is available from the corporate policies section of its website (www.invesco.co.uk). Paper copies of the full remuneration policy can be obtained for free from the registered office of the Manager, Invesco Fund Managers Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, UK upon request.

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 at 43-45 Portman Square, London W1H 6LY at 12 noon on Thursday, 6 June 2019 for the following purposes:

Ordinary Business

1. To receive and consider the Annual Financial Report for the year ended 31 January 2019.
2. To approve the Directors' Remuneration Policy.
3. To approve the Chairman's Annual Statement and Report on Remuneration for the year ended 31 January 2019.
4. To approve a final dividend as recommended.
5. To re-elect Richard Brooman as a Director of the Company.
6. To re-elect Christopher Fletcher as a Director of the Company.
7. To re-elect Bridget Guerin as a Director of the Company.
8. To re-elect Jane Lewis as a Director of the Company.
9. To appoint the auditor, Ernst & Young LLP.
10. To authorise the Audit Committee to determine the auditor's remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolutions 11 and 15 will be proposed as ordinary resolutions and 12 to 14 as special resolutions:

11. THAT:

    the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') as amended from time to time prior to the date of the passing of this resolution 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 £328,519, this being 5% of the Company's issued ordinary share capital as at 4 April 2019, 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 unless the authority is renewed or revoked at any other general meeting prior to such time, 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.

12. THAT:

    the Directors be and are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 (the 'Act') as amended from time to time prior to the date of the passing of this resolution to allot equity securities (within the meaning of section 560 (1), (2) and (3) of the Act) for cash, either pursuant to the authority given by resolution 11 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 £328,519, this being 5% of the Company's issued ordinary share capital as at 4 April 2019; 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 fifteen months after the passing of this resolution, whichever is the earlier unless the authority is renewed or revoked at any other general meeting prior to such time, 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.

13. 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:

(a) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary shares, this being 4,924,504 as at 4 April 2019;

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

(c) the maximum price which may be paid for a Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the Shares for the five business days before the purchase is made; or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time;

(d) 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);

(e) the authority hereby conferred shall 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, unless the authority is renewed or revoked at any other general meeting prior to such time;

(f) 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

(g) 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.

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

15. THAT the Company continue in existence as an investment trust.

Please refer to the Directors' Report on pages 29 and 30 for further explanations of all the resolutions.

Dated this 4 April 2019

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 Link Asset Services website www.signalshares.com; or
   - In hard copy form by post, by courier or by hand to the Company's registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; 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, Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by not later than 12 noon on Tuesday, 4 June 2019.
4. A person entered on the Register of Members at close of business on 4 June 2019 ('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, the Nomination 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 4 April 2019 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 32,851,929 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.invesco.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 '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 AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act (in each case) that the members propose to raise at the relevant AGM. 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 Act. Where the Company is required to place a statement on a website under section 527 of the 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 AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

SHAREHOLDER INFORMATION

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.

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.

Website

Information relating to the Company can be found on the Company's section of the Manager's website, which can be located at www.invesco.co.uk/ipukscit.

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

How to invest in the Company

The Company's shares are listed and traded on the London Stock Exchange. There are a variety of ways by which investors can buy the shares including through the following: independent financial advisers, stockbrokers and self directed dealing websites. The Manager's website contains a list of some of the larger dealing platforms as well as a link to unbiased.co.uk, for those seeking financial advice, and to the AIC's website for detailed information on investment companies.

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 under Resources: www.invesco.co.uk/ipukscit.

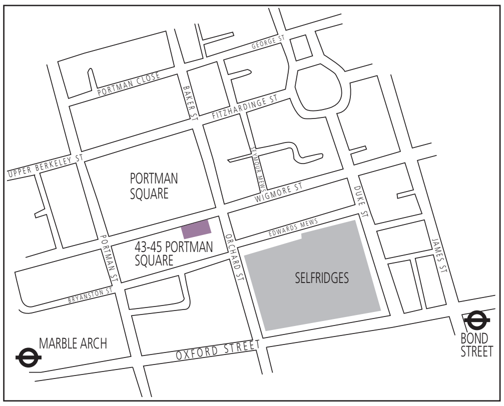
Financial Calendar

The Company publishes information according to the following calendar:

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

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday, 6 June 2019 at 1st Floor, 43-45 Portman Square, London W1H 6LY.



General Data Protection Regulation (GDPR)

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

Registered Office and Company Number

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

Registered in England and Wales
Number 02129187

Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contact: Kelly Nice

Correspondence address

43-45 Portman Square
London W1H 6LY
☎ 020 3753 1000

Invesco Client Services

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

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

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Registrars

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

☎ 0871 664 0300.

Shareholders holding shares directly and not through a savings scheme or ISA and have queries relating to their shareholding, should contact the registrar on the number above.

Calls cost 12p per minute plus your phone company's access charge. From outside the UK: +44 371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

Shareholders can also access their details via Link's website: www.signalshares.com.

The registrar provides an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.linksharedeal.com or ☎ 0371 664 0445. Calls cost 12p per minute plus your phone company's access charge. From outside the UK: +44 371 664 0445. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

Depositary, Custodian and Banker

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

Corporate Broker

JPMorgan Cazenove
25 Bank Street
London E14 5JP

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. APMs used in this annual financial report are defined in this glossary and identified with an asterisk '*'. The calculations shown in the corresponding tables are for the years ended 31 January 2019 and 2018.

Benchmark (or Benchmark Index)

A market index, which averages the performance of companies in any sector, giving a good indication of any rises or falls in the market. The benchmark used in these accounts is the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested. This index does not include AIM stocks.

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.

	PAGE		2019	2018
Share Price	2	a	465.0p	520.0p
Net asset value per share	2	b	481.8p	543.6p
Discount		c=(a-b)/b	3.5%	4.3%

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, with debt at market value. This figure indicates the extra amount by which net assets or shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested.

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.

	PAGE		2019 £'000	2018 £'000
Bank facility	—		—	—
Gross borrowings		a	—	—
Net asset value	42	b	158,285	178,571
Gross gearing		c=a/b	nil	nil

Net Gearing or Net Cash
Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents (including investments in money market funds). It is based on net borrowings as a percentage of net assets. Net cash reflects the net exposure to cash and cash equivalents, as a percentage of net assets, after any offset against total borrowings.

	PAGE		2019 £'000	2018 £'000
Bank facility	—		—	—
Less cash and cash equivalents	42		(10,399)	(5,500)
Net cash and cash equivalents		a	10,399	5,500
Net asset value	42	b	158,285	178,571
Net cash		c=a/b	6.6%	3.1%

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

continued

Maximum Authorised Gearing

This reflects the maximum authorised 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 and is calculated as follows:

	PAGE		2019 £'000	2018 £'000
Maximum authorised borrowings as laid down in:				
Investment policy:				
– lower of 30% of net asset value; and		a = 30% x e	47,486	53,571
– £25m	8	b	25,000	25,000
Bank facility covenants: lower of 30% of net asset value and £15m	9	c	15,000	15,000
Maximum authorised borrowings (d = lower of a,b and c))		d	15,000	15,000
Net asset value	42	e	158,285	178,571
Maximum authorised gearing		f = d/e	9.5%	8.4%

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. 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 on these two bases is expressed as a ratio of the Company's net asset value.

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 (NAV)

The NAV per share is based on the value of the total assets less liabilities divided by the number of ordinary shares in issue. Liabilities for this purpose include current and long-term liabilities. In accordance with accounting standards, liabilities will include those which the Company has an obligation to pay. Accordingly, dividends proposed but not paid are not a liability. The number of ordinary shares for this purpose excludes those ordinary shares held in treasury. See note 15 to the financial statements.

Ongoing Charges*

The annualised ongoing charges, including those charged to capital but excluding non-recurring costs, transaction costs of investments, performance fee, finance costs, taxation, and the costs of buying back or issuing shares. Ongoing charges are those of a type that are likely to recur in the foreseeable future and is expressed as a percentage of the average net asset value (debt at market value) reported in the period.

	PAGE		2019 £'000	2018 £'000
Investment management fees	47		1,109	1,432
Other expenses	47		393	328
Less: custodian dealing charges and one off costs allocated to the tender pool			(2)	(77)
Total expenses		a	1,500	1,683
Average daily net asset value		b	170,839	204,581
Ongoing charges		c = a/b	0.88%	0.82%

Performance fee*

The amount due to the Manager, based on the capital outperformance of the Company's net asset value (NAV) against the Benchmark in the year, calculated in accordance with the Investment Management Agreement (IMA). The outperformance is measured on the Company's NAV against the Benchmark Index, both excluding income reinvested.

	PAGE		2019 £'000	2018 £'000
Performance fee	47	a	116	2,596
Average daily net asset value		b	170,839	204,581
Performance fee		c = a/b	0.07%	1.27%

Return per share (pence)

The return per share is the return (a gain or a loss) generated in the financial year divided by the weighted number of shares. The return per share is explained in detail in note 7.

Shareholders' Funds

Shareholders' funds are the net assets of the Company i.e. total assets less total liabilities.

Total Return*

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV.

Net Asset Value Total Return*
Total return on net asset value per share, with debt at market value, assuming dividends paid by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Share Price Total Return*
Total return to shareholders, on a mid-market price basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

2019	PAGE		NET ASSET VALUE	SHARE PRICE
As at 31 January 2019	4		481.8p	465.0p
As at 31 January 2018	4		543.6p	520.0p
Change in year		a	–11.4%	–10.6%
Impact of dividend reinvestments		b	3.6%	3.8%
Total return for the year		c = a+b	–7.8%	–6.8%

2018	PAGE		NET ASSET VALUE	SHARE PRICE
As at 31 January 2018	4		543.6p	520.0p
As at 31 January 2017			454.1p	432.0p
Change in year		a	19.7%	20.4%
Impact of dividend reinvestments		b	4.2%	4.4%
Total return for the year		c = a+b	23.9%	24.8%

Benchmark
Total return on the benchmark, on a mid-market value basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

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 changes 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 slowly and infrequently, it has low volatility.

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 a business name of Invesco Fund Managers Limited.

Invesco is one of the largest independent global investment management firms, with assets under management of approximately $946 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 28 February 2019.*

SPECIALIST FUNDS MANAGED BY INVESCO

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. The Company may use repo financing or 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 above the rate of inflation. The Company may use bank borrowings.

Invesco 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 provide shareholders with an attractive real long term total return. 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 and in addition, may use bank borrowings.

Perpetual Income and Growth Investment Trust plc

Aims to provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity markets. The Company has secured loan stock in issue and, in addition, 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 in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation.

The Company has a debenture stock in issue and, in addition, 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 AC Asia ex Japan Index, total return, in sterling terms. 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 Allocation 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 mainly 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 Allocation 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 Invesco's Client 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.invesco.co.uk/investmenttrusts

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