Invesco Perpetual UK Smaller Companies Investment Trust plc

Annual Financial Report

Year ended 31 January 2017

CONTENTS

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

☎ 0800 085 8677
www.invescoperpetual.co.uk/ipukscit

Front Cover: Abstract granite, Cornwall.

THE COMPANY IN BRIEF

Investment Objective

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

Benchmark

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

Nature of the Company

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

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

The Company's Investment Style

The Company's investment style is:

- to seek to identify well managed, financially strong companies which have unique propositions or clear competitive advantages, and whose share prices are reasonable in relation to their quality and potential for growth;
- to moderate risk by investing in a wide range of stocks; and
- to take advantage of anticipated market strength or special situations by the careful use of borrowings.

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

FINANCIAL HIGHLIGHTS

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

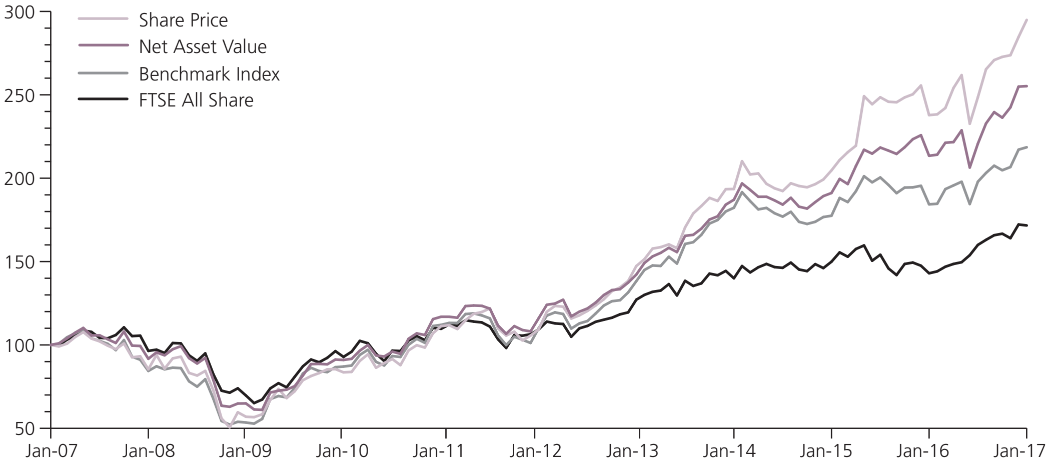
AT 31 JANUARY	2017	2016	CHANGE
Net asset value[1] (NAV) per share as shown on the balance sheet	454.1p	390.3p	+16.3%
Shareholders' funds (£'000)[1]	241,603	207,657	+16.3%
Share price	432.0p	362.0p	+19.3%
Discount[1]	4.9%	7.3%	
Gearing[1]:			
– gross gearing	nil	nil	
– net gearing	nil	nil	
– net cash	3.1%	4.9%	
Maximum authorised gearing	6.2%	7.2%	

FOR THE YEAR ENDED 31 JANUARY	2017	2016	
Total return (with income reinvested):			
NAV[1]:			
– Datastream[2]	+21.3%	+11.7%	
– based on prior year NAV after charging both paid and proposed dividends[3]	+20.4%	+10.9%	
Benchmark Index[1][2]	+18.6%	+3.8%	
FTSE All-Share Index[2]	+20.1%	–4.6%	
Share price[2]	+24.0%	+16.2%	
Return[1] and dividend per ordinary share:			
Revenue return	7.37p	8.98p	
Capital return	70.83p	30.16p	
Total return	78.20p	39.14p	
First interim dividend	3.45p	3.40p	
Second interim dividend	3.45p	3.40p	
Third interim dividend	3.45p	3.40p	
Final dividend	6.75p	4.10p	
Total dividends	17.10p	14.30p	+19.6%
Dividend payable for the year:			
– from revenue	7.37p	8.98p	
– from capital	9.73p	5.32p	
	17.10p	14.30p	
Capital dividend as a % of year end net assets	2.1%	1.4%	
Ongoing charges[1] – excluding performance fee	0.82%	0.82%	
Performance fee	0.44%	1.01%	

Notes: (1) The term is defined in the Glossary on page 62.
(2) Source: Thomson Reuters Datastream ('Datastream').
(3) Source: Invesco Perpetual and defined in the Glossary on page 63.

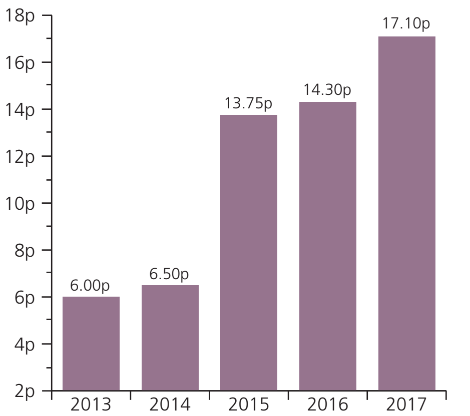
Cumulative Ten Year Share Price and NAV Performance vs Benchmark (Total Return)

Figures have been rebased to 100 at 31 January 2007 (Source Datastream)



Five Year Dividend History

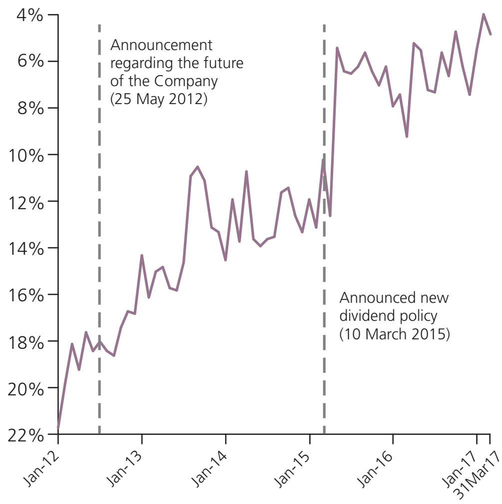
Pence per Share



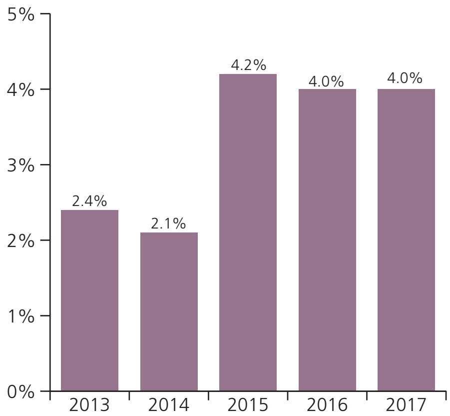
The dividends shown above are those proposed in respect of each year.

Discount Since 31 January 2012

Source: Datastream.



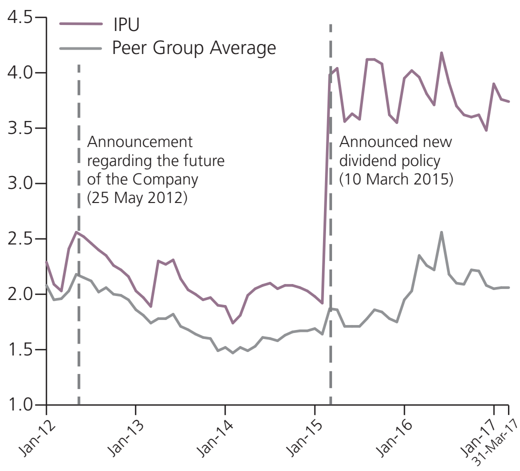
Five Year Dividend Yield



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

Yield Since 31 January 2012

Peer Group Average vs Company



Source: Datastream/Invesco Perpetual.

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 %
2008	3,264	2,463	2,289	3.75	124,971	205.2	164.3	0.94	0.03
2009	3,666	3,560	3,075[2]	5.30[2]	84,348	144.7	107.0	0.93	1.18
2010	2,909	2,477	2.472	4.30	111,281	193.7	150.5	0.86	–
2011	2,985	2,312	2,399	4.30	133,999	242.9	195.0	0.86	–
2012	3,590	2,852	2,676	5.00	126,771	237.6	187.5	0.89	0.31
2013	4,123	3,370	3,193	6.00	152,034	285.7	246.5	0.87	–
2014	4,555	3,673	3,459	6.50	195,749	367.9	316.8	0.83	–
2015[3]	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**

(1) The dividends shown above are those proposed in respect of each year.
(2) Includes a special dividend of 1.2p per ordinary share in respect of VAT recovered on management fees.
(3) Dividend policy changed 2015.

Ten Year Total Return Performance

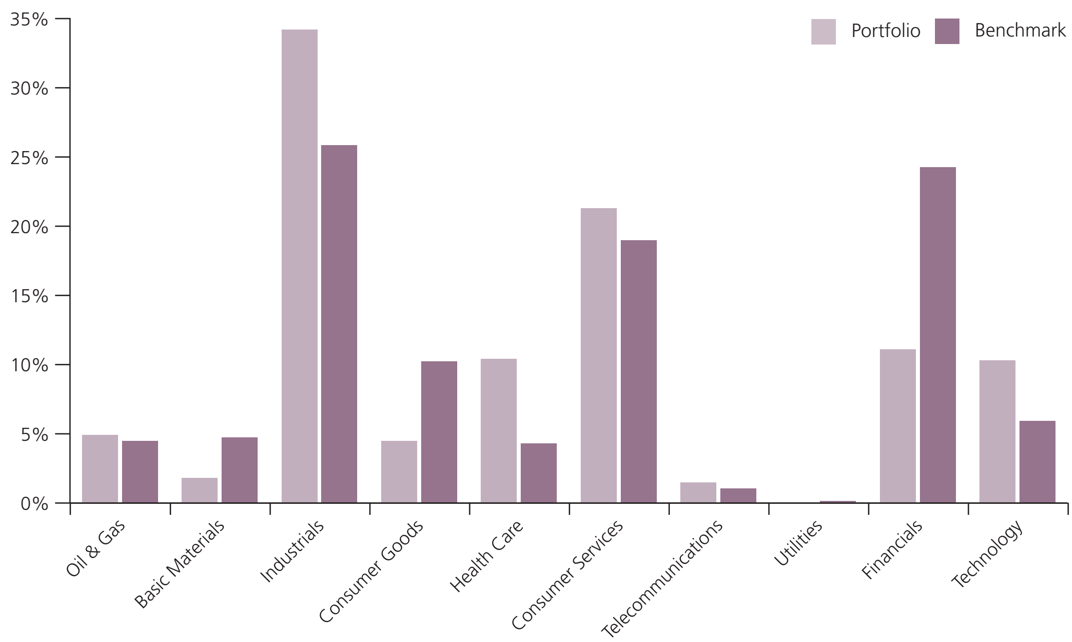
Share Price, and Net Asset Value vs Benchmark

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	THREE YEARS	FIVE YEARS	TEN YEARS
Share Price %	–14.6	–33.3	46.7	33.2	–1.7	34.6	31.4	5.8	16.2	24.0	52.4	169.5	194.9
Net Asset Value (NAV) %	–8.3	–29.2	40.1	28.6	–0.8	22.4	31.6	2.2	11.7	21.3	38.4	123.0	158.9
Benchmark Index %	–15.6	–36.7	62.8	28.7	–1.8	25.6	31.8	–2.6	3.8	18.6	19.9	98.6	118.5
Variance (NAV to Index) %	7.3	7.5	–22.7	–0.1	1.0	–3.2	–0.2	4.8	7.8	2.7	18.5	24.4	40.3

Source: Datastream.

Industry Allocation of Portfolio vs Benchmark

As at 31 January 2017



STRATEGIC REPORT
FOR THE YEAR ENDED 31 JANUARY 2017

CHAIRMAN'S STATEMENT

Performance

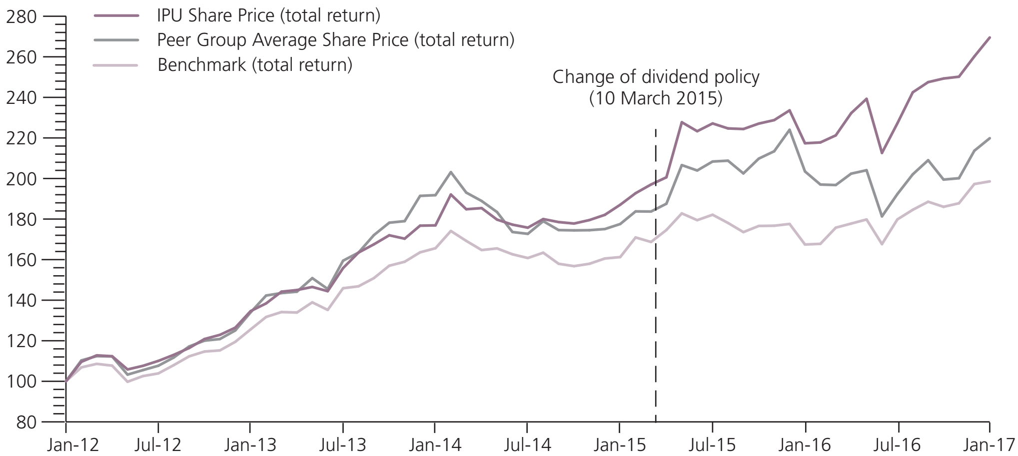
I am pleased to report that for the year ended 31 January 2017 the net asset value (NAV) of your Company rose by 21.3%, on a total return basis, an outperformance of 2.7% versus the benchmark index of the Company, the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested, which returned 18.6%. The Company also generated a small outperformance of 1.2% against the wider UK stockmarket (as measured by the FTSE All-Share Index) which rose by 20.1% over the same period. Over the past 12 months the underlying share price discount to NAV narrowed from 7.3% to 4.9%. As at the latest practical date prior to the publication of this report, being 25 April 2017, the discount has further narrowed and now stands at 3.5%.

Recent Company History

The Company has come a long way over the last few years, enjoying strong absolute and relative total returns over the last five financial years, outperforming its benchmark index over one, three and five years. The NAV total return over the five years to 31 January 2017 was 123.0% and share price total return was 169.5% compared with 98.6% for the benchmark and 57.0% for the FTSE All-Share Index. The discount to net asset value at which the shares have traded has also substantially narrowed over the same period which has contributed to the strong share price performance. The Company's positive performance has continued in the current financial year.

The following graph shows the performance of the Company's share price total return compared to the benchmark and the Company's close peer group average over the last five financial years.

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



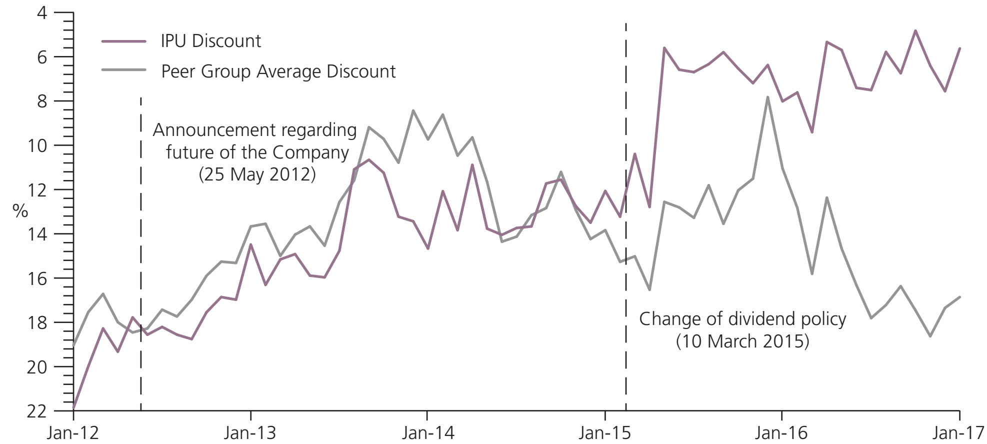
Source: Datastream.

The Board believes that two specific initiatives in particular have helped narrow the discount from persistently above the sector average to now being one of the narrowest discounts within its peer group. The first of these initiatives was a commitment by the Board in 2012 to offer shareholders a number of options on or around the date of the annual general meeting in 2017. This was followed by a significant increase in the level of dividend to an initial yield target of 4% per annum (based on the share price prevailing at the time of the announcement in March 2015), with any revenue shortfall supplemented from profits retained as capital reserves, and the payment of dividends on a quarterly basis enhancing shareholder cash flow.

CHAIRMAN'S STATEMENT continued

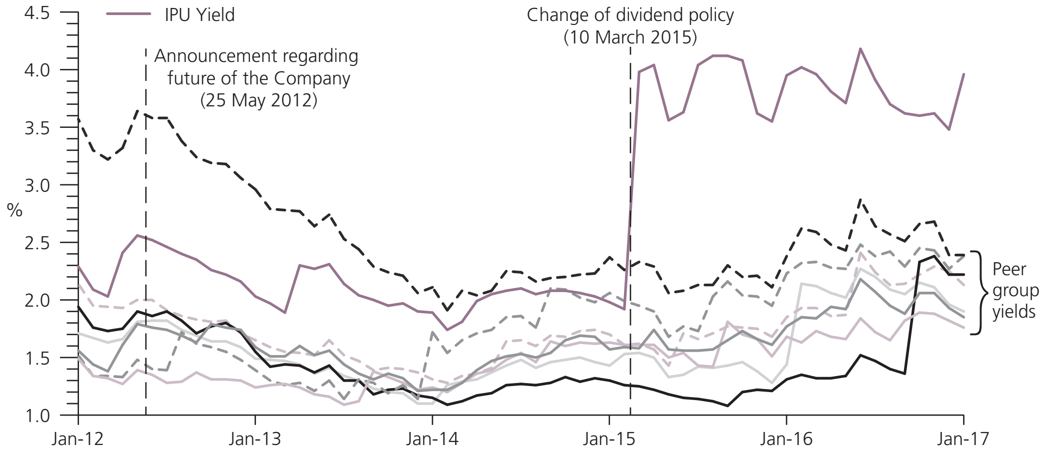
The graphs below show the share price discount to net asset value and the dividend yield of the Company's shares over the last five financial years and compared to the Company's close peer group.

Discount – Company versus the close peer group average



Source: Datastream.

Dividend Yield – Company versus close peer group yields



Source: Datastream/Invesco Perpetual.

Future of the Company

In considering the future of the Company, the Board is mindful of its strong historical performance, the financial returns it has provided for shareholders and the outlook for the Company.

In the light of the above and in fulfilment of the Company's commitment in 2012, the Board will offer shareholders a continuation of their investment together with the alternative of a Tender Offer at a level close to NAV.

This decision follows discussions over the future of the Company held with major shareholders, the Company's broker and the Manager. The Board proposes that:

- for shareholders wishing to retain their investment in the Company:
  - the Company will continue to be managed by the portfolio managers in the same way that it is now;
  - consistent with the current dividend policy, and in the absence of unforeseen circumstances, the Board intends to pay a dividend for the year to 31 January 2018 of 17.1p per share, which equates to a yield of approximately 4% at the 2017 year end;

  - the Board may seek to limit discount volatility through the prudent use of share buy-backs; and
  - a further range of options will be put to shareholders on or around the time of the annual general meeting in 2020.
- those shareholders wishing to realise part or all of their investment will have a chance to do so through a tender offer for up to 40% of the Company's shares in issue.

The full proposals are set out in a separate Circular to shareholders which accompanies this annual financial report.

Dividends

This year is the second full year of quarterly dividends, which are paid in September, December, March and June. For the year ended 31 January 2017, three interim dividends of 3.45p each have been paid and the Board has announced a proposed final dividend of 6.75p per share, making a total dividend for the year of 17.1p per share, an increase of 19.6% on the previous year's total dividend. Based on the year end share price of 432p this gives a dividend yield of 4.0%. The final dividend will be payable, subject to shareholder approval, on 12 June 2017 to shareholders on the register on 5 May 2017 and the shares will go ex-dividend on 4 May 2017.

In my Chairman's Statement last year I highlighted that there had been a notable increase in dividends earned, resulting in a substantial increase in revenue return per share – from 7.4p to 9p. This year has seen the exact opposite, with revenue return falling back to 7.4p. A small amount of the decrease arose from the receipt of fewer special dividends being recognised as revenue items this year, although the total of special dividends received in the year (i.e. including those attributed to capital) rose substantially to £883,000 (2016: £520,000). This has resulted in a balance of dividend being paid from capital reserves amounting to 9.73p, representing 2.1% of net assets (2016: 5.32p, 1.4%). This continues to represent only a small proportion of annualised returns over the last ten years.

General Meetings

This year's Annual General Meeting (AGM) will be held on Thursday, 8 June 2017. A general meeting to consider the proposed tender offer will immediately follow the AGM. 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 has been influenced by a number of political events including the UK's vote in the referendum to leave the EU and the result of the US Presidential election. Despite these largely unanticipated outcomes, markets rallied during the year with the UK economy continuing to grow. However, it is likely that markets will remain volatile for some time to come, with uncertainties created in the short term by the recently announced UK snap election and in the longer term by the Brexit negotiations, not helped by the possibility of a second Scottish referendum and upcoming key elections in Europe.

As you will read in the Portfolio Manager's Report, all is not gloom and doom and whilst these political outcomes were unexpected – and there may be more to come this year – the UK economy is faring well on the back of a growing world economy and the depreciation in sterling relative both to the US dollar and the Euro; the latter has helped exporters but also makes domestic companies vulnerable to potential takeovers.

Nevertheless, having carefully constructed a portfolio of quality companies that have the characteristics required by the portfolio managers, and with a continued low interest rate environment, there is reason to be cautiously optimistic, at least in the short term. Donald Trump's election as US President may be controversial but there is a reasonable expectation that this will lead to short-term growth in the US through infrastructure and defence spending and, coupled with his administration's positive approach to a UK outside of Europe, the potential for home markets to benefit.

CHAIRMAN'S STATEMENT continued

Your portfolio managers have a disciplined approach to stock selection which has served shareholders well for many years. They are mindful of the many potential pitfalls ahead of them in markets that are anything but straightforward and are well aware of the many political distractions on the horizon; your Board continues to be fully supportive of their considered and astute approach to portfolio construction.

Ian Barby
Chairman

26 April 2017

BUSINESS REVIEW

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

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

Investment Objective

The Company 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 including 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 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 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 any balance from capital reserves.

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 discount;
- dividend per share;
- the ongoing charges; and
- the risk and volatility.

The ten year record for the NAV and share price performance compared with the Company's benchmark index can be found on page 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 14.

Results and Dividends

In the year ended 31 January 2017, the net asset value total return was 21.3%, compared with a total return on the benchmark index of 18.6%, an outperformance of 2.7%. The discount at the year end was 4.9% (2016: 7.3%). The Portfolio Manager's Report shows an analysis of the relative performance in a table on page 14.

BUSINESS REVIEW continued

For the year ended 31 January 2017, three interim dividends of 3.45p per share were paid to shareholders in September and December 2016 and March 2017. A final dividend of 6.75p per share will be proposed to shareholders at the AGM on 8 June 2017 and will be paid on 12 June 2017 to shareholders on the register on 5 May 2017, subject to shareholder approval. This will give total dividends for the year of 17.1p (2016: 14.3p) which will be funded from the net revenue of 7.37p (2016: 8.98p) generated during the year, with the balance of 9.73p (2016: 5.32p) from capital reserves.

Financial Position and Borrowings

At 31 January 2017, the Company's net assets were valued at £242 million (2016: £208 million), comprising a portfolio of equity investments and net current assets, with no borrowings (2016: £nil). Borrowings under a facility with Bank of New York Mellon are limited to the maximum of the lower of 30% of net assets and £15 million (2016: unchanged).

Outlook, including the Future of the Company

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

Past performance has been good and the Directors believe that following the tender offer (as described in brief in the Chairman's Statement) the Company will continue in its current form, and with strong shareholder support. The Manager will continue to use its best endeavours to attempt to achieve above-average performance for shareholders.

Principal Risks and Uncertainties

The principal risks facing the Company are subject to robust assessment by the Directors and these risks, and the steps taken to mitigate them, follow. Most of these risks are market related and are similar to those of other investment trusts investing primarily in listed markets.

Market (Economic) Risk

Factors such as fluctuations in stock markets, interest rates and exchange rates are not under the control of the Board and the portfolio manager, but may give rise to high levels of volatility in the share prices of investee companies, as well as affecting the Company's own share price and discount to NAV. To a limited extent, futures can be used to mitigate this risk.

Investment Risk

The Company invests in small and medium-sized companies traded on the London Stock Exchange or on AIM. By their nature these are generally considered riskier than their larger counterparts and their share prices can be more volatile, with lower liquidity. In addition, as smaller companies do not generally have the financial strength, diversity and resources of larger companies, they may find it more difficult to overcome periods of economic slowdown or recession.

The portfolio manager's approach to investment is one of individual stock selection. Investment risk is mitigated via the stock selection process, together with the slow build-up of holdings rather than the purchase of large positions outright. This allows the portfolio manager to observe more data points from a company before adding to a position. The overall portfolio is well diversified by company and sector. The weighting of an investment in the portfolio tends to be loosely aligned with the market capitalisation of that company. This means that the largest holdings will often be amongst the larger of the smaller companies available.

The portfolio manager is relatively risk averse, looks for lower volatility in the portfolio and seeks to outperform in more challenging markets. 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.

On 10 March 2015 the Company announced a new dividend policy, targeting an initial yield of approximately 4% per annum, based on the prevailing share price at that time of 344p per share. Dividends will continue to be funded by distributing 100% of available income each year, with any balance paid from capital reserves.

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

Borrowings

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

Reliance on the Manager and other Third Party Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive function and service provisions. Third party service providers are subject to ongoing monitoring by the Manager and the Company, including review of their cyber security. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy. The Company's main service providers are listed on page 61, of which the Manager is the principal provider.

The Manager may be exposed to reputational risks. In particular, the Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in potential counterparties and third parties being unwilling to deal with the Manager and by extension the Company, which carries the Manager's name. This could have an adverse impact on the ability of the Company to pursue its investment policy successfully.

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

Regulatory Risk

The Company is subject to various laws and regulations by virtue of its status as an investment trust, 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 capital gains tax on the sale of its investments. Other control failures, either by the Manager or any other of the Company's service providers, could result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with tax and other financial regulatory requirements on a daily basis. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Manager's Compliance and Internal Audit Officers produce regular reports for review at the Company's Audit Committee.

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. The Company does not have a fixed life. The Board believes that the Company, at its essence, remains evergreen and the tender offer does not distort this view. In their going concern assessment, the Directors have assumed that the tender offer will not affect the Company's ability to continue in operational existence. 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

BUSINESS REVIEW continued

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: continuing poor investment performance; 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 had 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 was not expected to, and did not, affect the total return sought or produced by the portfolio manager but was designed to increase significantly returns distributed to shareholders. This was well received by the market and accordingly, the Board considers the revised 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 Manager's Report on pages 13 to 15 sets out his current investment strategy. The Company's performance has been very strong for many years and 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 14. 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 11 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 respect to the short term liability that will arise as a result of the tender offer: the Manager has undertaken a detailed review of the liquidity of the portfolio and, based on the maximum tender amount, has confirmed that there is little to no prospect of the Company not being able to meet its obligations as they fall due.

Based on the above analysis, 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 2022.

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. The Board consists of five directors, one of whom is a woman, thereby constituting 20% 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 Manager applies the United Nations Principles for Responsible Investment.

PORTFOLIO MANAGER'S REPORT

Investment Review

The year under review saw good returns from global stock markets. Investors shrugged off the "surprise" results of the EU referendum and the US election, and pushed the UK and US stock markets on to new all-time highs. The somewhat unusual combination of extreme political uncertainty and strong stock markets may be due to the hope that governments are turning away from "austerity" and adopting more inflationary policies. Increased government spending, particularly infrastructure investment, is likely to boost short term economic growth and push up demand for commodities and capital goods. These sectors have performed strongly and are part of the reason for the equity rally we've seen over the second half of the year. The second consequence of a more expansionary government policy is likely to be increased inflation and higher interest rates, which has potentially negative consequences for bond markets. With bond valuations at all-time highs, the appeal of equities has increased on a relative basis, and markets have been supported by additional investment flow.

During the year, the UK stock market, as measured by the FTSE All-Share Index, returned 20.1% on a total return basis. This very strong outcome is largely attributable to the significant fall in sterling prompted by the decision to leave the EU. A significant proportion of profit generated by businesses listed on the UK market is earned overseas, and this benefited from significant foreign exchange gains when translated into sterling. As an illustration, when calculated in US dollars, the FTSE All-Share Index returned a much more modest 6.5%. As you would expect, sectors with significant non-UK revenues were the biggest contributors to market returns, in particular the mining and oil & gas sectors, which also benefited from higher commodity prices. UK smaller companies, as measured by the Numis Smaller Companies Index (excl. Investment Companies), gained 18.6% on a total return basis. Smaller companies tend to have less overseas exposure and therefore enjoyed less of a currency related gain. However, the mining sector, which had a heavier weighting than usual this year, contributed around 6.5% to the index return.

Portfolio Strategy and Review

Against this background, your Company generated a net asset value total return of 21.3% for the fiscal year. Positive contributions came from retail and healthcare, while the portfolio's lack of exposure to the mining sector negatively impacted performance.

At the individual stock level, the stand-out performer was on-line fashion retailer **boohoo.com** (+256%). Its keenly priced "fast fashion" continued to be a hit with consumers as the business rapidly grew sales both in the UK and overseas. The stock has been a strong performer for the last two of years, so we have locked-in some profit and reduced the position. **Keywords Studios** (+168%), a leading provider of outsourced services to the computer games industry, had another good year driven by a combination of organic growth and acquisitions. The demand for games continues to grow around the world, which along with increasing complexity is providing a fertile market for Keyword Studios' language translation and art creation services. **Coats** (+157%), the world's leading manufacturer of industrial threads, also had a good year, following the resolution of its pension dispute. The company's thread is used in around a fifth of all shirts, and a third of all the quality shoes worn in the world. It also produces a growing range of speciality fibres used in applications such as fibre optics, car air-bags and tyre casings. **Ithaca Energy** (+407%), a North Sea oil & gas producer, was one our worst performers last year but bounced back along with the oil price. The business also received a takeover approach following the year end. Sadly, we also had some disappointments. **Carpetright** (–53%), the UK's leading carpet retailer, suffered from increased competition and a higher cost of goods due to the fall in sterling. The company is still reducing costs by rationalising its store estate and seeing improved trading as a result of its refurbishment programme, leading us for the time being to maintain our holding. Diversified manufacturing business **Essentra** (–44%), struggled due to management problems. We are hopeful that the new CEO can get to grips with the issues and return the business to growth. The UK's leading tile retailer, **Topps Tiles** (–38%), experienced slower growth following the EU referendum and a slowdown in the housing market. The fall in the share price feels overdone and we are confident that the company can continue to take market share.

PORTFOLIO MANAGER'S REPORT continued

Invesco Perpetual UK Smaller Companies Investment Trust plc

Performance attribution for the year ended 31 January 2017

	TOTAL ABSOLUTE %
Net asset value total return(1)	21.3
Less: Benchmark total return(1)	18.6
Relative outperformance	2.7
Analysis of Relative Performance	
Portfolio total return	22.6
Less: Benchmark total return(1)	(18.6)
Portfolio outperformance	4.0
Net gearing effect	—
Management fees	(0.7)
Performance fee	(0.4)
Interest payable	—
Other expenses	(0.2)
Total	2.7

(1) Source: Datastream

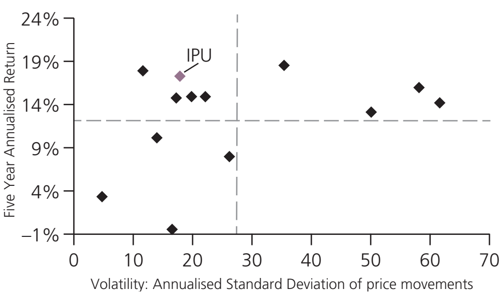
Performance attribution analyses the Company's net asset value performance relative to its benchmark.

Portfolio outperformance measures the relative effect of the Company's investment portfolio 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.

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



IPU = Invesco Perpetual UK Smaller Companies Investment Trust plc.

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

† Defined in the Glossary of Terms on page 64.

Source: J.P. Morgan Cazenove

Investment Strategy

Our investment strategy remains unchanged. The current portfolio comprises around 80 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 off 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' 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.

Currently just under a third of our portfolio is invested in the highly diverse industrials sector. We continue to favour companies such as **Johnson Service**, which benefits from market leading positions in workwear and linen hire. Its scale ensures it has a greater customer density on its logistic routes, giving the company a cost advantage over smaller competitors. Management leverage this position by acquiring smaller competitors and consolidating them into its existing business, thereby driving further efficiencies.

Around a quarter of the portfolio is invested in the consumer goods and services sectors. There is some concern regarding consumer spending in the wake of Brexit, due to a weaker currency putting upward pressure on the cost of living. It is not all bad news however, with the increased minimum wage and decreasing tax burden on low earners providing an offset. Although the sector has had a poor year in general, it has been a strong contributor to our portfolio due to stock selection. We believe that companies such **JD Sports Fashion**, will continue to prosper. Its growth has been driven by the current fashion trend for "athleisure wear" and a strong performance from the stores it is rolling out in Europe. The company has a considerable opportunity to continue its overseas expansion, and is seen as a key strategic partner by the large sportswear brands such as Nike and Adidas.

Financials, technology and healthcare each account for around 10% of the portfolio. Within financials, we are finding value in the real estate sector. Companies such as **Workspace**, which provides high quality, flexible office space to small growing businesses, offers significant growth potential from redevelopments and increasing rental income. The stock can be bought at a large discount to asset value, despite carrying minimal debt on its balance sheet. In technology, we continue to hold **FDM**, which is growing strongly in the UK and US. Its model of training graduates in an IT specialism before placing them with blue chip clients is proving very popular. In the healthcare sector, veterinary drug specialist **Dechra Pharmaceuticals** remains our largest holding. Prospects for the business, which has produced excellent returns over many years, continue to look positive following the recent acquisition of US branded generic pharmaceutical business Putney. The company has extended its reach well beyond the UK in recent years, allowing it to market its products to a significantly larger customer base.

Outlook

The global economy is in reasonable shape. Both Japan and the Eurozone are experiencing a pick-up in economic growth, and the reflationary rhetoric emanating from the US suggests the potential for high growth there too. The UK economy has shrugged off the Brexit uncertainty so far and, although we are likely to experience increased inflation over the coming year, the continued record levels of employment should be supportive of consumer confidence. Exporting businesses should continue to benefit from weak sterling and the weak currency also increases the attractiveness of UK business to overseas acquirers. In the event of an economic downturn, the Government appears ready to stimulate the economy through increased infrastructure spending. So, notwithstanding political interference, the economic backdrop looks reasonably favourable.

There is no doubt that we are in a period of heightened political uncertainty. A combination of the UK "snap" election, protracted Brexit negotiations, the possibility now raised of a second Scottish referendum, key elections in France and Germany and the potential for significant changes in the US approach to global trade could lead to increased volatility within equity markets. Our investment approach seeks out companies that can shape their own destiny rather than rely on general market growth – for example through self-help, consolidating fragmented markets or through exposure to areas of structural growth. We believe that these kinds of businesses are well positioned to navigate current variable politico-economic conditions. We continue to find plenty of opportunities to invest in good quality, growing businesses trading at reasonable valuations, and we remain hopeful of continued positive performance over the coming year.

Jonathan Brown
Portfolio Manager

Robin West
Deputy Portfolio Manager

The Strategic Report was approved by the Board of Directors on 26 April 2017.

Invesco Asset Management Limited
Company Secretary

INVESTMENTS IN ORDER OF VALUATION

AT 31 JANUARY 2017

Ordinary shares unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
JD Sports Fashion	General Retailers	7,257	3.1
CVS AIM	General Retailers	7,071	3.0
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	6,102	2.6
Sanne	Support Services	5,574	2.4
Johnson Service AIM	Support Services	5,468	2.3
boohoo.com AIM	General Retailers	5,087	2.2
FDM	Software & Computer Services	5,066	2.2
Coats	General Industrials	4,934	2.1
Clinigen AIM	Pharmaceuticals & Biotechnology	4,900	2.1
RPC	General Industrials	4,841	2.1
Top Ten Holdings		**56,300**	**24.1**
Keywords Studios AIM	Support Services	4,722	2.0
4imprint	Media	4,701	2.0
Safestore	Real Estate Investment Trusts	4,453	1.9
Consort Medical	Health Care Equipment & Services	4,409	1.9
Victrex	Chemicals	4,335	1.8
EMIS AIM	Software & Computer Services	4,286	1.8
Equiniti	Support Services	3,928	1.6
Ultra Electronics	Aerospace & Defence	3,804	1.6
RWS AIM	Support Services	3,774	1.6
Northgate	Support Services	3,764	1.6
Top Twenty Holdings		**98,476**	**41.9**
Faroe Petroleum AIM	Oil & Gas Producers	3,691	1.6
Euromoney Institutional Investor	Media	3,672	1.6
JD Wetherspoon	Travel & Leisure	3,558	1.5
Gamma Communications AIM	Mobile Telecommunications	3,493	1.5
Diploma	Support Services	3,485	1.5
Vectura	Pharmaceuticals & Biotechnology	3,466	1.5
Hill & Smith	Industrial Engineering	3,455	1.5
Severfield	Industrial Engineering	3,445	1.5
Ithaca Energy AIM	Oil & Gas Producers	3,330	1.4
Savills	Real Estate Investment & Services	3,311	1.4
Top Thirty Holdings		**133,382**	**56.9**
Mears	Support Services	3,248	1.4
Rathbone Brothers	Financial Services	3,156	1.3
SDL	Software & Computer Services	3,119	1.3
ECO Animal Health AIM	Pharmaceuticals & Biotechnology	3,031	1.3
Hilton Food	Food Producers	3,001	1.3
Servelec	Software & Computer Services	2,986	1.3
Staffline AIM	Support Services	2,983	1.3
Essentra	Support Services	2,981	1.3
Tarsus	Media	2,969	1.3
Amerisur Resources AIM	Oil & Gas Producers	2,880	1.2
Top Forty Holdings		**163,736**	**69.9**
VP	Support Services	2,819	1.2
St. Modwen Properties	Real Estate Investment & Services	2,705	1.1
Marston's	Travel & Leisure	2,672	1.1
Polypipe	Construction & Materials	2,632	1.1
M&C Saatchi AIM	Media	2,606	1.1
Bovis Homes	Household Goods & Home Construction	2,599	1.1
Fisher (James) & Sons	Industrial Transportation	2,576	1.1
Dairy Crest	Food Producers	2,573	1.1
Advanced Medical Solutions AIM	Health Care Equipment & Services	2,568	1.1
Arrow Global	Financial Services	2,553	1.1
Top Fifty Holdings		**190,039**	**81.0**

INVESTMENTS IN ORDER OF VALUATION continued

Ordinary shares unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Softcat	Software & Computer Services	2,545	1.1
Brooks Macdonald[AIM]	Financial Services	2,452	1.0
Secure Trust Bank	Banks	2,412	1.0
Workspace	Real Estate Investment Trusts	2,408	1.0
Sthree	Support Services	2,216	0.9
Aveva	Software & Computer Services	2,130	0.9
Restore[AIM]	Support Services	2,116	0.9
Brammer	Support Services	1,973	0.8
Majestic Wine[AIM]	General Retailers	1,930	0.8
Ricardo	Support Services	1,925	0.8
Top Sixty Holdings		**212,146**	**90.2**
Topps Tiles	General Retailers	1,900	0.8
CLS	Real Estate Investment & Services	1,867	0.8
Microgen	Software & Computer Services	1,828	0.8
Crest Nicholson	Household Goods & Home Construction	1,746	0.7
Cape	Oil Equipment, Services & Distribution	1,704	0.7
Patisserie Holdings[AIM]	Travel & Leisure	1,596	0.7
Ebiquity[AIM]	Media	1,565	0.7
E2V Technologies	Electronic & Electrical Equipment	1,340	0.6
Revolution Bars	Travel & Leisure	1,335	0.6
Carpetright	General Retailers	1,301	0.6
Top Seventy Holdings		**228,328**	**97.2**
Kainos	Software & Computer Services	1,172	0.5
Luceco	Electronic & Electrical Equipment	1,095	0.4
Digital Barriers[AIM]	Support Services	967	0.4
Young & Co's Brewery – Non-Voting[AIM]	Travel & Leisure	893	0.4
Urban & Civic	Real Estate Investment & Services	820	0.3
Origin Enterprises	Food Producers	705	0.3
Earthport[AIM]	Software & Computer Services	533	0.2
Tracsis[AIM]	Software & Computer Services	481	0.2
Avon Rubber	Aerospace & Defence	322	0.1
Total Investments (79)		**235,316**	**100.0**

AIM: Investments quoted on AIM

DIRECTORS

Ian Barby
Joined the Board in 2004. He is Chairman of the Board and the Nomination Committee. A barrister, he was formerly a vice chairman of Mercury Asset Management plc and has wide experience of the investment trust sector. He is also a non-executive and chairman of the audit committee of Pantheon International plc and non-executive chairman of Schroder Income Growth Fund plc and Ecofin Global Power and Infrastructure Investment Trust plc.

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

Jane Lewis
Joined the Board in December 2013 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 Phaunos Timber Fund Limited, 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 Acal plc. He is also a Trustee and Audit Committee Chair of Leonard Cheshire Disability.

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

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

Portfolio Manager and Deputy Portfolio Manager

Jonathan Brown is a member of the UK Equity team specialising in smaller companies and has been with Invesco Perpetual for more than 11 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 Perpetual in 2014.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2017

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 latest 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 UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except 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 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 24 and 25, and page 21 in respect of the Audit Committee.

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

The contractual arrangements with, and assessment of, the Manager are summarised on page 28.

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

The most substantial shareholders in the Company are listed on page 30.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on pages 25 and 26. 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

26 April 2017

AUDIT COMMITTEE CHAIRMAN'S LETTER

FOR THE YEAR ENDED 31 JANUARY 2017

Dear Shareholder,

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

The Audit Committee is chaired by me, Richard Brooman and the other members are Christopher Fletcher and Garth Milne. The 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 the role. A separate risk committee has not been established.

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.

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

The audit programme and timetable are drawn up and agreed with the auditor in advance of the end of the financial period and matters for audit focus are discussed and agreed. The auditor ensures that these matters are given particular attention during the audit process and reports on them, and other matters as required, in their report to the Committee. This report, together with reports from the Manager, 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 2016/17

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.

AUDIT COMMITTEE CHAIRMAN'S LETTER
continued

PRINCIPAL MATTERS CONSIDERED	HOW ADDRESSED
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 review the performance fee calculation at the year end and ensure 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 presents a clear and concise story that reflects the year being reported as well as the position of the Company at the year end.
Audit planning.	Discussion pre-year end with the Manager and external auditor, including identification of key risks.
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.

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

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

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

It is the Company's policy normally not to seek substantial non-audit services from its auditor. Non-audit services related to tax compliance for the preceding financial year and one-off advice in respect of taxable expenses were provided in the year totalling of £7,000 (2016: £5,750 solely tax compliance), excluding VAT and any expenses. 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.

Grant Thornton UK LLP (formerly RSM Robson Rhodes) has been the auditor of the Company, since the Company's incorporation in 1987 and both the audit partner and manager have rotated in accordance with prevailing guidance. The Audit Committee has satisfied itself as to the auditor's effectiveness, objectivity, independence and the competitiveness of its fees before recommending the re-appointment each year. The Committee is mindful of the various regulatory requirements with respect to audit rotation and tendering and will continue to keep the situation under review.

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 controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Company by a series of regular investment performance reviews, investment guideline reports and Manager's reports, together with the review of independent auditor reports on the external service providers. Key risks have been identified and controls put in place to mitigate them. The effectiveness of the internal controls is assessed by the Manager's Compliance and Internal Audit departments on a continuing basis and is also reviewed by the Committee. At the year end Committee meeting, 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 of 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 26.

I look forward to seeing you at the Company's general meetings on 8 June 2017.

Yours faithfully,

Richard Brooman
Chairman of the Audit Committee

26 April 2017

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2017

Introduction

The Directors present their report for the year ended 31 January 2017.

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 20 is included in this Directors' Report by reference.

The Board

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

The Board considers that the independence of Richard Brooman, Garth Milne and Ian Barby, each of whom has served on the Board for more than nine years, is not compromised by their length of service but, to the contrary, is strengthened by their experience. In accordance with the Board's tenure policy, all long serving Directors retire and offer themselves for re-election annually.

Chairman

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

Senior Independent Director/Deputy Chairman

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

Board Balance

The Directors have a range of business, financial or asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 18.

Board Responsibilities

The Board has overall responsibility for the Company's affairs. The Directors are equally responsible under United Kingdom law for promoting the success of the Company and for the proper conduct of the Company's affairs. The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company. In addition, the Board is responsible for ensuring that the Company's policies and activities are in the interests of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered. The 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.invescoperpetual.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 against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry 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 32 to 34.

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 21 to 23, 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. 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

During the year the Nomination Committee comprised Ian Barby, Christopher Fletcher and Garth Milne. Subsequent to the year end all Directors became members of the Nomination Committee. The Chairman of the Nomination Committee is Ian Barby. The Committee meets at least once each year to review the Board's size, composition and structure, and to ensure an appropriate balance of skills, experience, independence and knowledge of the Company. The Committee has due regard for the benefits of diversity (including gender) in its members, but has not set any measurable objective for diversity for the Company or the Committee, there being only five directors and no employees. No changes to the composition of the Board were recommended following the current year's annual review.

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. However, any Director so appointed must stand for election by shareholders at the next Annual General Meeting.

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.

In accordance with the Company's Articles of Association, at every AGM, there shall retire from office any Director who shall have been a Director at each of the preceding two AGMs and who was not appointed or reappointed by the Company in general meeting since. A retiring Director is eligible for reappointment. Accordingly, Christopher Fletcher and Jane Lewis are standing for re-election at the forthcoming AGM.

A Director's tenure of office will be for three terms of three 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. In this case, a Director serving longer than nine years will seek re-election annually.

In accordance with the Board's tenure policy set out above, long-serving Directors retiring and offering themselves for re-election at the forthcoming AGM are Ian Barby, Richard Brooman and Garth Milne, each having served on the Board for more than nine years.

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

The Board has conducted its performance evaluation through 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 2017 and the number of meetings attended by each Director. In addition, Directors attended a number of ad hoc meetings during the year.

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

*Richard Brooman and Jane Lewis were appointed to the Nomination Committee on 12 April 2017.

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

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 exercised on behalf of the Company for each of the Directors under the Company's Articles of Association.

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

Internal Controls and Risk Management

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

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve the Company's objective, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from their review. There are no significant failings or weaknesses that have occurred throughout the year ended 31 January 2017 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 11 and 12. 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 part of their going concern assessment, the Directors have assumed that the tender offer will not affect the ability of the Company to continue in operational existence for the same 12 month period as previously noted.

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)

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.

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

A performance fee is payable annually in arrears if the change in the Company's net asset value (capital only) exceeds the change in the benchmark index excluding income reinvested. The performance fee awards 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).

Assessment of the Manager

The Management Engagement Committee has carried out a review following the Company's financial year end on 31 January 2017 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 policy on Corporate Governance and Stewardship is reviewed annually and the latest version can be found on the Manager's website at www.invescoperpetual.co.uk.

Relations with Shareholders

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

Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or in writing to the Company Secretary at the address given on page 61.

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

Greenhouse Gas Emissions

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

Share Capital

Capital Structure

At 31 January 2017, the Company's issued share capital consisted of 53,209,084 ordinary shares (2016: 53,209,084 ordinary shares) of 20p each. To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders each year to buy back and to issue shares. During the year, the Company did not issue, repurchase or cancel any ordinary shares. There has been no change to the issued share capital since the financial year end.

Restrictions

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

Voting

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

Substantial Holdings in the Company

At 31 March 2017, the Company had been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

FUND MANAGER/OWNER	AS AT 31 MARCH 2017 HOLDING	%	AS AT 31 JANUARY 2017 SHARES	%
Lazard Asset Management	5,241,899	9.9	5,338,040	10.0
1607 Capital Partners	3,946,279	7.4	3,968,411	7.5
Royal London Asset Management	3,779,379	7.1	3,779,379	7.1
West Yorkshire PF	2,735,000	5.1	2,735,000	5.1
Brewin Dolphin, stockbrokers	2,375,498	4.5	2,456,281	4.6
Hargreaves Lansdown, stockbrokers (EO)	2,311,020	4.3	2,169,243	4.1
Wells Capital Management	2,188,562	4.1	1,896,731	3.6
Charles Stanley	2,155,017	4.1	2,172,024	4.1
Invesco Perpetual	2,027,914	3.8	2,027,914	3.8
Investec Wealth & Investment	2,014,033	3.8	2,083,573	3.9

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 2017.

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 8 June 2017 at 12 noon. The notice of the AGM and related notes can be found on pages 56 to 59. 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 32 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 32 to 34 of this AFR.

Resolution 4 is to approve the final dividend for the year ended 31 January 2017.

Resolutions 5 to 9 are to re-elect Directors. Biographies of the Directors can be found on page 18.

Resolution 10 is to re-appoint the auditor. Grant Thornton UK LLP have expressed their willingness to continue to hold office until the conclusion of the next AGM of the Company.

Resolution 11 is to authorise the Audit Committee to determine the auditor's remuneration.

Special Business

Resolution 12 is an ordinary resolution to renew the Directors' authority to allot shares. Your Directors are asking for authority to allot new ordinary shares up to an aggregate nominal value of £532,090 (5% of the Company's issued share capital at 20 April 2017). 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 2018.

Special Resolution 13 is to renew the authority to disapply pre-emption rights. Your Directors are asking for authority to issue new ordinary shares for cash up to an aggregate nominal value of

£532,090 (5% of the Company's issued share capital as at 20 April 2017), disapplying pre-emption rights. This will allow shares to be issued to new shareholders without them first having to be offered to existing shareholders, thus broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV (with debt at fair value) and will expire at the AGM in 2018.

Special Resolution 14 is to renew the authority for the Company to purchase its own shares. Your Directors are seeking authority for the purchase of up to 14.99% of the Company's issued ordinary share capital as at the date of the AGM, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the AGM in 2018. Your Directors are proposing that shares bought back by the Company either be cancelled or, alternatively, held as treasury shares with a view to their resale, if appropriate, or later cancellation. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders. The current authority (to buy back up to 7,976,041 shares) expires at the AGM and had not been utilised to the date of this report.

Special Resolution 15 is to permit the Company to hold general meetings (other than annual general meetings) on 14 days notice, which is the minimum notice period permitted by the Companies Act 2006. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that this flexibility will be used only where the Board believes it is in the interests of shareholders as a whole.

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

26 April 2017

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 JANUARY 2017

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

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 36 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 2 June 2016.

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 £150,000 in aggregate per annum.

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

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

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

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

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

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

Directors' Fees

From 1 August 2013, Directors' fees were set at the following per annum rates: the Chairman £27,500; the Audit Committee Chairman £23,500; and Other Directors £19,500. Discretionary fees are set at £1,250 per day. There has been no change to the level of fees since that time.

Chairman's Annual Statement on Directors' Remuneration

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

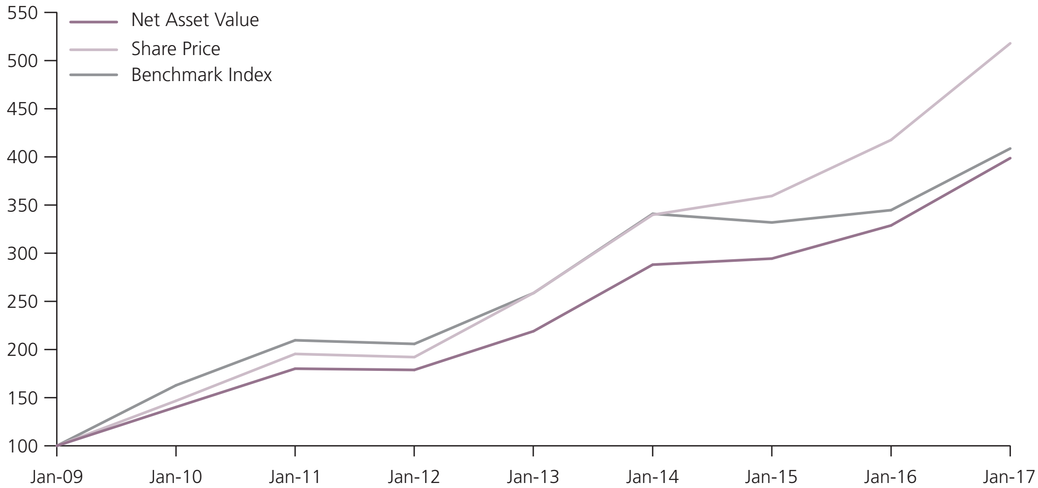
Report on Remuneration for the Year Ended 31 January 2017

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 eight years to 31 January 2017.

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:

	2017 FEES £	2017 TAXABLE BENEFITS £	2017 TOTAL £	2016 TOTAL £	2016 TAXABLE BENEFITS £	2016 TOTAL £
Ian Barby – Chairman	27,500	—	27,500	27,500	—	27,500
Richard Brooman – Chairman of the Audit Committee	23,500	—	23,500	23,500	—	23,500
Christopher Fletcher	19,500	2,224	21,724	19,500	1,149	20,649
Jane Lewis	19,500	—	19,500	19,500	1,409	20,909
Garth Milne	19,500	—	19,500	19,500	—	19,500
Total	109,500	2,224	111,724	109,500	2,558	112,058

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 2017	31 JANUARY 2016
Ian Barby	25,000	25,000
Richard Brooman	19,670	19,670
Christopher Fletcher	27,219	27,219
Jane Lewis	1,507	1,507
Garth Milne	5,000	5,000

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

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

Relative Importance of Spend on Pay

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders for the year to 31 January 2017. 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.

	2017 £'000	2016 £'000	CHANGE £'000	CHANGE %
Aggregate Directors' Remuneration	112	112	—	—
Aggregate Shareholder Distributions	9,099	7,609	1,490	19.6

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 2 June 2016, 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%	8,835
Chairman's Annual Statement and Report	99.94%	0.06%	170

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 26 April 2017.

Ian Barby
Chairman

Signed on behalf of the Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the Annual Financial Report

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

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

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

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

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

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

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

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; 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

26 April 2017

Electronic Publication

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

INDEPENDENT AUDITOR'S REPORT

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

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Who we are reporting to

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

What we have audited

Invesco Perpetual UK Smaller Companies Investment Trust plc's financial statements for the year ended 31 January 2017 comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related notes.

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

Overview of our audit approach

- Overall materiality: £2,416,000, which represents 1% of the Company's net assets value; and
- Key audit risks were identified as:
  - valuation, existence and ownership of investments;
  - accuracy and completeness of investment income; and
  - accuracy of management and performance fees.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Valuation, existence and ownership of investments The Company 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. The investment portfolio at £235 million is a significant material balance in the statement of financial position at year end and the main driver of the Company's performance. We therefore identified the valuation, existence and ownership of the investment portfolio as a risk that requires particular audit attention.	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 as adopted by the European Union and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') and testing whether management have accounted for valuation in accordance with that policy; • confirming the existence and ownership 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 pricing 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

Audit risk	How we responded to the risk
	• to test that investments are actively traded, 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. The Company's accounting policy on financial instruments, including their valuation, is shown in note 1(c) to the financial statements and related disclosures are included in note 9. The Audit Committee identified accuracy of the portfolio valuation encompassing proof of existence and ownership of all the portfolio holdings as a principal matter in its report on page 21, where the Committee also described the action that it has taken to address this matter.
Accuracy 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. Accordingly, we identified the accuracy and completeness of investment income from the investment portfolio as risk that requires particular audit attention.	Our audit work included, but was not restricted to: • assessing whether the Company's accounting policy for revenue recognition is in accordance with IFRSs as adopted by the European Union 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 quoted investments and agreeing the relevant investment income receivable for those quoted equities to the Company's records. 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, we agreed the receipt of the dividend income to bank statements; and • 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 the categorisation of special dividends as either revenue or capital receipts. The Company's accounting policy on income is shown in note 1(f) and related disclosures are included in note 2.
Accuracy of management and performance fees Management and performance fees are the Company's major expense and a significant material balance in the Statement of Comprehensive Income. Accordingly, we identified the accuracy of management and performance fees as a risk that requires particular audit attention.	Our audit work included, but was not restricted to: • reviewing the allocation of expenses between revenue and capital to check that it is in accordance with the Company's accounting policy; • obtaining an understanding of the basis for the management and performance fees by reviewing the investment management agreement (IMA); and • recalculating the management and performance fees in accordance with the IMA and comparing it with the expenses recorded by the Company. In addition, we agreed the payment of management fees to bank statements and we agreed the performance fees to the list of other payables included within current liabilities in the balance sheet. The Company's accounting policy on expenses and finance cost is shown in note 1(g) 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 22, where the Committee also described the action that it has taken to address this matter.

INDEPENDENT AUDITOR'S REPORT
continued

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

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We 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 £2,416,000, which is 1% of the Company's net assets value. This benchmark is considered the most appropriate because net assets are fundamental to the performance and financial position of the business.

Materiality for the current year is higher than the level that we determined for the year ended 31 January 2016 reflecting the increase in net asset value in the current year from £208 million to £242 million.

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. We also determine a lower level of specific materiality for certain areas such as the revenue column of the statement of comprehensive income, Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £121,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

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

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

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

Our audit approach was based on a thorough understanding of the Company's business and is risk based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work included:

- obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers;
- obtaining and reading the internal controls reports on the description, design and operating effectiveness of internal controls at both the Company and the relevant third-party service providers; and
- substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls and the management of specific risks.

Other reporting required by regulations

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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

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

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

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out pages 27 and 11 respectively; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

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

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

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

We have nothing to report in respect of the above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual 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 disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their 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; and
- the Directors' explanation in the annual 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.

Responsibilities for the financial statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

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

Christopher Smith (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP, Statutory Auditor,
Chartered Accountants
London 26 April 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY

	NOTES	2017 REVENUE £'000	2017 CAPITAL £'000	2017 TOTAL £'000	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000
Profits on investments held at fair value	9	—	39,171	39,171	—	19,288	19,288
Exchange differences		—	3	3	—	45	45
Income	2	4,523	691	5,214	5,331	28	5,359
Investment management fee	3	(213)	(1,206)	(1,419)	(207)	(1,175)	(1,382)
Performance fee	3	—	(969)	(969)	—	(2,131)	(2,131)
Other expenses	4	(385)	(1)	(386)	(344)	(4)	(348)
Profit before finance costs and taxation		3,925	37,689	41,614	4,780	16,051	20,831
Finance costs	5	(1)	(3)	(4)	(1)	(5)	(6)
Profit before taxation		3,924	37,686	41,610	4,779	16,046	20,825
Taxation	6	—	—	—	—	—	—
Profit after taxation		3,924	37,686	41,610	4,779	16,046	20,825
Return per ordinary share							
Basic	7	7.37p	70.83p	78.20p	8.98p	30.16p	39.14p

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards. The profit after tax is the total comprehensive income for the year. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations and the Company has no other gains or losses. No operations were acquired or discontinued in the year.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY

	NOTES	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 January 2015		10,642	21,244	3,386	155,767	5,875	196,914
Profit for the year		—	—	—	16,046	4,779	20,825
Dividends paid	8	—	—	—	(589)	(9,493)	(10,082)
At 31 January 2016		10,642	21,244	3,386	171,224	1,161	207,657
Profit for the year		—	—	—	37,686	3,924	41,610
Dividends paid	8	—	—	—	(2,831)	(4,833)	(7,664)
At 31 January 2017		10,642	21,244	3,386	206,079	252	241,603

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

BALANCE SHEET

FOR THE YEAR ENDED 31 JANUARY

	NOTES	2017 £'000	2016 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	235,316	199,237
Current assets			
Other receivables	10	253	845
Cash and cash equivalents		7,408	10,186
		7,661	11,031
Total assets		242,977	210,268
Current liabilities			
Other payables	11	(1,374)	(2,503)
Total assets less current liabilities		241,603	207,765
Non-current liabilities	12	—	(108)
Net assets		241,603	207,657
Issued 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	206,079	171,224
Revenue reserve	14	252	1,161
Total shareholders' funds		241,603	207,657
Net asset value per ordinary share			
Basic	15	454.1p	390.3p

These financial statements were approved and authorised for issue by the Board of Directors on 26 April 2017.

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

	2017 £'000	2016 £'000
Cash flow from operating activities		
Profit before tax	41,610	20,825
Adjustments for:		
Purchases of investments	(46,937)	(67,678)
Sales of investments	50,323	77,779
	3,386	10,101
Profits on investments	(39,171)	(19,288)
Exchange differences	(3)	(45)
Finance costs	4	6
Operating cash flows before movements in working capital	5,826	11,599
Decrease/(increase) in receivables	74	(73)
(Decrease)/increase in payables	(1,013)	705
Net cash flows from operating activities after tax	4,887	12,231
Cash flows from financing activities		
Finance costs paid	(4)	(6)
Equity dividends paid – note 8	(7,664)	(10,082)
Net cash used in financing activities	(7,668)	(10,088)
Net (decrease)/increase in cash and cash equivalents	(2,781)	2,143
Exchange differences	3	45
Cash and cash equivalents at the beginning of the year	10,186	7,998
Cash and cash equivalents at the end of the year	7,408	10,186
Reconciliation of cash and cash equivalents to the Balance Sheet as follows:		
Cash held at custodian	1,508	186
Short-Term Investment Company (Global Series) plc, money market fund	5,900	10,000
Cash and cash equivalents	7,408	10,186
Cash flow from operating activities includes:		
Dividends received	5,289	5,288
Interest received	—	1

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 pages 27 and 28 in the Directors' Report forms part of the financial statements.

(a) Basis of Preparation

(i) *Accounting Standards Applied*

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards (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', issued by the Association of Investment Companies in November 2014, as amended in January 2017, is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the statement of comprehensive income between items of a revenue and a capital nature is presented in accordance with this.

(ii) *Adoption of New and Revised Standards*

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

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

- IFRS 9: Financial Instruments (2014) (effective 1 January 2018).
- Amendments to IAS 7: Disclosure initiative – Statement of Cash Flows (effective 1 January 2017).

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

(b) Foreign Currency and Segmental Reporting

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(iii) *Segmental reporting*

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

(c) Financial Instruments

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

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

(ii) *Derecognition of financial assets*

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

(iii) *Derecognition of financial liabilities*

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

(iv) *Trade date accounting*

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

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

Financial assets

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

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

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

Financial liabilities

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

(d) Derivatives and Hedging

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

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

(e) Cash and Cash Equivalents

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

(f) Income

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

1. Principal Accounting Policies (continued)

(g) Expenses and Finance Costs

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

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, all other expenses are allocated to revenue in the statement of comprehensive income.

(h) Taxation

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

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered 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.

(i) Dividends

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

(j) Consolidation

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

2. Income

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

	2017 £'000	2016 £'000
Income from listed investments		
UK dividends	3,754	4,043
UK unfranked investment income	180	249
Scrip dividends	—	244
Overseas dividends	397	302
Special dividends	192	492
	4,523	5,330
Other income		
Deposit interest	—	1
Total income	4,523	5,331

Special dividends of £691,000 have been recognised in capital (2016: £28,000).

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

3. Investment Management Fees

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

	2017			2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Base management fee	213	1,206	1,419	207	1,175	1,382
Performance fee charged to capital	—	969	969	—	2,131	2,131
	213	2,175	2,388	207	3,306	3,513

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

At 31 January 2017, £131,000 (2016: £113,000) was accrued in respect of the base management fee and £1,077,000 (2016: £2,023,000) 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. The excess brought forward and provided for last year of £108,000 became payable this year.

4. Other Expenses

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

	2017			2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' remuneration (i)	112	—	112	112	—	112
Auditor's remuneration (ii):						
– for audit of the annual financial statements	25	—	25	25	—	25
– other services relating to taxation compliance	8	—	8	6	—	6
Other expenses (iii)	240	1	241	201	4	205
	385	1	386	344	4	348

4. Other Expenses (continued)

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

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

(iii) Included within other expenses is £10,000 (2016: £10,000) of employer's National Insurance payable on Directors' remuneration. As at 31 January 2017, the amounts outstanding on Directors' remuneration and employer's National Insurance was £10,000 (2016: £10,000). The expenses charged to capital arise from custodian transaction charges.

5. Finance Costs

Finance costs arise on any borrowing facilities the Company has.

	2017			2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest on bank overdraft	1	3	4	1	5	6

6. Taxation

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

(a) Current tax charge

	2017 £'000	2016 £'000
Overseas taxation	—	—

(b) Reconciliation of current tax charge

	2017 £'000	2016 £'000
Total return on ordinary activities before taxation	41,610	20,825
Theoretical tax at UK Corporation Tax rate of 20% (2016: 20.16%)	8,322	4,199
Effects of:		
– UK dividends which are not taxable	(889)	(969)
– Overseas dividends which are not taxable	(70)	(57)
– Gains on investments which are not taxable	(7,834)	(3,889)
– Gains on exchange differences	(1)	(9)
– Expenses in excess of taxable income	510	724
– Disallowable expenses	(38)	1
Actual current tax amount	—	—

(c) Factors that may affect future tax changes

The Company has excess management expenses of £32,062,000 (2016: £29,531,000) that are available to offset future taxable revenue. A deferred tax asset of £5,451,000 (2016: £5,316,000) at 17% (2016: 18%) 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.

	2017			2016		
	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
Basic	7.37p	70.83p	78.20p	8.98p	30.16p	39.14p

Basic total returns per ordinary share is based on the net total profit for the financial year of £41,610,000 (2016: £20,825,000).

Basic revenue returns per ordinary share is based on the net revenue profit for the financial year of £3,924,000 (2016: £4,779,000).

Basic capital returns per ordinary share is based on the net capital profit for the financial year of £37,686,000 (2016: £16,046,000).

All three returns are based on the weighted average number of shares in issue during the year of 53,209,084 (2016: 53,209,084).

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.

	2017		2016	
	PENCE	£'000	PENCE	£'000
Dividends paid from revenue in the year:				
Third interim (prior year)	2.18	1,160	—	—
Final (prior year)	—	—	11.04	5,875
First interim	3.45	1,836	3.40	1,809
Second interim	3.45	1,836	3.40	1,809
Payment of unclaimed dividends from previous years	—	1	—	—
Total dividends paid from revenue	9.08	4,833	17.84	9,493
Dividends paid from capital in the year:				
Third interim (prior year)	1.22	649	—	—
Final (prior year)	4.10	2,182	1.11	589
Total dividends paid from capital	5.32	2,831	1.11	589
Total dividends paid in the year	14.40	7,664	18.95	10,082

	2017		2016	
	PENCE	£'000	PENCE	£'000
Dividends payable in respect of the year:				
First interim	3.45	1,836	3.40	1,809
Second interim	3.45	1,836	3.40	1,809
Third interim	3.45	1,836	3.40	1,809
Final	6.75	3,591	4.10	2,182
	17.10	9,099	14.30	7,609

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:

	2017		2016	
	PENCE	£'000	PENCE	£'000
Dividend payable in respect of the year:				
– from revenue reserves	7.37	3,924	8.98	4,778
– from capital reserves	9.73	5,175	5.32	2,831
	17.10	9,099	14.30	7,609

NOTES TO THE FINANCIAL STATEMENTS
continued

9. Investments

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

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

	2017 £'000	2016 £'000
Investments listed on a regulated stock exchange	162,893	143,603
AIM quoted investments	72,423	55,634
	235,316	199,237
Opening valuation	199,237	190,510
Movements in year:		
Purchases at cost	46,713	67,669
Sales – proceeds	(49,805)	(78,230)
– profit on disposal of investments	11,431	23,116
Movement in investment holding gains	27,740	(3,828)
Closing valuation	235,316	199,237
Closing book cost	169,869	161,530
Closing investment holding gains	65,447	37,707
Closing valuation	235,316	199,237
Profit on disposals of investments in year	11,431	23,116
Movement in investment holding gains in year	27,740	(3,828)
Total profits for year	39,171	19,288

The transaction costs included in gains on investments amount to £240,000 (2016: £289,000) on purchases and £93,000 (2016: £134,000) for sales.

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.

	2017 £'000	2016 £'000
Amounts due from brokers	—	518
Prepayments and accrued income	253	327
	253	845

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.

	2017 £'000	2016 £'000
Amounts due to brokers	71	295
Performance fee accrued – current year	969	2,023
– prior year	108	—
Other accruals and deferred income	226	185
	1,374	2,503

12. Non-Current Liabilities

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

	2017 £'000	2016 £'000
Performance fee deferred		
– brought forward	108	—
– provided in year	—	108
– deferred fee now payable	(108)	—
	—	108

Details of the performance fee deferred are given in note 3.

13. Share Capital

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

	2017		2016	
	NUMBER	£'000	NUMBER	£'000
Allotted, called-up and fully paid				
Ordinary shares of 20p each	53,209,084	10,642	53,209,084	10,642

During the year, the Company did not issue or repurchase any ordinary shares (2016: nil).

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

Capital investment gains and losses are shown in note 9, and form part of the capital reserve. The revenue reserve shows the net revenue 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 asset value per ordinary share by dividing by the number of shares in issue.

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

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2017 PENCE	2016 PENCE	2017 £'000	2016 £'000
Ordinary shares				
– Basic	454.1	390.3	241,603	207,657

Net asset value per ordinary share is based on net assets at the year end and on 53,209,084 (2016: 53,209,084) ordinary shares, being the number of ordinary shares in issue 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 2017	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 16 and 17), 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 if used provides short-term funding flexibility.

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The 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 year end the Company held one foreign currency investment of £705,000 (2016: £1,383,000) and cash of £1,038,000 (2016: nil) with both denominated in euros.

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

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 on variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian, Bank of New York Mellon. Additionally, holdings in STIC are subject to interest rate changes.

The Company has an uncommitted bank overdraft facility up to a maximum of 30% of the net asset value of the Company or £15 million (2016: unchanged), whichever is the lower; the interest rate is charged at 0.85% over Bank of England base rate. The Company uses the facility when required at levels approved and monitored by the Board.

At the year end there was no overdraft drawn down (2016: no overdraft drawn down). Based on the maximum amount that can be drawn down at the year end under the overdraft facility of £15 million (2016: £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 (2016: £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 profit after tax for the year would decrease by £23.5 million (2016: £19.9 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax would increase by the same amount.

Fair Values of Financial Assets and Financial Liabilities

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

Fair Value Hierarchy Disclosures

Except for the one Level 3 investment described below, all of the Company's investments are in the Level 1 category as 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.

17. Risk Management and Financial Instruments (continued)

Fair Value Hierarchy Disclosures (continued)

The valuation techniques used by the Company are explained in the accounting policies note. For both these years, the Company held one Level 3 investment, being the dormant subsidiary Berry Starquest Limited. This holding is not material, being £100 of equity.

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 and accruals. All are paid under contractual terms. For amounts due to brokers, this will generally be the purchase date of the investment plus two business days.

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 9.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 10 and 11. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

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

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by s1159 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility 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 2017, the composition of which is shown on the balance sheet on page 42, was £241,603,000 (2016: £207,657,000).

20. Contingent Liabilities

Contingent liabilities that the Company will or has given would be disclosed in this note if any existed.

There are no contingencies, guarantees or financial commitments of the Company at the year end (2016: £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 accounting standards, the Manager is not a related party.

Under International Financial Reporting Standards, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on page 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 28 and in note 3.

22. Post Balance Sheet Events

Except for the tender offer as described in the Chairman's Statement on pages 5 to 8, there are no other significant events after the end of the reporting year 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.invescoperpetual.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 2017 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 62) 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 97.5% for both gross and commitment (2016: both 96.1%). The limits the AIFM has set for the Company remain unchanged at 250% and 200%, respectively;
- the AIFM remuneration policy is available from the Company's company secretary, on request (see contact details on page 61); and
- the AIFM remuneration paid for the year to 31 December 2016 is set out below.

AIFM Remuneration

The AIFM remuneration paid is based on the financial year of the AIFM, which is 31 December 2016.

IFML does not employ any staff directly. All staff involved in the AIF related activities of IFML are employed and paid by Invesco UK Limited or other entities in the Invesco Limited Group. Remuneration for staff involved in AIF related activities has been apportioned based on the average assets under management of £3,632 million for the nine AIFs managed by IFML during the reporting period.

The aggregate total remuneration apportioned to IFML's AIF related activities for performance year 2016 is £6,631,628, of which £3,852,051 is fixed remuneration and £2,779,577 is variable remuneration. The number of beneficiaries is 35.

IFML has identified individuals considered to have a material impact on the risk profile of IFML or the AIFs it manages ('AIFMD Code Staff'), including Board members of IFML, senior management, heads of control functions and other risk takers whose professional activities can exert material influence on IFML's risk profile or on an AIF it manages.

The aggregate total remuneration paid to the AIFMD Code Staff of IFML for AIF related activities is £988,243 of which £435,714 is paid to senior management and £552,529 is paid to other AIFMD Code Staff. Please note the total remuneration for AIFMD Code Staff excludes remuneration for staff employed by delegates.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting ('AGM') of Invesco Perpetual UK Smaller Companies Investment Trust plc will be held at the offices of Invesco Perpetual at 43-45 Portman Square, London W1H 6LY at 12 noon on 8 June 2017 for the following purposes:

Ordinary Business

1. To receive and consider the Annual Financial Report for the year ended 31 January 2017.
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 2017.
4. To approve a final dividend as recommended.
5. To re-elect Ian Barby as a Director of the Company.
6. To re-elect Richard Brooman as a Director of the Company.
7. To re-elect Garth Milne as a Director of the Company.
8. To re-elect Christopher Fletcher as a Director of the Company.
9. To re-elect Jane Lewis as a Director of the Company.
10. To re-appoint the auditor, Grant Thornton UK LLP.
11. 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 resolution 12 will be proposed as an ordinary resolution and 13 to 15 as special resolutions:

12. 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 £532,090, this being 5% of the Company's issued ordinary share capital as at 20 April 2017, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.

13. 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 for cash, either pursuant to the authority given by resolution 12 set out above or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

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

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £532,090, this being 5% of the Company's issued ordinary share capital as at 20 April 2017; and

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

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

14. THAT:

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

PROVIDED ALWAYS THAT:

(i) the maximum number of shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary shares, this being 7,976,041 as at 20 April 2017;

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

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

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

(v) the authority hereby conferred shall expire at the conclusion of the AGM of the Company in 2017 or, if earlier, on the expiry of fifteen months from the passing of this resolution unless the authority is renewed at any other general meeting prior to such time;

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

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

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

Please refer to the Directors' Report on pages 30 and 31 for further explanations of all the resolutions.

Dated this 26th April 2017

By order of the Board

Invesco Asset Management Limited
Company Secretary

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

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
   - via Capita Asset Services website www.capitashareportal.com; or
   - In hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, PXS 1, 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, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by not later than 12 noon on 6 June 2017.

4. A person entered on the Register of Members at close of business on 6 June 2017 ('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 26 April 2017 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 53,209,084 ordinary shares of 20p each carrying one vote each.

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

13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006 (the '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 for the financial year beginning on 1 February 2015; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 February 2015 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.

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

Manager's Website

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

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

Net Asset Value (NAV) Publication

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

Share Price Listings

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

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

Financial Calendar

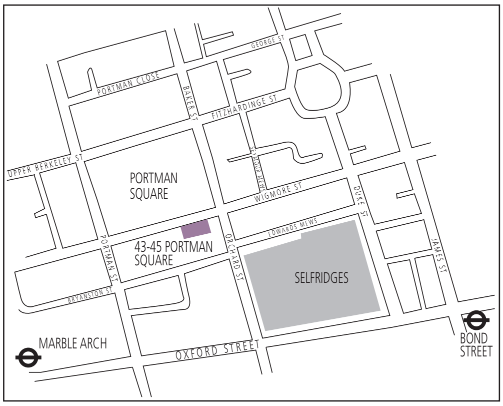
The Company publishes information according to the following calendar:

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

Location of Annual General Meeting

To be held at 12 noon on 8 June 2017 at the offices of Invesco Perpetual at 43-45 Portman Square, London W1H 6LY.

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



ADVISERS AND PRINCIPAL EXTERNAL SERVICE PROVIDERS

Company History

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

Registered Office and Company Number

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

Registered in England and Wales
Number 02129187

Manager and Alternative Investment Fund Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contacts: Kelly Nice and Shilla Pindoria

Correspondence address

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

Invesco Perpetual Client Services

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

Registrars

Capita Asset Services
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 Capita's websites: www.capitaassetservices.com or www.capitashareportal.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.capitadeal.com or ☎ 0371 664 0445. Calls cost 12p per minute plus your phone company's access charge. From outside the UK: +44 371 664 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

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

Custodian

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

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Corporate Broker

JP Morgan Cazenove
25 Bank Street
London E14 5JP

GLOSSARY OF TERMS

Benchmark (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.

Dividend Yield

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

Gearing and Net Cash

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

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

Gross Gearing
This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of shareholders' funds.

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

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

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. It is calculated from maximum authorised borrowings as a percentage of shareholders' funds.

Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. 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.

Ongoing Charges

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

Shareholders' Funds

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

Net Asset Value (NAV)

NAV per share – balance sheet (pence)

The NAV per share shown on the balance sheet 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.

NAV per share – after charging both paid and proposed dividends

This NAV is calculated the same as the balance sheet NAV, but after deducting dividends paid or proposed in respect of the relevant financial year. The calculation for the two years contained in this annual financial report is shown below.

	2017 PENCE	2016 PENCE
Balance Sheet Net Asset Value (NAV)	454.06	390.27
Third interim (prior year)	(3.45)	(3.40)
Final (prior year)	(6.75)	(4.10)
NAV after charging both paid and proposed dividends for the relevant year	443.86	382.77

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.

Return – percentage

The return percentage can be calculated in a number of ways. The returns used in this annual financial report, and their basis, follow.

Benchmark Return

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. Capital return on the benchmark is without reinvestment of the dividend.

Return to Shareholders

Total return to shareholders, on a mid-market price basis, assuming all dividends received were re-invested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend. Capital return to shareholders is without re-investment of dividend.

Return on Net Assets

Thomson Reuters Datastream (Datastream) Total Return

Datastream total return on NAV per share: based on bid value, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend. Capital return excludes income for the period, and dividends paid from capital were treated as part of NAV until their ex-dividend date.

Total return NAV – after charging both paid and proposed dividends

The Company returns based on prior year NAV after charging both paid and proposed dividends follow. The returns were calculated by dividing the return per share (pence) by the NAV after charging all dividends for the relevant year (see above under NAV definition). These returns are different from Datasteam returns which recognise dividends on their ex date.

	2017	2016
Returns based on prior year NAV after charging both paid and proposed dividends		
Revenue return	1.93%	2.51%
Capital return	18.50%	8.43%
Total return	20.43%	10.94%

Market Capitalisation

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

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 Perpetual 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 $834.8 billion.*

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

** Assets under management as at 31 March 2017.*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

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

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

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

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio
Aims to generate income from a variety of fixed income instruments combined with a high degree of security. Income will reduce during periods of very low interest rates.

Invesco Perpetual Select Trust plc – UK Equity Portfolio
Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily in the UK equity market. The portfolio may use bank borrowings.

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

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

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

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc
- UK Equity Portfolio
- Global Equity Income Portfolio
- Managed Liquidity Portfolio
- Balanced Risk Portfolio

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

Please contact our 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.invescoperpetual.co.uk/investmenttrusts

Linkway Financial Printers
Typeset & Printed in London (UK) 16744