

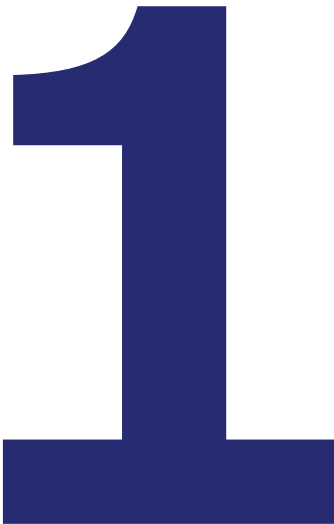
Invesco Perpetual UK Smaller Companies Investment Trust plc



Investment Objective

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

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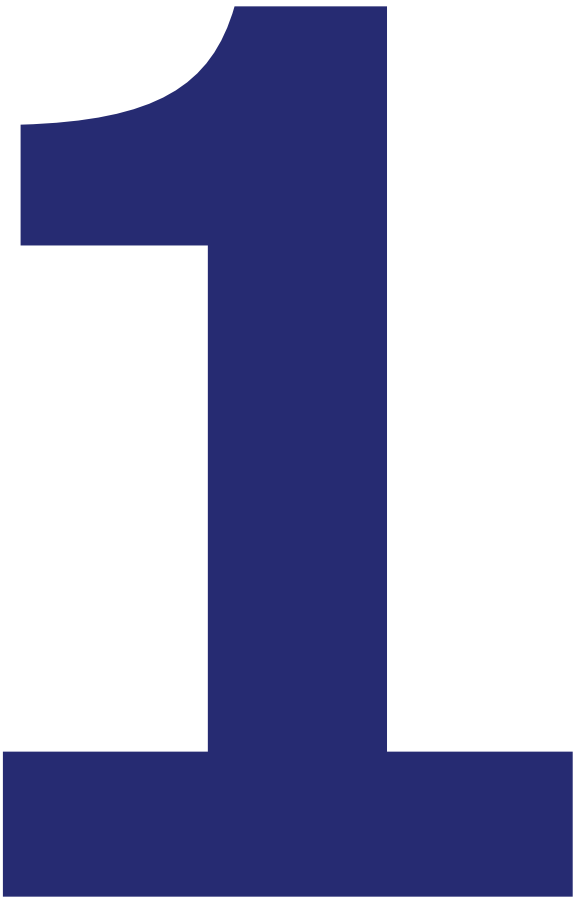
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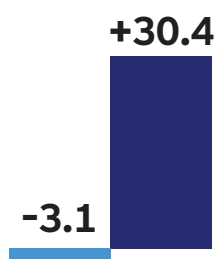
Financial Highlights

Total Return Statistics⁽¹⁾ (dividends reinvested)

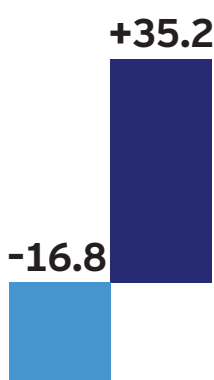
Change for the year (%)

● 2021
● 2020

Net asset value (NAV)⁽¹⁾⁽²⁾



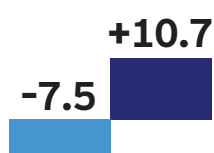
Share price⁽¹⁾⁽²⁾



Benchmark Index⁽²⁾⁽³⁾



FTSE All-Share Index⁽²⁾



At 31 January	2021	2020	Change
Total shareholders' funds (£'000)	191,380	205,243	-6.8%
Net asset value ⁽¹⁾ per share (NAV)	565.76p	606.74p	-6.8%
Share price ⁽¹⁾⁽²⁾	483.00p	606.00p	-20.3%
Discount ⁽¹⁾	(14.6)%	(0.1)%	
Gearing⁽¹⁾:			
- gross gearing	nil	nil	
- net gearing	nil	nil	
- net cash	2.2%	2.7%	
Maximum authorised gearing	7.8%	7.3%	

For the year ended 31 January	2021	2020	
Return⁽¹⁾ and dividend per ordinary share:			
Revenue	3.31p	10.13p	
Capital	(25.69)p	133.21p	
Total	(22.38)p	143.34p	
First interim dividend	3.75p	3.75p	
Second interim dividend	3.75p	3.75p	
Third interim dividend	3.75p	3.75p	
Final dividend	8.07p	7.35p	
Total dividends	19.32p	18.60p	+3.9%
Dividend Yield ⁽¹⁾	4.0%	3.1%	
Dividend payable for the year (£'000):			
- from current year net revenue	1,121	3,340	
- from revenue reserve and capital reserve	5,414	2,877	
	6,535	6,217	
Capital dividend as a % of year end net assets ⁽¹⁾	2.8%	1.4%	
Ongoing charges ⁽¹⁾	0.97%	0.97%	

Notes: ⁽¹⁾ Alternative Performance Measure (APM). See Glossary of Terms and Alternative Performance Measures on pages 69 to 72 of the financial report for details of the explanation and reconciliations of APMs.

⁽²⁾ Source: Refinitiv.

⁽³⁾ The Benchmark Index of the Company is the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested.

Ten Year Historical Record

Year to 31 January	Gross Income £'000	Net revenue return available for shareholders £'000	Dividends on Ordinary Shares ⁽¹⁾ Cost £'000	Rate p	Total shareholders funds £'000	Net asset value per share p	Share price p	Ongoing charges %	Performance fee %
2012	3,590	2,852	2,676	5.00	126,771	237.64	187.50	0.89	0.31
2013	4,123	3,370	3,193	6.00	152,034	285.73	246.50	0.87	-
2014	4,555	3,673	3,459	6.50	195,749	367.89	316.75	0.83	-
2015 ⁽²⁾	4,468	3,930	7,316	13.75	196,914	370.08	328.25	0.83	0.73
2016	5,331	4,779	7,609	14.30	207,657	390.27	362.00	0.82	1.01
2017	4,523	3,924	9,099	17.10	241,603	454.06	432.00	0.82	0.44
2018 ⁽³⁾	4,116	3,573	6,833	20.80	178,571	543.56	520.00	0.82	1.27
2019	4,080	3,521	6,110	18.60	158,285	481.81	465.00	0.88	0.07
2020 ⁽⁴⁾	3,924	3,340	6,217	18.60	205,243	606.74	606.00	0.97	n/a
2021⁽⁵⁾	1,682	1,121	6,535	19.32	191,380	565.76	483.00	0.97	n/a

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

(2) Dividend policy changed 2015.

(3) The 38.26% take-up of the tender offer in June 2017 is reflected in the decrease in shareholder's funds at the year end.

(4) The performance fee arrangement was removed with effect from 1 February 2019 and the base management fee was increased from 0.65% to 0.75% per annum. Dividend was maintained at 2019 level as a result of market disruption caused by Covid-19.

(5) Dividend policy reinstated to target dividend yield of 4% of the year end share price as discussed in the Chairman's Statement.

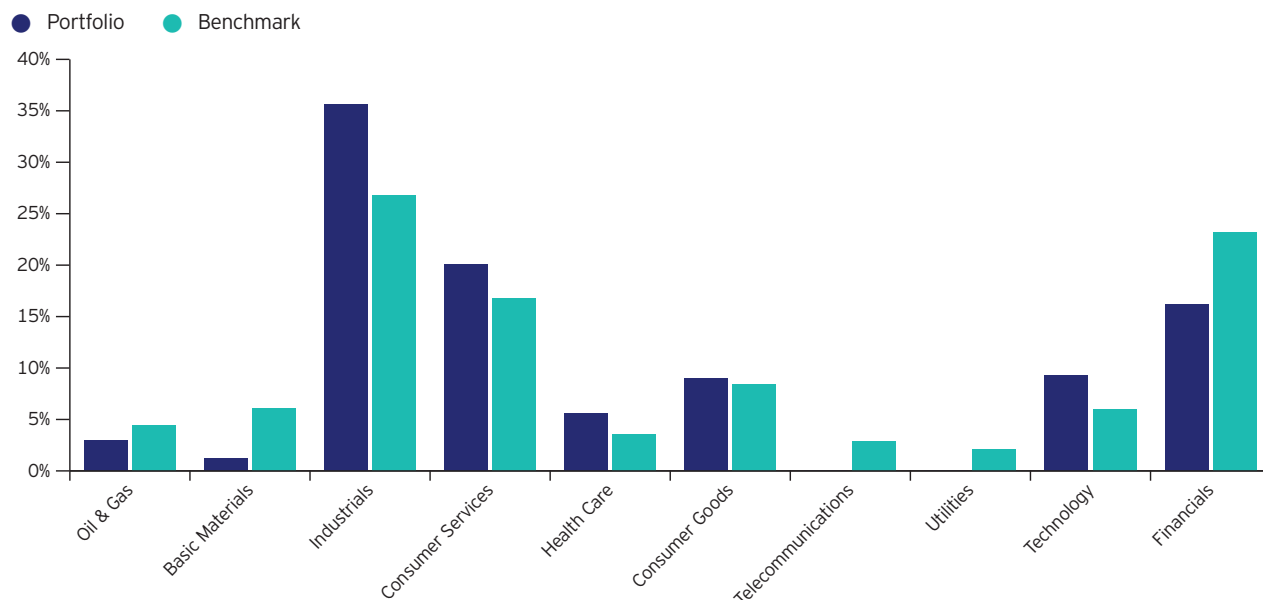
Ten Year Total Return Performance

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Annualised		
											Three years	Five years	Ten years
Share Price %	-1.7	34.6	31.4	5.8	16.2	24.0	24.8	-6.8	35.2	-16.8	1.6	10.2	13.2
Net Asset Value (NAV) %	-0.4	22.6	31.3	2.4	10.6	20.6	23.9	-7.8	30.4	-3.1	5.2	11.7	12.2
Benchmark Index %	-1.8	25.6	31.8	-2.6	3.8	18.6	15.1	-7.4	13.7	-0.9	1.4	7.3	8.9
Variance (NAV to Index) %	1.4	-3.0	-0.5	5.0	6.8	2.0	8.8	-0.4	16.7	-2.2	3.8	4.4	3.3

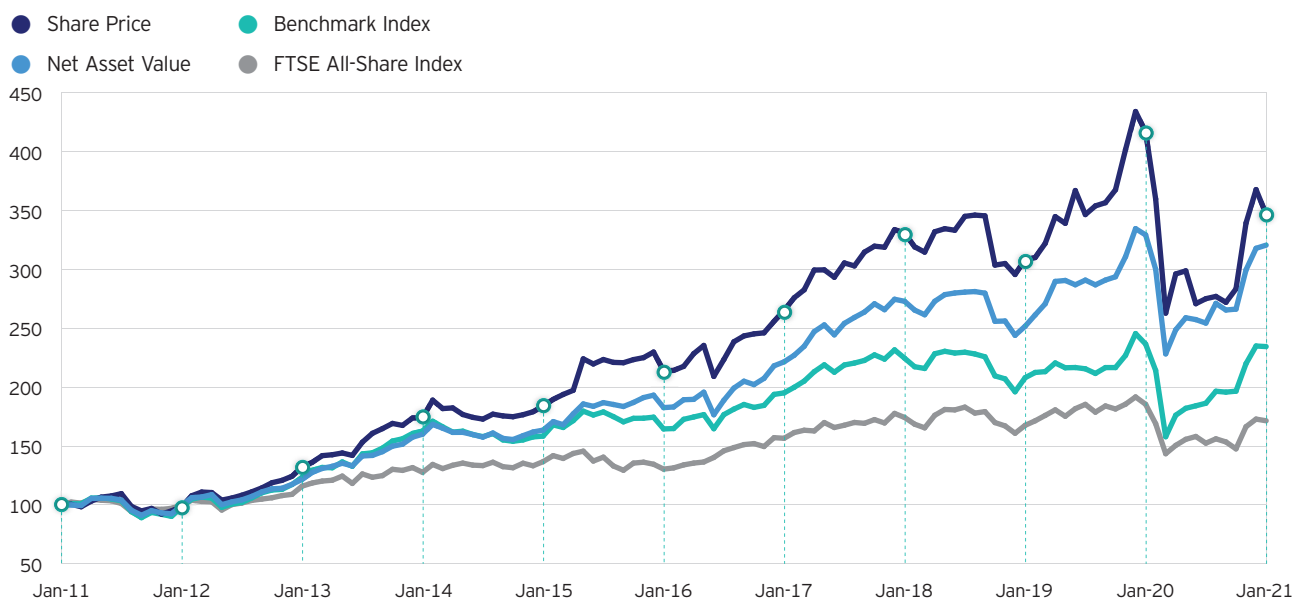
Source: Refinitiv.

Industry Allocation of Portfolio vs Benchmark

As at 31 January 2021

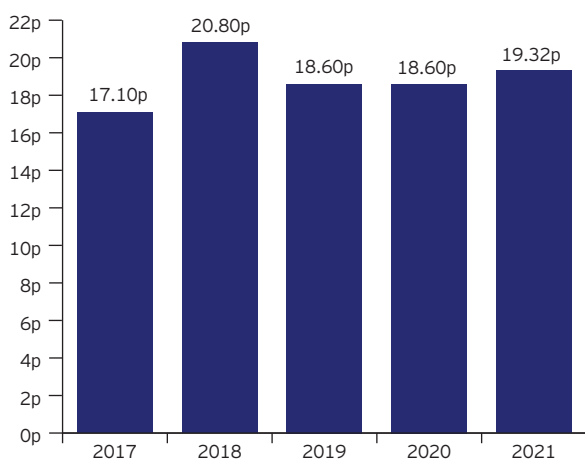


Cumulative Ten Year Share Price and NAV Performance vs Benchmark and FTSE All-Share Index (Total Return)
Figures have been rebased to 100 at 31 January 2011



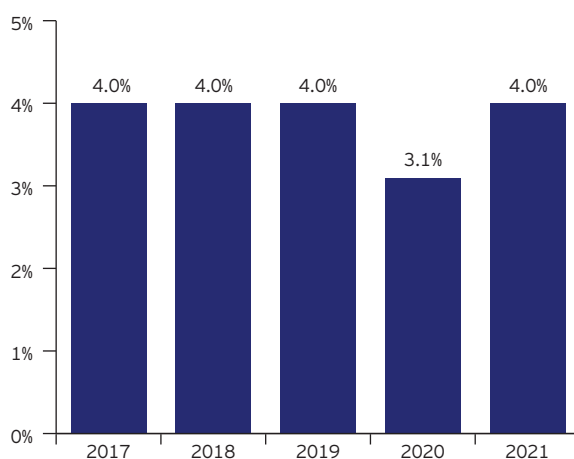
Source: Refinitiv.

Five Year Dividend History



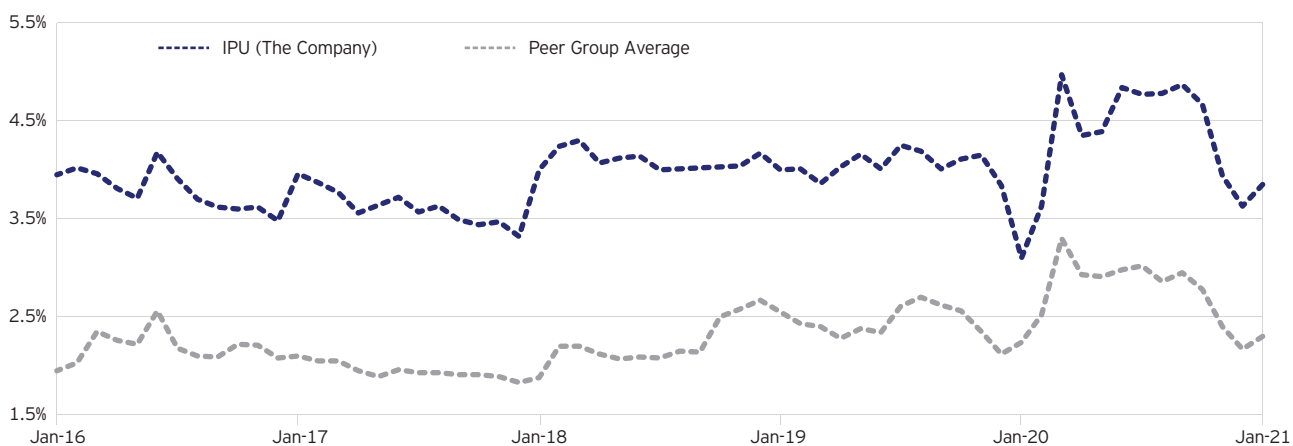
The dividends shown above are those proposed in respect of each year, and are in pence per share.

Five Year Dividend Yield History



The dividend yield is based on the share price as at 31 January each year. See the Chairman's Statement for further explanation of the 2021 dividend and yield.

Yield Since 31 January 2016
Peer Group Average vs Company



Source: Refinitiv.



Chairman's Statement

Dear Shareholders,

Below is a summary of performance and other information for the financial year under review. This includes:

- reinstatement of the Company's dividend policy targeting a dividend yield of 4% of year end share price;
- continuing to deliver a yield in excess of its UK Smaller Company Investment Trust peer group; and
- enhancement of the dividend from realised capital profits in the context of annualised long term growth.

Performance

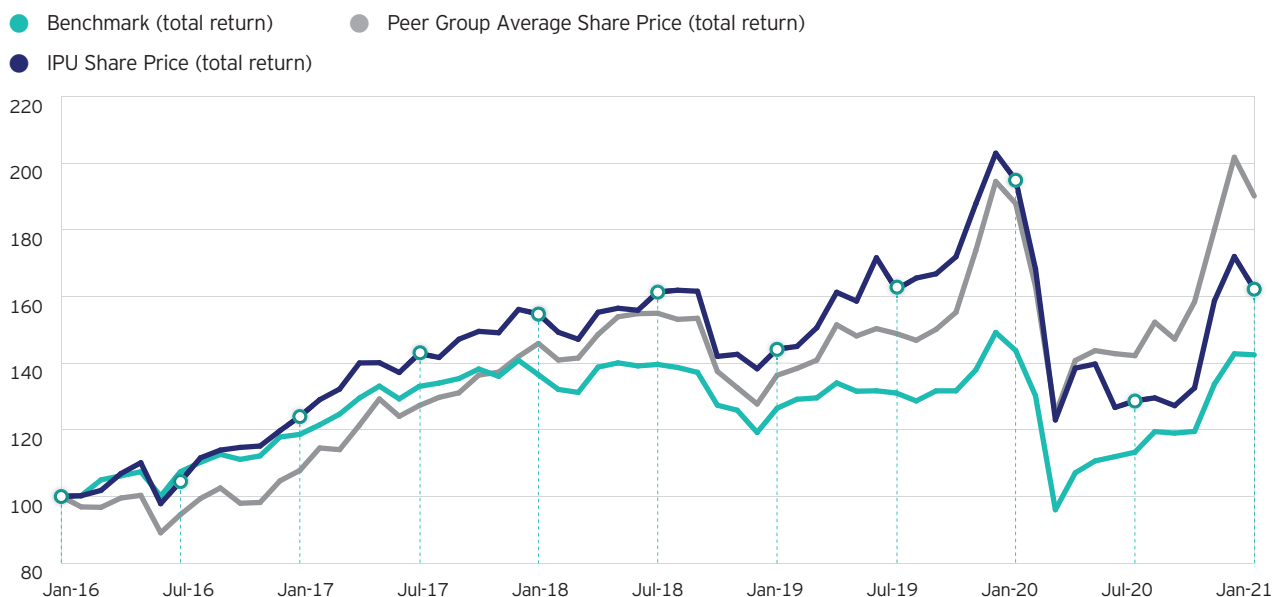
For the year ended 31 January 2021 your Company returned -3.1% in net asset value (NAV) terms, underperforming its Benchmark Index, the Numis Smaller Companies Index (excluding Investment Companies), which returned -0.9%, (in each case measured on a total return basis). While the Portfolio Managers express their disappointment at having underperformed the Company's benchmark, the Board has been impressed with their disciplined approach to investment in the face of such turbulent market conditions.

The Company's share price total return for the year was -16.8% (2020: +35.2%). The Board believes sentiment towards the Company, reflected in its share price and discount performance over the year, is at least in part due to expectations around the level of dividend the Company would pay in future years. Dividend and dividend policy are covered on the next page.

For information, against the wider UK stock market (as measured by the FTSE All-Share Index), which returned -7.5%, the Company outperformed by 4.4% over the same period.

As at the latest practicable date prior to the publication of this report, being 20 April 2021, the discount stands at 9.0% and the Company's share price has risen by 21.5%, the NAV has risen 14.0% and the Benchmark Index is up 14.7% over the period between 1 February and 20 April 2021.

Share Price – Company versus benchmark index and peer group average



Source: Refinitiv.

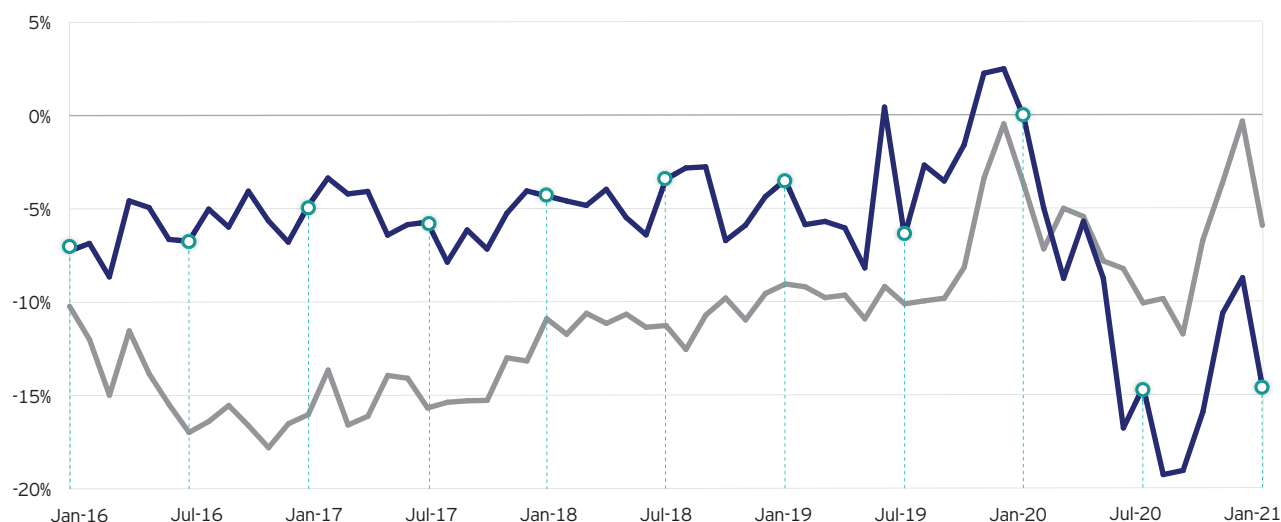
Discount/Premium

During the year the shares traded within the range of -21.7% (discount) to +3.3% (premium).

The Board continues to monitor the discount level at which the Company's shares trade and may seek to limit any future volatility through the prudent use of both share issuance and share buybacks, as the circumstances require.

Premium/(discount) – Company versus the peer group average

- IPU (Company) Discount
- Peer Group Average Discount



Source: Refinitiv.

Dividend and dividend policy

Shareholders will recall that last year the Board made the decision to maintain the Company's dividend at the prior year pence per share level. This decision was made against a background of trying to assess the impact of Covid-19 on UK smaller companies, an increasing number of announcements of dividend cuts for cash conservation purposes within portfolio companies and uncertainty as to when or whether recovery might occur. Unlike many investment trusts, your Company does not have revenue reserves to call upon in times of income deterioration as these were distributed in full to shareholders in 2015 when the Company's dividend policy was amended. However, the Company does have sufficient capital profits from which dividends can be and have been enhanced since 2015.

Through the twelve month period, the Company's dividend policy has remained under review and, as promised, the Board has kept shareholders updated with their thinking. Midway through 2020, revenue receipts and the outlook at that point led the Board to believe a progressive dividend policy, starting from the established position would be the most sensible way ahead, given the importance of dividends to shareholders.

Uncertainty surrounding whether the Board would be able to resume the Company's previous dividend policy, namely, to pay out all income earned within the portfolio and to enhance it annually through the use of a small amount of realised capital profits with a target dividend yield of 4% of year end share price, has weighed on the Company's share price performance and discount rating over the past twelve months. This can be seen in the chart showing the Company's discount versus its investment trust peers.

In recognition of the above, together with the improved outlook for recovery described by the Portfolio Managers, ongoing monetary stimulus provided by governments and rollout of vaccine programmes across the world, the Board is pleased to confirm to shareholders that the Company's dividend policy will be reinstated, including the target dividend yield of 4% of year end share price.

For the year under review, this will result in a larger payment from realised capital profits than the Board would, under normal

circumstances be comfortable to recommend. However, in these exceptional times, the Board believes it is appropriate in the context of the Portfolio Managers' expectations for annualised capital growth within the smaller companies investment universe continuing to be attractive.

The Board has decided that the Company will propose a final dividend of 8.07p to bring the total dividend paid for the year to 19.32p (2020: 18.60p). This represents all of the available revenue earned by the Company's portfolio over the year, together with 16.01p from realised capital profits. Revenue per share has decreased from 10.13p last year to 3.31p this year, which means that the resulting balance of dividend being paid from realised capital profits represents 2.8% of net assets at the year end and it continues to represent a relatively small proportion of the longer-term total returns achieved by the Manager.

The Company's dividends are paid quarterly in September, December, March and June. For the year ended 31 January 2021, three interim dividends of 3.75p each have already been paid and the Board has announced a proposed final dividend of 8.07p per share, making a total for the year of 19.32p per share. The final dividend will be payable, subject to shareholder approval, on 11 June 2021 to shareholders on the register on 14 May 2021 and the shares will go ex-dividend on 13 May 2021.

Board Composition and Succession Planning

During the year the Board reviewed its composition and succession planning and consequently engaged Fletcher Jones Ltd, an external search consultant, to conduct a search for a new Director. As a result, Mike Prentis was appointed a Director of the Company on 22 February 2021 and will accordingly stand for election by shareholders at the forthcoming AGM.

Mike is a former fund manager specialising in the UK smaller companies sector and his skills will complement those of the other members of the Board. More details about Mike's career and experience are set out on page 25.

Having served on the Board for over 10 years, Christopher Fletcher will retire as a Director of the Company at the conclusion

of the forthcoming AGM. The Board and I would like to thank Christopher for his years of excellent service to the Company.

I am pleased to announce that Bridget Guerin will be appointed as Chairman of the Management Engagement Committee and Senior Independent Director with effect from the conclusion of the AGM. Following the AGM, the Board will consist of four Non-Executive Directors with a range of skills which the Board considers is an appropriate mix for your Company at this time.

Environmental, social and governance (ESG) matters

Shareholders are rightly concerned that their Company should be seen to be investing in companies which operate in a responsible and sustainable way. The Portfolio Managers set out their own approach within the Investment Strategy section of their report and greater detail about Invesco's policies can be found in the Strategic Report on pages 18 to 21.

Annual General Meeting ('AGM')

The Company's Annual General Meeting will be held at 12 noon on 10 June 2021 at 43-45 Portman Square, London W1H 6LY. Details of the business of the meeting are set out in the Notice of Meeting on pages 62 to 65. The Board is mindful of the travel and meeting restrictions in place in response to Covid-19 and therefore the AGM will be held as a closed meeting. Shareholders are therefore encouraged to submit their votes by proxy. Shareholders are also strongly encouraged to lodge their vote either electronically via the Registrar's online portal, contacting your platform provider or using a Form of Proxy to appoint the Chairman of the AGM as your proxy to vote on your behalf.

The Board is cognisant of the fact that many shareholders value the opportunity to hear from the Portfolio Managers and the Board. I would like therefore, to invite you to attend a webinar with us on 2 June 2021 at 10 am. A presentation will be made by Jonathan Brown followed by a question and answer session.

Shareholders can submit questions during the webinar or in advance by writing to the Company Secretary at the address given on page 68 or investmenttrusts@invesco.com. Details on how to register for the event are available via the Company's website www.invesco.co.uk/ipukscit

Outlook

At the time of writing this statement there is both optimism as the vaccine programme is rolled out in the UK together with uncertainty surrounding further waves of new variants of Covid-19 in Europe and the wider world. As a result, it is still difficult to assess the longer-term impacts of the pandemic on the operations of businesses and public services not to mention on everyday life. However, there is generally a more optimistic feel to the forecasts for growth being published at a company level and more broadly across the UK economy.

Vaccine disputes apart, the trade agreement negotiated to deliver Brexit also appears to be providing sufficient certainty to allow businesses to take a more positive view of trading with the EU and to invest accordingly.

Your Portfolio Managers have set out their case in the following pages for a more positive outlook, particularly in the second half of this year and the Board retains confidence in their investment approach.

In conclusion I would like to thank our Portfolio Managers for their response to the various challenges which have arisen throughout the past year. Their professional approach, skills and adaptability will, we believe, continue to serve your Company well.

Jane Lewis
Chairman

22 April 2021

Portfolio Manager's Report

Portfolio Manager and Deputy Portfolio Manager



Jonathan Brown is a member of the UK Equity team specialising in smaller companies and has been with Invesco for more than 13 years. He became the Portfolio Manager at the end of June 2014.

Jonathan began his investment career with Lazard Asset Management in 1997, where he specialised in private client fund administration, before joining Invesco within a similar role in 2000. In 2004, Jonathan joined the UK Equities team as a trainee fund manager and, after three years specialising in the UK small cap sector, became a fund manager in his own right.

Jonathan graduated with a BSc in Bio-Chemistry from UMIST and has also secured both the Investment Management Certificate from the CFA Society of the UK and the Securities Institute Diploma.



Robin West is the deputy Portfolio Manager. Robin started his career at KPMG and is a small company specialist who worked at Invesco initially, then Oriel Securities and Aviva Investors, before returning to Invesco in 2014.

Investment Review

The year under review was unusually turbulent. The Covid-19 pandemic and the measures put in place by governments to combat its effects had a profound impact on individuals, markets, and the economy. The market collapse in March was one of the most dramatic on record in terms of both pace and amplitude, with many indices falling 30-40%. The economic impact was equally historic, with the UK economy suffering its worst contraction in over 300 years. In the face of such unprecedented events, central banks initiated huge monetary stimulus programmes to support the economy by targeting both companies and individuals. This led to a significant recovery in equity markets, which received a further boost later in the year as positive news about vaccine programmes emerged. It is remarkable that after such a tumultuous period, equity markets had recovered most of the losses and in some cases ended the year in positive territory.

Over the year to 31 January 2021 the UK stock market, as measured by the FTSE All-Share Index, declined 7.5% on a total return basis. Smaller companies, as measured by the Numis Smaller Companies Index (excluding Investment Companies), fared better, declining just 0.9% on a total return basis over the year.

Portfolio Review

Against this background, your Company generated a net asset value total return of -3.1% for the fiscal year. As your fund managers, we are disappointed to have underperformed the market over the period. However, we believe that maintaining valuation discipline and a focus on good quality, growing business will continue to produce good returns over the long term for our shareholders. In terms of sector performance, it was a year of

Invesco Perpetual UK Smaller Companies Investment Trust plc

Performance attribution for the year ended 31 January 2021

	Total Absolute %
Net asset value total return ⁽¹⁾	-3.1
Less: Benchmark total return ⁽¹⁾	-0.9
Relative underperformance	-2.2

Analysis of Relative Performance

Portfolio total return including cash and excluding expenses	-2.1
Less: Benchmark total return ⁽¹⁾	-0.9
Portfolio underperformance	-1.2
Net gearing effect	-
Management fees	-0.8
Other expenses	-0.2
Total	-2.2

(1) Source: Refinitiv.

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

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

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

Management fees 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.

two halves, with the worst performing sectors in the first half of year (Leisure & Consumer Goods) becoming the best performing sectors in the second half.

At the individual stock level, the best performers included: **Keywords Studios** (+118%), which provides outsourced services to the computer games industry. The sector fared well through the crisis and Keywords Studios continued to grow its presence in areas such as art creation, language translation and games engineering. Financial administration business **JTC** (+47%), which provides services to real estate and private equity funds, multinational companies and high net worth individuals, weathered the crisis well. It benefits from long-term contracts and recurring revenue, which along with some earnings accretive acquisitions enabled the business to grow despite the pandemic. **Kainos** (+60%), an IT services business which reduces administrative costs for the government by creating systems that allow people to "self-serve" in areas such as paying their road

tax, continued to perform well. The company is seen as an ongoing winner as the public and private sector continue to modernise their interactions with customers.

The portfolio also benefited from a number of new holdings bought in the depths of the market sell off. These included: Builders merchant, **Grafton** (+112%), which sold off very heavily in March but has recovered strongly as the construction industry resumed work ahead of many other sectors. Low cost gym operator, **The Gym Group** (+124%) also presented us with an exciting opportunity, falling 75% from its pre-crisis level. We are confident the business will return to growth once lockdowns are eased. Pub group **Mitchells & Butlers** (+98%) also fell heavily. The stock was trading at around half asset value, which offered the potential for significant upside even in the event of a protracted return to normality.

Inevitably there were disappointments in the period: Housebuilder, **Vistry** (-42%), fell as much as 65% in the sell-off. Trading has recovered well, and the business is in a strong financial position, which has given us confidence to add to the holding. **James Fisher and Sons** (-49%), which is a marine services business, saw lower demand for its services as Covid-19 disrupted its end markets. We still believe the business has a good future, and its expertise in the construction of offshore wind farms should drive growth once normal working practices resume. Promotional products business **4imprint** (-29%) has been an excellent stock for us over the years, but it saw sharply lower demand for its products as face to face meetings were curtailed by the crisis. The company has emerged from previous downturns with a stronger market position, so we took the opportunity to add to the holding.

Investment Strategy

Our investment strategy remains unchanged. The current portfolio is comprised of 78 stocks with the sector weightings being determined by where we are finding attractive companies at a given time, rather than by allocating assets according to a “top down” view of the economy. We continue to seek growing businesses, which have the potential to be significantly larger in the medium term. These tend to be companies that either have great products or services, that can enable them to take market share from their competitors, or companies that are exposed to higher growth niches within the UK economy or overseas. We prefer to invest in cash generative businesses that can fund their own expansion, although we are willing to back strong management teams by providing additional capital to invest for growth.

The sustainability of returns and profit margins is vital for the long term success of a company. The assessment of a business's position within its supply chain and a clear understanding of how work is won and priced are key to determining if a company has “pricing power”. It is also important to determine which businesses possess unique capabilities, in the form of intellectual property, specialist know-how or a scale advantage in their chosen market. In normal times we conduct around 300 company meetings and site visits a year, and these areas are a particular focus for us on such occasions. During the past year, these meetings have been conducted virtually.

Environmental, social and governance (ESG) issues have become a key focus for many investors. Analysis of these factors has always been a core part of our investment process. The impact of environmental liabilities, socially dubious business practices and poor corporate governance, on share prices can be very significant. We always seek to quantify the cost and probability of environmental risks within a business, and factor this into our valuation considerations. Social issues can be less tangible, but we try to avoid businesses, which whilst acting within the law, run the risk of a public backlash, or being constrained by new legislation. When it comes to the governance, board structure and

incentivisation, we proactively consult with all the businesses we own and will vote against resolutions where standards fall short of our expectations.

Significant Holdings

The 5 largest holdings in the portfolio at the end of the period were:

- **RWS** (3.8% of the portfolio) is a language translation business with world leading positions in the translation of patents, scientific and technical texts. The specialist knowledge and requirement for precision in these kinds of areas allows the business to generate strong margins. The business recently merged with SDL, which enhanced its language technology capability and created the world's largest language translation business.
- **JTC** (3.2% of the portfolio) is a financial administration business operating primarily in the Channel Islands but also with offices in North America and Europe. It provides services to real estate and private equity funds, multinational companies and high net worth individuals. The business has a strong reputation for quality and has augmented its organic growth with acquisitions. The business benefits from long term contracts, giving it excellent earnings visibility.
- **CVS** (3.2% of the portfolio) is a leading veterinary services business, which owns over 500 vet surgeries and specialist centres, predominantly in the UK. The scale of the business gives it purchasing power, allowing it to generate a higher margin than individual surgeries. Management successfully built a significant share of UK market and have recently entered continental Europe. The business is relatively unaffected by the economic cycle, and with more money being spent on the wellbeing of the nation's pets, can continue to grow for many years to come.
- **Future** (3.0% of the portfolio) is a media business which is successfully transitioning from publishing magazines to running a diverse range of niche interest websites such as TechRadar, What Hi-Fi, Period Living and Digital Camera World. The business aims to produce relevant, high quality content and monetise it via subscriptions, advertising, and e-commerce. Management have been successful in revitalising numerous brands, and the company has grown revenue and profit both organically and via acquisition.
- **Clinigen** (2.5% of the portfolio) is a healthcare business which is a world leader in the specialist distribution of drugs to geographies where they haven't been formally approved, experimental drugs to acutely ill patients and comparator drugs into medical trials. These activities give management insight into drugs that could potentially be used on a wider basis. This enables management to acquire the rights to compounds where they can increase profitability by achieving further approvals for new categories of patients.

Outlook

Despite the UK economy suffering its biggest set-back in 300 years, we think the building blocks are in place for a strong recovery in the second half of 2021. The current pace of the vaccination programme should mean that we see a significant reduction in the number of deaths and hospitalisations from Covid-19, paving the way for the government to loosen the emergency restrictions. We believe there is considerable pent-up demand for both leisure and retail spending, and due to the high savings rate during lockdown, the consumer sector could be a driver of strong GDP growth from the summer onwards. Additionally, the Brexit trade agreement gives businesses certainty around trading arrangements with the EU, allowing companies to invest with confidence. The government has provided unprecedented support for the UK economy during the

pandemic, and we expect continued support, for example, in infrastructure to help further drive the recovery from the pandemic.

It is understandable, given the level of uncertainty, that analysts and companies have taken a cautious view on the pace of recovery; with a fair wind we believe many businesses will exceed these expectations and to have regained historic levels of revenue within twelve to twenty-four months. Beyond that we believe that the growth opportunities for our investee companies remain undiminished, and in many cases they have emerged from the crisis with enhanced market positions and growth potential.

While the events of the last year have taken a heavy toll on individuals, companies, and the economy, we face the future with optimism. We believe our approach of investing in good quality businesses at sensible valuations remains the correct strategy for achieving long term returns.

Jonathan Brown

Portfolio Manager

Robin West

Deputy Portfolio Manager

22 April 2021

Business Review

Purpose, Culture, Business Model and Strategy

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's purpose is to generate returns for shareholders by investing their pooled capital to achieve the Company's investment objective through the application of its investment policy and with the aim of spreading investment risk.

As the Company has no employees, the business model the Company has adopted to achieve its objective has been to contract its operations to appropriate external service providers. The Board has oversight of the Company's service providers, and monitors them on a formal and regular basis. The Board has a collegiate culture and pursues its fiduciary responsibilities with independence, integrity and diligence, taking advice and outside views as appropriate and constructively challenging and interacting with service providers, including the Manager.

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. The Manager has delegated portfolio valuation, fund accounting and administrative services to The Bank of New York Mellon, London Branch.

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

Investment Objective

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

Investment Policy

The portfolio primarily comprises shares traded on the London Stock Exchange and those traded on AIM. The Portfolio Manager can also invest in unquoted securities, though these are limited to a maximum of 5% of gross assets at the time of acquisition.

The Manager seeks to outperform its benchmark, the Numis Smaller Companies Index (excluding Investment Companies) with income reinvested. As a result, the Manager's approach can, and often does, result in significant overweight or underweight positions in individual stocks or sectors compared with the

benchmark. Sector weightings are ultimately determined by stock selection decisions.

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

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

Dividend Policy

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

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

Performance

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

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

The ten year record for the NAV and share price performance compared with the Company's benchmark index can be found on page 5, and the five year discount record is on page 8. The ten year record for dividends and ongoing charges is shown on page 5.

Results and Dividends

In the year ended 31 January 2021, the net asset value total return was -3.1%, compared with a total return on the benchmark index of -0.9%, an underperformance of 2.2%. The discount at the year end was 14.6% (2020: 0.1%). The Portfolio Managers' Report shows an analysis of the relative performance in a table on page 10.

For the year ended 31 January 2021, three interim dividends of 3.75p per share were paid to shareholders in September and

December 2020 and March 2021. A final dividend of 8.07p per share will be paid on 11 June 2021 to shareholders on the register on 14 May 2021. **This will give total dividends for the year of 19.32p (2020: 18.60p), representing a yield of 4% based on the share price as at 31 January 2021.** Further details are provided in the Chairman's Statement on page 8. Of the total dividend, 17% (2020: 54%) was generated from revenue in the year. The remainder was funded from realised capital reserves and represents 2.8% (2020: 1.4% from revenue reserve and realised capital reserves) of the year end net assets.

Financial Position and Borrowings

At 31 January 2021, the Company's net assets were valued at £191 million (2020: £205 million), comprising a portfolio of equity investments and net current assets, with no borrowings (2020: £nil).

Borrowings under the Company's investment policy may be used to raise market exposure up to the lower of 30% of net asset value and £25 million. The Company currently has an overdraft facility with The Bank of New York Mellon under which borrowings are limited to the maximum of 30% of net assets and £15 million, whichever is the lower. The overdraft facility is available for gearing or settlement purposes and was not drawn at the year end (2020: £nil).

Outlook, including the Future of the Company

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

Principal Risks and Uncertainties

The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Most of these risks are market related and are similar to those of other investment trusts investing primarily in listed markets. The Audit Committee reviews the Company's risk control summary at each meeting, and as part of this process, gives consideration to identify emerging risks. Any emerging risks that are identified, that are considered to be of significance will be recorded on the Company's Risk Control Summary with any mitigations. In carrying out this assessment, consideration is being given to the market and the impact from the Coronavirus (Covid-19) outbreak.

Market (Economic) Risk: Factors such as fluctuations in stock markets, interest rates and exchange rates are not under the control of the Board or the Portfolio Manager, but may give rise to high levels of volatility in the share prices of investee companies, as well as affecting the Company's own share price and the discount to its NAV. To a limited extent, futures can be used to mitigate this risk, as can the judicious holding of cash or other very liquid assets. The risk could be triggered by unfavourable developments globally and/or in one or more regions, contemporary examples being the market uncertainty in relation to Covid-19 pandemic. The Directors have assessed the market impact of Covid-19 through regular discussions with the Portfolio Managers and the Corporate Broker.

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

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

The Portfolio Manager is relatively risk averse, looks for lower volatility in the portfolio and seeks to outperform in more challenging markets. The Portfolio Manager remains cognisant at all times of the potential liquidity of the portfolio.

There can be no guarantee that the Company's strategy and business model will be successful in achieving its investment objective. The Board monitors the performance of the Company and has guidelines in place to ensure that the Portfolio Manager adheres to the approved investment policy. The continuation of the Manager's mandate is reviewed annually.

Shareholders' Risk: The value of an investment in the Company may go down as well as up and an investor may not get back the amount invested. The Board reviews regularly the Company's investment objective and strategy to ensure that it remains relevant, as well as reviewing the composition of the shareholder register, peer group performance on both a share price and net asset value basis, and the Company's share price discount to net asset value per share.

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

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

Reliance on the Manager and other Third Party Service Providers:

The Company has no employees and the Directors are all non-executive. The Company is therefore reliant upon the performance of third party service providers for its executive function and service provisions. Third party service providers are subject to ongoing monitoring by the Manager and the Company. The Company's operational structure means that all cyber risk (information and physical security) arises at its third party service providers, including fraud, sabotage or crime against the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company successfully to pursue its investment policy. The Company's main service providers, of which the Manager is the principal provider, are listed on page 68. The Directors have reviewed the operational readiness as detailed in the "Operational Resilience Risk" section.

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

The Audit Committee reviews regularly the performance and internal controls of the Manager and all third party providers through audited service organisation control reports, together with updates on information security and business continuity plans and testing, the results of which are reported to the Board. The Manager reviews the performance of all third party providers regularly through formal and informal meetings.

Regulatory Risk: The Company is subject to various laws and regulations by virtue of its status as an investment trust, its listing on the London Stock Exchange and being an Alternative Investment Fund under the Alternative Investment Fund Managers Directive. A loss of investment trust status could lead to the Company being subject to corporation tax on the chargeable capital gains arising on the sale of its investments. Other control failures, either by the Manager or any other of the Company's service providers, could result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with tax and other financial regulatory requirements on a regular 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 16 to the financial statements.

Operational Resilience Risk: The Company's operational capability relies upon the ability of its third party service providers to continue working throughout the disruption caused by a major event such as the Covid-19 pandemic.

The Manager's business continuity plans are reviewed on an ongoing basis and the Directors are satisfied that the Manager has in place robust plans and infrastructure to minimise the impact on its operations so that the Company can continue to trade, meet regulatory obligations, report and meet shareholder requirements.

As the impact of Covid-19 continues, the Manager has mandated work from home arrangements and implemented split team working for those whose work is deemed necessary to be carried out on business premises. Any meetings are held virtually or via conference calls. Other similar working arrangements are in place for the Company's third-party service providers. The Board receives regular update reports from the Manager and third party service providers on business continuity processes and has been provided with assurance from them all insofar as possible that measures are in place for them to continue to provide contracted services to the Company.

Viability Statement

In accordance with provision 31 of the UK Code of Corporate Governance, the Directors have assessed the prospects of the Company over a longer period than 12 months. The Company is an investment trust, a collective investment vehicle designed and managed for long term investment. While the appropriate period over which to assess the Company's viability may vary from year to year, the long term for the purpose of this viability statement is currently considered by the Board to be at least five years, with the life of the Company not intended to be limited to that or any other period.

The main risks to the Company's continuation are: poor investment performance over an extended period; or shareholder dissatisfaction through failure to meet the Company's investment objective; or the investment policy not being appropriate in prevailing market conditions. Accordingly, failure to meet the Company's investment objective, and contributory market and investment risks, are deemed by the Board to be principal risks of the Company and are given particular consideration when assessing the Company's long term viability. Despite the disruption from Covid-19 and the impact on global markets, the Directors remain confident that the Company's investment strategy will continue to serve shareholders well over the longer term.

The investment objective of the Company has been substantially unchanged for many years. The 2015 amendment to dividend policy gave some additional weight to targeting increased dividend income to shareholders. This change does not affect the total return sought or produced by the Portfolio Manager but was designed to increase returns distributed to shareholders. The Board considers that the investment objective remains appropriate. This is confirmed by contact with major shareholders.

Performance derives from returns for risk taken. The Portfolio Managers' Report on pages 10 to 12 sets out their current investment strategy. Disruption from global markets during the year has resulted in under performance at the year end, however, the Company's performance has been strong through different market cycles, as shown by the ten year total return performance graph on page 6. 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 is a closed end investment trust and can pursue a long term investment strategy and make use of gearing to enhance returns through investment cycles without the need to maintain liquidity for investor redemptions.

Based on the above analysis, including review of the revenue forecast for future years along with stress testing of the portfolio valuation, 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 2026.

Duty to Promote the Success of the Company (s.172)

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the below details how the Directors have discharged their duties under section 172 of the Companies Act 2006 during the year under review. The Directors have a statutory duty to promote the success of the Company, whilst also having regard to certain broader matters, including the need to engage with employees, suppliers, customers and others, and to have regard to their interests. However, the Company has no employees and no customers in the traditional sense. In accordance with the Company's nature as an investment trust, the Board's principal concern has been, and continues to be, the interests of the Company's shareholders taken as a whole. In doing so, it has due regard to the impact of its actions on other shareholders and the wider community. A formal schedule of matters reserved for decision by the Board details the responsibilities of the Board. The main responsibilities include: setting the Company's objectives, policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure; setting long-term objectives and strategy; assessing risk; reviewing investment performance; approving loans and borrowing; and controlling risks. The Schedule of Matters Reserved for the Board and the Terms of Reference for its Committees are reviewed at least annually and published on the Company's web page.

The Board engages with the Manager at every Board meeting and receives updates from the Portfolio Managers on a regular basis outside of these meetings. The Management Engagement Committee reviews its relationships with the Manager and other third party service providers at least annually. The Manager holds regular service review meetings with the Company's Registrar, Depositary, Broker, Fund Accountant and Custodian; and reviews their performance against various service level agreements. Summaries of these reviews are presented to the Board on a regular basis and the Manager acts on feedback as appropriate.

At every Board meeting the Directors receive an investor relations update from the Manager, which details any significant changes in the Company's shareholder register, shareholder feedback, as well as notifications of any publications or press articles.

Some of the key discussions and decisions the Board made during the year were:

- to appoint Graham Paterson as Chairman of the Audit Committee on 11 June 2020 following Richard Brooman's retirement. Mr Paterson is a qualified chartered accountant with over 20 years' experience in private equity;
- to consider the impact of the Covid-19 on the Company and portfolio holdings;
- to appoint an additional director to enable long term succession planning and to ensure that the Board had a balance of skills. After a recruitment process which began

prior to the Company's year end Mike Prentis was appointed as a Director of the Company with effect from 22 February 2021;

- to consider Brexit with additional guidance provided by the Manager and other third-party service providers however, it was decided that there were no direct changes required; and
- to discuss and adjust the Company's dividend policy in response to the impact of Covid-19 on the portfolio and financial markets. Further details can be found in the Chairman's Statement.

The Company communicates with shareholders at least twice a year providing information about shareholder meetings, dividend payments and financial results. The Company's page on the Manager's website provides all shareholder information and hosts blogs and video presentations (vlogs) by the Portfolio Manager. The Company holds its Annual General Meeting in London; this provides shareholders with the opportunity to listen to a presentation by the Portfolio Manager and meet with Directors and representatives of the Manager. All shareholders are encouraged to attend the AGM in normal circumstances and vote on the resolutions. Furthermore, the Manager provides a schedule of regional meetings with institutional investors and analysts to gather the views and thoughts of institutional investors.

Environmental, Social and Governance (ESG) Matters

In relation to the portfolio, the Company has, for the time being, delegated the management of the Company's investments to the current Manager, who has an ESG Guiding Framework which sets out a number of principles that are considered in the context of its responsibility to manage investments in the financial interests of shareholders.

The Manager is committed to being a responsible investor and applies, and is a signatory to, the United Nations Principles for Responsible Investment ('PRI'), which demonstrates its extensive efforts in terms of ESG integration, active ownership, investor collaboration and transparency. The Manager also achieved a global 'A+' rating for its overall approach to responsible investment for the fourth consecutive year since 2018 as well as achieving an 'A' or 'A+' across all categories in the 2020 assessment period from PRI for Strategy and Governance. In addition, the Manager is an active member of the UK Sustainable Investment and Finance Association as well as a supporter of the Task Force for Climate Related Financial Disclosure (TCFD) since 2019. The Manager has published its inaugural Climate Change report in line with the TCFD in July 2020. Although TCFD does not apply directly for the Company at present, the Board confirms that it will comply with all reporting regulations as they are implemented.

The Manager has also voluntarily complied with the Sustainable Finance Disclosure Regulation (SFDR) which came into effect within the European Union on 10 March 2021 and introduces a number of sustainability-related disclosure requirements for financial market participants.

The investment team incorporates ESG considerations in its investment process as part of the evaluation of new opportunities, with identified ESG concerns feeding into the final investment decision and assessment of relative value. The portfolio managers make their own conclusions about the ESG characteristics of each investment held and about the overall ESG characteristics of the portfolio, although third party ESG ratings may inform their view. Additionally, the Manager's ESG team provides formalised ESG portfolio monitoring. This is a rigorous semi-annual process where the portfolio is reviewed from an ESG perspective.

Regarding stewardship, the Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of corporate governance are maintained in the

companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are exercised on an informed and independent basis. Further details are shown in the ESG Statement from the Manager on page 21.

The Company's stewardship functions have been delegated to the Manager. The current Manager has adopted a clear and considered policy towards its responsibility as a shareholder on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value and comply with local recommendations and practices, such as the UK Corporate Governance Code. The Manager is also a Tier 1 signatory of the Financial Reporting Council's Stewardship Code, which seeks to improve the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. A copy of the current Manager's Stewardship Policy can be found at www.invesco.co.uk.

A greenhouse gas emissions statement is included in the Directors' Report on page 29.

Modern Slavery

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

Board Diversity

The Board takes into account many factors, including the balance of skills, knowledge, diversity (including gender) and experience, amongst other factors when reviewing its composition and appointing new directors. The Board has considered the recommendations of the Davies and Hampton-Alexander review as well as the Parker review, but does not consider it appropriate to establish targets or quotas in this regard. There are no set targets in respect of diversity, including gender. However, diversity forms part of both the Nominations Committee and main Board's deliberations when considering new appointments. The Company's success depends on suitably qualified candidates who are willing, and have the time, to be a director of the Company. Summary biographical details of the Directors are set out on page 25. The Company has no employees. At the year end the Board consisted of four directors, two of whom are women, thereby constituting 50% female representation.

The Strategic Report was approved by the Board of Directors on 22 April 2021.

Invesco Asset Management Limited
Corporate Company Secretary

Environmental, social and corporate governance (ESG) statement from the Manager

■ Investing in stocks which have the right ESG momentum behind them can be a positive way for our funds to potentially generate alpha

■ We draw upon ESGintel, Invesco's proprietary tool, which helps us to better understand how companies are addressing ESG issues

■ Engaging with companies to understand corporate strategy today in order to assess how this could evolve in the future

■ Monitoring how companies are performing from an ESG perspective and if the valuations fairly reflect the progress being made

Our focus as active fund managers is always on finding mispriced stocks and ESG integration underpins our investment process at every stage.

The incorporation of ESG into our investment process considers ESG factors as inputs into the wider investment process as part of a holistic consideration of the investment risk and opportunity, from valuation through investment process to engagement and monitoring. The core aspects of our ESG philosophy include: materiality; ESG momentum; and engagement.

■ Materiality refers to the consideration of ESG issues that are financially material to the corporate or issuer we are analysing.

■ The concept of ESG Momentum, or improving ESG performance over time, indicates the degree of improvement of various ESG metrics and factors and help fund managers identify upside in the future. We find that companies which are improving in terms of their ESG practices may enjoy favourable financial performance in the longer term.

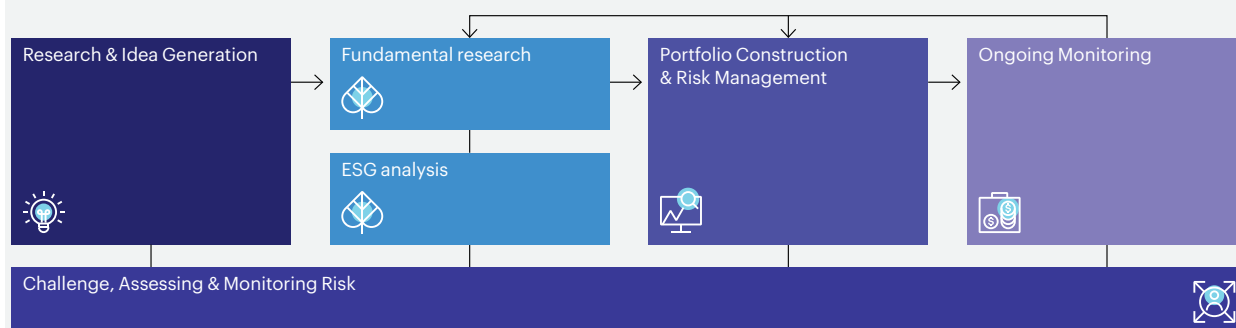
■ Engagement is part of our responsibility as active owners which we take very seriously, and we see engagement with companies as an opportunity to encourage continual improvement. Dialogue with portfolio companies is a core part of the investment process for our investment team. As such, we often participate in board level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency, and capital allocation as well as wider ESG aspects.

ESG integration is an ongoing strategic effort to systematically incorporate ESG Factors into fundamental analysis. The aim is to provide a 360 degree valuation of financial and non-financial materially relevant considerations and to help guide the portfolio strategy.

Our investment process has four stages. In this note we go through in detail how ESG is integrated into each stage of our process.

Figure 1

Our overall investment process



For illustrative purposes only.



Research & Idea Generation

Ideas come from many sources – our experienced FMs, other team members or investment floor colleagues, various company meetings, and by exploiting the intellectual capital of our sell side contacts. We see it as important to spread our nets as wide as possible when trying to come up with stock ideas which may find their way into our portfolios. We remain open minded as to the type of companies we will consider. This means not ruling out companies just because they happen to be unpopular at that time and vice versa.

ESG can create opportunities too – for example, the benefits of moving towards more sustainable sources of energy like wind, solar and hydroelectric power generation. This highlights the importance of opportunities brought about by ESG and not just the risks. ESG can also influence the timing and scale of a mispricing being corrected in the market.

To be clear, at this early stage of the investment process we typically would not rule out companies with a sub-optimal ESG score. Investing in stocks which have the right ESG momentum behind them – by focussing on fundamentals and the broader investment landscape – can be a unique way for our funds to potentially generate alpha.



Fundamental Research & ESG Analysis

Research is at the core of what we do and is what the investment team spends most of its time doing. The key is to filter out those ideas which aren't aligned with our investment philosophy and concentrating on those where we see the strongest investment case. Our fundamental analysis covers many drivers, for example, corporate strategy, market positioning, competitive dynamics, top-down fundamentals, financials, regulation, valuation, and, of course, ESG considerations, which guide our analysis throughout. The key drivers will differ according to each stock.

We use a variety of tools from different providers to measure ESG factors. In addition, at Invesco, we have developed ESGintel, Invesco's proprietary tool built by our Global ESG research team in collaboration with our Technology Strategy Innovation and Planning (SIP) team.

ESGintel provides fund managers with environmental, social and governance insights, metrics, data points and direction of change. In addition, ESGintel offers fund managers an internal rating on a company, a rating trend, and a rank against sector peers. The approach ensures a targeted focus on the issues that matter most for sustainable value creation and risk management.

This provides a holistic view on how a company's value chain is impacted in different ways by various ESG topics, such as compensation and alignment, health and safety, and low carbon transition/climate change.

We always try to meet with a company prior to investment. Based on our fundamental research, including any ESG findings, we focus on truly understanding the key drivers and, most importantly, the path to change. This helps us better understand corporate strategy today and how this could evolve in the future. Today, the subject of ESG is increasingly part of these discussions, led by us.



Portfolio Construction & Risk Management

We aim to create a well-diversified portfolio of active positions that reflect our assessment of the potential upside for each stock, weighted against our assessment of the risks. Sustainability and ESG factors will be assessed alongside other fundamental drivers of valuation. The impact of any new purchases will need to be considered at a fund level. How will it affect the shape of the portfolio having regard to fund objectives, existing positions, overall size of the fund, liquidity and conviction?

We do not seek out stocks which score well on internal or third party research simply to reduce portfolio risk. We ask the question, "Why does the idea deserve a place in the portfolio?" We ask this because there is a competition for capital, a new idea will require something else to be sold or reduced so that it can be included.



Ongoing Monitoring

Our fund managers and analysts continuously monitor how the stocks are performing as well as considering possible replacements. Are the investment cases strengthening or weakening? Are their valuations reflecting the companies' prospects appropriately? Is the company performing from an ESG perspective and are the valuations fairly reflecting the progress being made or not? Are the anticipated key drivers playing out or not? These questions, and their answers, are all of equal importance to us.

How do we monitor our holdings from an ESG perspective? Again, the same resources used during the fundamental stage are available to us. Our regular meetings with the management teams of the companies we own provides an ideal platform to discuss key ESG issues, which will be researched in advance. We draw on our own knowledge as well as relevant analysis from our ESG team and data from our previously mentioned proprietary system ESGintel which allows us to monitor progress and improvement against sector peers. Outside of company management meetings we constantly discuss as a team all relevant ESG issues, either stimulated internally or from external sources.

Additional ESG analysis is carried out by the team, when warranted, on particular companies. Depending on the particular case this is often in conjunction with the ESG team. Such cases would be those that are more controversial, considered to be higher risk and viewed poorly by ESG providers, resulting in a valuation discount. We don't just look at the specific issue considered to be higher risk either, for example the environmental risk of an oil company, but all areas of ESG. This means undertaking extensive analysis of social and governance policies and actions at the same time. We would note that this analysis is an ongoing process, typically involving multiple engagements with the company over a long period of time. All ESG discussions and interactions are written up - including our views and thoughts - with a section solely dedicated to ESG. Likewise, research undertaken by the ESG team is available to the entire Henley investment floor, and wider business. Further analysis could be warranted as a result of these discussions.



Challenge, Assessing & Monitoring Risk

In addition, there are two more formal ways in which our funds are monitored:

There is a rigorous semi-annual review process which includes a meeting led by the ESG team to assess how our various portfolios are performing from an ESG perspective. This ensures a circular process for identifying flags and monitoring of improvements over time. These meetings are important in capturing issues that have developed and evolved whilst we have been shareholders. It is our responsibility to decide if it is appropriate, or not, to investigate these issues in more detail. We may ask the ESG team to assist in undertaking more analysis or discuss such issues with the company themselves or external brokers.

There is also the 'CIO challenge', a formal review meeting held between the Henley Investment Centre's CIO and each fund manager. Prior to the meeting, the Investment Oversight Team prepare a detailed review of a portfolio managed by the fund manager. This review includes a full breakdown of the ESG performance using Sustainalytics and ISS data, such as the absolute ESG performance of the fund, relative performance to benchmarks, stocks exposed to severe controversies, top and bottom ESG performers, carbon intensity and trends. The ESG team review the ESG data and develop stock specific or thematic ESG questions. The ESG performance of the fund is discussed in the CIO challenge meeting, with the CIO using the data and the stock specific questions to analyse the fund manager's level of ESG integration. The aim of these meetings is not to prevent a fund manager from holding any specific stock: rather, what matters is that the fund manager can evidence understanding of ESG issues and show that they have been taken into consideration when building the investment case.

ESG integration is an ongoing strategic effort to systematically incorporate ESG Factors into fundamental analysis. The aim is to provide a 360 degree valuation of financial and non-financial materially relevant considerations and to help guide the portfolio strategy.

Voting Policy

We review AGM and EGM proposals taking into account our own knowledge of the companies in which our funds are invested, as well as the comments and recommendations of ISS, Glass Lewis and IVIS. In addition, Invesco provides proprietary proxy voting recommendations and publishes these recommendations via its PROXYintel platform.

All voting decisions remain with the fund manager, however, where a fund manager votes against an Invesco voting recommendation, the rationale for such decision is recorded and available on the platform.

Where there are situations of controversy or differing views between the consultants mentioned above, we will draw on the expertise of our internal ESG team for advice. There will be times when we will follow the recommendations made by proxy research providers but times where we disagree with the stance being taken.

Voting in line with management recommendations should not be seen as evidence of a lack of engagement or challenge on our part, but rather that we believe that the governance of the companies in which we are invested is appropriate for the size of the company, robust and worthy of support. There may be instances where we vote in support of management, but the ESG performance of the company is not perfect and issues have been identified. In this situation we would have been engaged with the company leading up to the vote and if necessary, would have raised concerns and likely given a time horizon or measure for improvement which, if not met, could lead to a vote against in the future. In that respect, our approach to governance is one of engagement and improvement.

We do not expect companies to change overnight but we do expect continual review of governance processes and continued improvement.

Case Study

A recent example of engagement prior to a company's general meeting involved a vote on the remuneration policy and report and re-election of the Chair at a company which engages in the provision of veterinary services. Two third-party research providers recommended votes in favour of these resolutions.

As part of our stewardship, we reviewed the company's executive remuneration policy and engaged with the remuneration committee on a number of areas where we felt that the policy could be more closely aligned with peers and shareholder interests.

In addition, we engaged on director pension arrangements and contribution rates to determine if they were aligned with the majority of the wider workforce. Whilst we received clarification on a number of points that we raised, we reached the view that there were some key issues that were not sufficiently addressed. As a result, we felt unable to support these specific resolutions at the AGM and voted against.

In addition to executive remuneration, we had engaged with the company over the past two years on the tenure of the Chair who had served since 2007 and possible succession. Given the company is AIM listed, it is not required to comply with the UK Corporate Governance Code (which requires the chair to be independent and ceases to be independent after nine years). However, we took the view that good governance requires an independent Chair and given we had raised these issues previously, after consideration we felt a vote against was again required.

Conclusion

The regulatory landscape is rapidly evolving, which increasingly compels organisations and investors alike to clearly demonstrate their awareness of ESG issues in their decisions. Landmark initiatives such as the European Union's new Sustainable Finance Disclosure Regulation (SFDR) are at the forefront of this shift.

We believe that our approach is honest, coherent and pragmatic. The principles behind ESG deserve to be embedded in an investment framework, which encourages positive change.

Coupling this with a focus on valuation is, to our minds, the best way to deliver strong investment outcomes for our clients' long term. This reinforces our fundamental belief that responsible investing demands a long-term view and that a stakeholder-centric culture of ownership and stewardship is at the heart of ESG integration.

Investments in Order of Valuation

AT 31 JANUARY 2021

Ordinary shares unless stated otherwise

Company	Sector	Market Value £'000	% of Portfolio
RWS ^{AIM}	Support Services	7,160	3.8
JTC	Financial Services	6,039	3.2
CVS ^{AIM}	General Retailers	5,987	3.2
Future	Media	5,660	3.0
Clinigen ^{AIM}	Pharmaceuticals & Biotechnology	4,634	2.5
Johnson Service ^{AIM}	Support Services	4,325	2.3
4imprint	Media	4,184	2.2
NCC	Software & Computer Services	4,041	2.2
Aptitude Software	Software & Computer Services	4,020	2.1
Volution	Construction & Materials	3,780	2.0
Top Ten Holdings		49,830	26.5
Hilton Food	Food Producers	3,655	2.0
Essentra	Support Services	3,612	1.9
Arrow Global	Financial Services	3,565	1.9
Hill & Smith	Industrial Engineering	3,524	1.9
Hollywood Bowl	Travel & Leisure	3,368	1.8
Sanne	Financial Services	3,281	1.7
Ultra Electronics	Aerospace & Defence	3,212	1.7
CLS	Real Estate Investment & Services	3,111	1.7
Brooks Macdonald ^{AIM}	Financial Services	3,011	1.6
Energiean	Oil & Gas Producers	2,950	1.6
Top Twenty Holdings		83,119	44.3
Keywords Studios ^{AIM}	Leisure Goods	2,889	1.5
The Gym Group	Travel & Leisure	2,874	1.5
Vistry	Household Goods & Home Construction	2,701	1.4
Young & Co's Brewery - Non-Voting ^{AIM}	Travel & Leisure	2,676	1.4
discoverIE	Electronic & Electrical Equipment	2,627	1.4
Crest Nicholson	Household Goods & Home Construction	2,625	1.4
Learning Technologies ^{AIM}	Software & Computer Services	2,613	1.4
James Fisher and Sons	Industrial Transportation	2,590	1.4
VP	Support Services	2,547	1.4
Vectura	Pharmaceuticals & Biotechnology	2,539	1.4
Top Thirty Holdings		109,800	58.5
St. Modwen Properties	Real Estate Investment & Services	2,537	1.4
Restore ^{AIM}	Support Services	2,532	1.3
Inspects ^{AIM}	Personal Goods	2,324	1.3
Loungers ^{AIM}	Travel & Leisure	2,290	1.2
Coats	General Industrials	2,278	1.2
Severfield	Industrial Engineering	2,226	1.2
JD Wetherspoon	Travel & Leisure	2,205	1.2
Polypipe	Construction & Materials	2,198	1.2
Vitec	Industrial Engineering	2,183	1.1
Robert Walters	Support Services	2,160	1.1
Top Forty Holdings		132,733	70.7

Company	Sector	Market Value £'000	% of Portfolio
Churchill China ^{AIM}	Household Goods & Home Construction	2,138	1.1
Knights ^{AIM}	Support Services	2,083	1.1
Advanced Medical Solutions ^{AIM}	Health Care Equipment & Services	2,067	1.1
Kainos	Software & Computer Services	2,052	1.1
Grafton ^U	Support Services	2,047	1.1
Jadestone Energy ^{AIM}	Oil & Gas Producers	2,003	1.1
Workspace	Real Estate Investment Trusts	1,927	1.0
Scapa ^{AIM}	Chemicals	1,906	1.0
DFS Furniture	General Retailers	1,872	1.0
Alfa Financial Software	Software & Computer Services	1,835	1.0
Top Fifty Holdings		152,663	81.3
Vesuvius	Industrial Engineering	1,832	1.0
Cohort ^{AIM}	Aerospace & Defence	1,765	0.9
Alpha Financial Markets Consulting ^{AIM}	Support Services	1,677	0.9
Topps Tiles	General Retailers	1,666	0.9
Ricardo	Support Services	1,657	0.9
Mitchells & Butlers	Travel & Leisure	1,603	0.9
Midwich ^{AIM}	Support Services	1,586	0.9
Savills	Real Estate Investment & Services	1,568	0.8
FDM	Software & Computer Services	1,560	0.8
Secure Trust Bank	Banks	1,534	0.8
Top Sixty Holdings		169,111	90.1
Safestore	Real Estate Investment Trusts	1,529	0.8
Gooch & Housego ^{AIM}	Electronic & Electrical Equipment	1,511	0.8
XPS Pensions	Financial Services	1,502	0.8
Marlowe ^{AIM}	Support Services	1,487	0.8
M&C Saatchi ^{AIM}	Media	1,428	0.8
Bytes Technology	Software & Computer Services	1,245	0.7
Chemring	Aerospace & Defence	1,204	0.7
ECO Animal Health ^{AIM}	Pharmaceuticals & Biotechnology	1,149	0.5
Dunelm	General Retailers	1,028	0.5
Sumo ^{AIM}	Leisure Goods	1,021	0.5
Top Seventy Holdings		182,215	97.0
Tyman	Construction & Materials	936	0.5
LSL Property Services	Real Estate Investment & Services	865	0.5
Fuller, Smith & Turner	Travel & Leisure	814	0.5
Serco	Support Services	747	0.4
Euromoney Institutional Investor	Support Services	742	0.4
Thruvision ^{AIM}	Electronic & Electrical Equipment	573	0.3
Premier Oil	Oil & Gas Producers	472	0.2
Trealtt	Chemicals	418	0.2
Total Investments (78)		187,782	100.0

^{AIM} Investments quoted on AIM.

^U Units - composite of multiple share classes: 1 ordinary, 1 'C' ordinary and 17 'A' ordinary share classes. These were simplified by Grafton on 7 March 2021 to one ordinary share class.

The percentage of the portfolio invested in AIM stocks at the year end was 33.3% (2020: 27.8%). There were 25 AIM stocks held at the year end, representing 32.1% of the 78 stocks held (2020: 23 AIM stocks held representing 31.9% of the 72 stocks held).



Governance

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Directors



Jane Lewis

Joined the Board in December 2013 and was appointed Chairman of the Board and Nomination Committee with effect from 6 June 2019. She is an investment trust specialist who, until August of 2013, was Director of Corporate Finance and Broking at Winterflood Investment Trusts. Prior to this she worked at Henderson Global Investors and Gartmore Investment

Management Limited in investment trust business development and at West LB Panmure as an investment trust broker. Jane has a BA and LLB and also holds the Securities Institute Diploma and the Investment Management Certificate. Jane is a non-executive director of Majedie Investments plc, BMO Capital and Income Investment Trust plc, The Scottish Investment Trust plc and BlackRock World Mining Trust plc.



Bridget Guerin

Joined the Board in May 2018. She has spent 33 years in the investment industry and has held senior positions as marketing director at Ivory & Sime and Schroders, where she was responsible for the launch and support of several investment trusts. She was also managing director of Matrix Money Management Limited. She is currently a non-executive director of Mobeus

Income & Growth VCT plc, chairman of Schroder Income Growth Fund plc and chairman elect of Miton UK MicroCap Trust plc. She is also a non-executive director of GAM Systematic Multi Strategy Fund and GAM Systematic Core Macro Fund. Bridget is Chairman of York Racecourse and is a non-executive director of Beverley Racecourse. She is also a trustee of the York Racecourse Pension Fund.



Christopher Fletcher

Joined the Board in December 2010 and was appointed as Chairman of the Management Engagement Committee with effect from 6 June 2019. He was appointed Senior Independent Director on 11 June 2020. For a number of years until 2011, he was Head of Retail Investments at Baillie Gifford & Co with responsibility for marketing, administration and non-institutional

business development, particularly of investment trusts and pooled funds. Prior to joining Baillie Gifford & Co in 1997, Christopher was a partner in the Edinburgh office of KPMG.



Graham Paterson

Joined the Board on 15 October 2019 and was appointed as Chairman of the Audit Committee on 11 June 2020. He is an investment and financial services professional with over 20 years' experience in the private equity industry. A chartered accountant, Graham was one of the founding partners of SL Capital Partners LLP (formerly Standard Life Investments

(Private Equity) Ltd), where he was a partner and board member until 2010. During his 13 years at SL Capital, he was one of the managers of Standard Life Private Equity Trust plc and was a member of the advisory boards to a number of leading private equity fund managers. In 2013, Graham co-founded TopQ Software Ltd which was acquired by eVestment Inc (now part of NASDAQ Inc) in 2015. Graham is a non-executive director of Baillie Gifford US Growth Trust plc and Mobeus Income & Growth 4 VCT plc. He is also non-executive chairman of Datactics Limited.



Mike Prentis

Joined the Board on 22 February 2021. Mike is a former fund manager and managing director at BlackRock. He was fund manager for BlackRock Smaller Companies Trust plc until June 2019 and BlackRock Throgmorton Trust plc until February 2018. Mike is a non-executive director of Central Asia Metals plc. He is a chartered accountant.

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

Directors' Report

Introduction

The Directors present their report for the year ended 31 January 2021.

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 33 is included in this Directors' Report by reference.

The Board

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

Chairman

The Chairman of the Board is Jane Lewis, and she has been a member of the Board since 2013 and Chairman since June 2019. Jane Lewis is an independent non-executive Director with no conflicting relationships.

Senior Independent Director

The Senior Independent Director is Christopher Fletcher. He is available to shareholders if they have concerns which contact through the normal channels of Chairman or Manager has failed to resolve or for which such contact is inappropriate. No such issues were raised during the year. Christopher Fletcher will retire at the conclusion of this year's AGM and Bridget Guerin will be appointed as Senior Independent Director.

Board Balance and Independence

The Directors have a range of business, financial or asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 25.

When considering the independence of directors, the Board takes into account their experience and whether a Director is independent in character and judgement. The Board considers that all Directors are independent of the Company's Manager.

Board Responsibilities

The Board has overall responsibility for the Company's affairs. The Directors are equally responsible under United Kingdom law for

promoting the success of the Company and for the proper conduct of the Company's affairs taking into consideration the likely consequences of any decision in the long-term; the need to foster business relationships with its Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly between shareholders of the Company. This is reported in the Strategic Report on page 16. The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company and has a zero tolerance approach towards the criminal facilitation of tax evasion. In addition, the Board is responsible for ensuring that the Company's policies and activities are in the interests of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered. The long-term success of the Company is promoted by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed.

The schedule of matters reserved for decision by the Board is available at the registered office of the Company and on the Company's section of the Manager's website at www.invesco.co.uk/ipukscit. The main responsibilities include: setting the Company's strategy, and its investment objective and policies; ensuring that the Company's obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure; reviewing investment performance; approving loans and borrowing; and assessing risk and overseeing its mitigation. The Board also seeks to ensure that shareholders are provided with sufficient information, in order to understand the balance between risk and reward to which they are exposed by holding the Company's shares, through the portfolio details given in the annual and half-yearly financial reports, factsheets and daily net asset value disclosures.

The Board meets on a regular basis at least five times each year. Additional meetings are arranged as necessary. Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Manager on the current investment position and outlook, strategic direction, performance versus stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes, industry best practice and other issues.

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

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

The Board as a whole undertakes periodically the responsibilities for remuneration. The remuneration of Directors and their

shareholdings are reported on in more detail in the Directors' Remuneration Report on pages 36 to 38.

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 34 to 35, which is included in this Directors' Report by reference.

Management Engagement Committee

The Management Engagement Committee comprises the entire Board under the chairmanship of Christopher Fletcher. The Committee meets at least annually to review the investment management agreement and to review the service provided by the Manager during the year. Upon Christopher Fletcher's retirement at the conclusion of the Annual General Meeting, Bridget Guerin will be appointed as Chairman of the Committee.

Nomination Committee

All Directors are members of the Nomination Committee under the Chairmanship of Jane Lewis. The Committee meets at least once a year to review the Board's size, composition and structure, and to ensure an appropriate balance of skills, experience, independence and knowledge of the Company. The Committee has due regard for the benefits of diversity (including gender) of its members, but has not set any measurable objective for diversity for the Company or the Committees.

The Committee met twice during the year and reviewed succession planning. Taking into consideration the skills and tenure of Directors, as well as Richard Brooman's retirement at the 2020 AGM the Committee commenced recruitment for a new director. An external independent recruitment consultancy, Fletcher Jones Ltd, was used for this search and the Committee provided a detailed description of the role and the skills required. The Company and Directors have no connection with Fletcher Jones Ltd. As a result, Mike Prentis was appointed to the Board on 22 February 2021 and stands for election at the forthcoming AGM.

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

Appointment, Re-election and Tenure of Directors

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

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

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

Board, Committee and Directors' Performance Appraisal

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

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

The Board has conducted its performance evaluation through formal questionnaires and discussion between the Directors and the Chairman/Audit Committee Chairman respectively. The performance of the Chairman is also evaluated annually, with discussion of her performance led by the Senior Independent Director, 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 2021 and the number of meetings attended by each Director.

Meetings:	Board	Audit Committee	Management Engagement Committee	Nomination Committee
Number of meetings held (year ended 31 January 2021)	5	3	1	2
Meetings Attended:				
Jane Lewis	5	3	1	2
Richard Brooman (Retired 11 June 2020)	2	1	1	2
Christopher Fletcher	5	3	1	2
Bridget Guerin	5	3	1	2
Graham Paterson	5	3	1	2

Mike Prentis was appointed a Director on 22 February 2021 following the Company's year end.

In addition to the above, Directors attended a number of ad hoc meetings during the year.

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 37.

Disclosable Interests

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

Conflicts of Interest

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

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

Directors' Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, deeds of indemnity have been executed on behalf of the Company for each of the Directors under the Company's Articles of Association. Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

Internal Controls and Risk Management

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

The Audit Committee, on behalf of the Board, has established an ongoing process for identifying and undertaking a robust assessment of the risks and emerging risks to which the Company is exposed by reference to a risk control summary, which maps the risks, mitigating controls in place, and monitoring and reporting of relevant information to it. The Audit Committee reviews, at least

annually, the effectiveness of the Manager'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 Audit Committee 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 2021 and up to the date of this annual financial report.

The Audit Committee 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 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 Audit Committee.

Going Concern

The financial statements have been prepared on a going concern basis.

The portfolio of investments is comprised entirely of quoted securities and the ongoing charges are less than 1% of net assets. As of 22 April 2021, the Company had not used any of its borrowing facilities and they remain fully available for investment opportunities within prescribed limits as set by the Board.

The Directors consider that the Company has adequate resources to continue in operational existence for a period until 31 January 2023. In considering this, the Directors took into account the factors above, including the liquidity of the portfolio assets, income and cash forecasts and also the Company's ability to meet all of its liabilities, including bank borrowings and ongoing expenses as they fall due.

The Manager

The Manager, which 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, 10 September 2015 and 6 September 2019. The agreement is terminable by either party giving not less than six months' notice and immediately in certain circumstances.

A base management fee is payable monthly in arrears and is calculated at the rate of 0.75% per annum by reference to the Company's gross 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 2021 and determined that the continuing appointment of IFML as Manager is in the best interests of the Company and its shareholders.

Company Secretary

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

Stewardship

The Board considers that the Company has a responsibility as a shareholder to encourage that high standards of Corporate Governance are maintained in the companies in which it invests. The Company's stewardship functions have been delegated to the Manager who exercises the Company's voting rights on an informed and independent basis. To the extent that voting rights and exercisable votes are cast it is with a view to supporting high standards of corporate governance. The Manager's approach to corporate governance and the UK Stewardship Code can be found on pages 17 and 33 and on the Manager's website at www.invesco.co.uk, together with a copy of the Manager's Stewardship Policy and the Manager's global proxy voting policy.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the daily publication of the net asset value and the monthly and daily fact sheets. At each AGM, a presentation is normally 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 normally 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 68.

Shareholders can also visit the Company's section of the Manager's website in order to access Company specific information, including: the annual and half-yearly financial

reports; pre-investor information; Key Information Documents (KIDs); any shareholder circulars; proxy voting results; factsheets; and Stock Exchange announcements. Shareholders can also access various Company reviews and information, such as an overview of UK equities and the Company's share price.

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

Communication with the Board of Directors

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 for her response.

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.

Greenhouse Gas Emissions

The Company has no employees or property, it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes. All services are outsourced on a fee basis that is independent of any energy expended on its behalf and it is not practical, or required, for the Company to attempt to quantify emissions in respect of such proxy energy use.

Share Capital

Capital Structure

At 31 January 2021, the Company's issued share capital consisted of 33,826,929 ordinary shares and 19,382,155 treasury shares.

During the year, the Company did not issue any ordinary shares from its treasury account nor buy back any shares to its treasury account. There has been no change to the issued share capital since the financial year end.

To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders each year for the authority to buy back and to issue shares.

Restrictions

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

Voting

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

Substantial Shareholders

The Company has been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

Fund Manager/Registered Holder	As at 31 March 2021		As at 31 January 2021	
	Shares	%	Shares	%
Hargreaves Lansdown, stockbrokers (EO)	4,343,513	12.84	4,243,913	12.55
Interactive Investor (EO)	3,380,884	9.99	2,455,901	7.87
Royal London Asset Management	2,380,000	7.04	2,663,540	7.26
West Yorkshire Pension Fund	2,335,000	6.90	2,335,000	6.90
Charles Stanley	1,885,244	5.57	1,851,750	5.47
AJ Bell, stockbrokers (EO)	1,391,325	4.11	1,325,120	3.92

(EO: Execution Only)

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. For the year ended 31 January 2021 only one item of this information applies – disclosure around the issue of shares – and this is covered by note 12 on page 56 (share capital).

Individual Savings Accounts (ISA)

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

Business of the Annual General Meeting ('AGM')

The following summarises resolutions of the forthcoming AGM of the Company, which is to be held on Thursday, 10 June 2021 at 12 noon. The notice of the AGM and related notes can be found on pages 62 to 65. All resolutions are ordinary resolutions unless otherwise identified. The Board is mindful of the travel and meeting restrictions in place in response to Covid-19 and therefore the AGM will be held as a closed meeting. Shareholders are therefore encouraged to submit their votes by proxy. You are strongly encouraged to lodge your vote either electronically via the Registrar's online portal, contacting your platform provider or using a Form of Proxy to appoint the Chairman of the AGM as your proxy to vote on your behalf.

The Board is cognisant of the fact that many shareholders value this opportunity to hear from the Portfolio Managers and the Board and therefore invite you to attend a webinar with us on 2 June 2021 at 10 am. A presentation will be made by Jonathan Brown followed by a question and answer session. Shareholders can submit questions during the webinar or in advance by writing to the Company Secretary at the address given on page 68 or investmenttrusts@invesco.com. Details on how to register for the event are available via the Company's website www.invesco.co.uk/ipukscit

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 36 of this AFR.

Resolution 3 is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration is set out on pages 36 to 38 of this AFR.

Resolution 4 is to approve the final dividend for the year ended 31 January 2021.

Resolutions 5 to 8 are to re-elect and elect Directors. Biographies of the Directors can be found on page 25.

All Directors will stand for election or re-election by shareholders at the AGM, with the exception of Christopher Fletcher who will retire as a non-executive Director and Chairman of the Management Engagement Committee at the conclusion of the meeting. The Board has determined that each of the Directors is independent, continues to perform effectively and demonstrates commitment to their role. Their balance of knowledge and skills combined with their diversity and business experience makes a major contribution to the functioning of the Board and its Committees. Ms Lewis has extensive investment trust sector experience on both the buy and sell side and most recently as a non-executive director of several investment trusts. Ms Guerin had a long executive career in the investment management industry with investment trust experience and has brought her broad sector and marketing experience to the Board. Mr Paterson is a chartered accountant with extensive experience in the fields of private equity and other early stage investment vehicles. Mr Prentis brings to the Board his extensive experience as a fund manager in the investment trust sector and asset management industry.

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

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

Special Business

Special Resolution 11 is to adopt new articles of association. The Company's articles of association have been updated to enable the Company to, among other things, hold general meeting, including annual general meetings, as 'hybrid' meetings. The Board will only exercise that right where it is determined that exceptional circumstances dictate. The opportunity has also been taken to make a limited number of updating and conforming changes to the Company's articles. The proposed new articles ('New Articles') and current articles ('Current Articles'), marked to show all changes proposed, will be available for inspection at the AGM, if appropriate, and on the Company's website www.invesco.co.uk/ipukscit. The changes being introduced in the New Articles are also summarised in further detail in the Appendix on page 66.

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 £656,538 (10% of the Company's issued share capital at 22 April 2021). 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 2022 or 15 months following the passing of this resolution, if earlier.

Special Resolution 13 is a special resolution 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 £656,538 (10% of the Company's issued share capital as at 22 April 2021), disapplying pre-emption rights. This will allow shares to be issued to new shareholders without them first having to be offered to existing shareholders, thus potentially broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV (with debt at fair value) and will expire at the AGM in 2022 or 15 months following the passing of this resolution, if earlier.

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% (being 5,070,657 ordinary shares) of the Company's issued ordinary share capital as at 22 April 2021, subject to the restrictions referred to in the notice of the AGM. This authority will expire at the next AGM or 15 months following the passing of this resolution, if earlier. Your Directors are proposing that shares bought back by the Company either be cancelled or, alternatively, held as treasury shares with a view to their resale, if appropriate, or later cancellation. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders. The current authority to buy back shares expires at the AGM and had not been utilised to the date of this report.

Special Resolution 15 is to permit the Company to hold general meetings (other than annual general meetings) on at least 14 clear days notice, which is the minimum notice period permitted by the Companies Act 2006. The Company must otherwise give at least 21 clear days notice 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 clear days to 14 clear 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. It is recommended that proxy votes are submitted to the Company's Registrar as soon as possible either by proxy form or via electronic voting. Details of this can be found on page 64.

At the AGM held on 11 June 2020, the Company received significant votes against three resolutions. These were in respect of resolution 1 to receive the annual report, resolution 6 to re-elect Christopher Fletcher as a Director of the Company and resolution 7 to re-elect Bridget Guerin as a Director of the Company.

A significant proportion of the vote against came from one shareholder which votes in line with the recommendations of a shareholder advisory consultancy.

In relation to Resolution 1, the issue was that shareholder correspondence to the Board is through the Company's correspondence address, which is an office of Invesco Asset Management Limited (IAML), the Company Secretary. In common with many investment trusts, the Company's management agreement includes the provision of company secretarial services by IAML and, as set out on pages 28 to 29 of the Annual Financial Report, '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.' The Board remains satisfied that Shareholders can communicate freely with Directors as required.

In relation to Resolution 6, it was considered that Christopher Fletcher was not an independent Director. As stated earlier in this report, Christopher Fletcher will not stand for re-election at the forthcoming AGM.

In relation to Resolution 7, it was considered that Bridget Guerin was not independent as she was a non-executive director of Charles Stanley Group plc and Charles Stanley is a significant shareholder in the Company, which raised concerns over potential conflict of interest. Ms Guerin stepped down as a director of Charles Stanley Group plc with effect from 30 September 2020.

By order of the Board

Invesco Asset Management Limited
Corporate Company Secretary

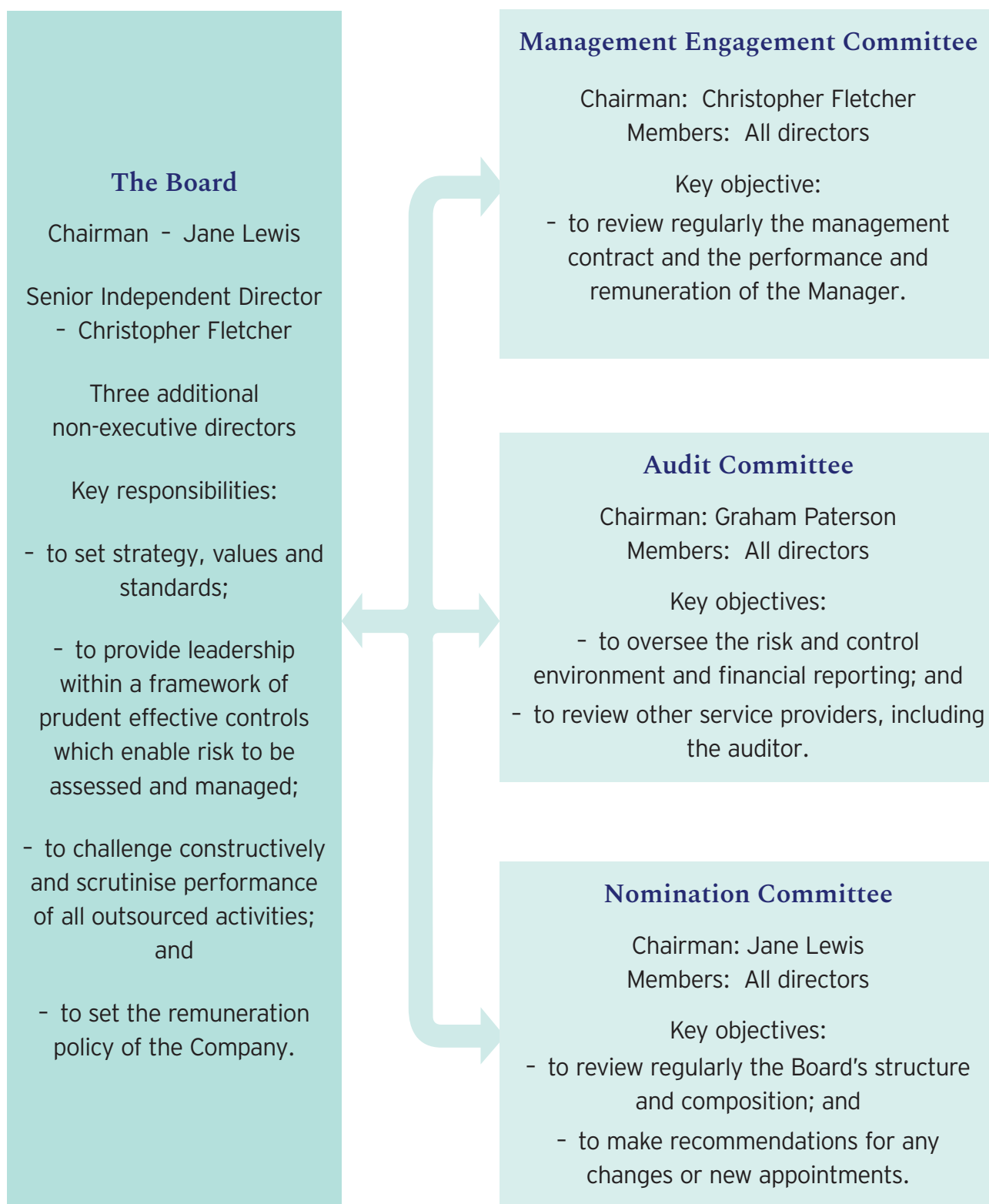
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH

22 April 2021

The Company's Corporate 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.



Corporate Governance Statement

FOR THE YEAR ENDED 31 JANUARY 2021

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 AIC Code of Corporate Governance (AIC Code). The AIC Code addresses the principles set out in the UK Corporate Governance Code (UK Code), as well as setting out additional provisions 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 principles and provisions 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 UK Code, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of Invesco Perpetual UK Smaller Companies Investment Trust plc, it being an externally managed investment company with no executive employees and in view of the Manager having an internal audit function. The Company has therefore not reported further in respect of these provisions.

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

The composition and operation of the Board and its committees are detailed on page 32 and pages 34 to 35 in respect of the Audit Committee.

The Company's approach to internal control and risk management is detailed on page 28.

The contractual arrangements with, and assessment of, the Manager are summarised on pages 28 and 29.

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 page 27. 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
Corporate Company Secretary

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

22 April 2021

Audit Committee Chairman's Letter

FOR THE YEAR ENDED 31 JANUARY 2021

Dear Shareholder,

I am pleased to report on the range of work that the Audit Committee has undertaken and the judgements it has exercised during the year. The Committee meets at least three times in the year. It continues to support the Board in fulfilling its oversight responsibilities, reviewing financial reporting, operation of 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, Graham Paterson and the other members throughout the year were Christopher Fletcher, Bridget Guerin and Jane Lewis. Mike Prentis was appointed to the Committee on 22 February 2021, subsequent to the Company's year end. The Chairman of the Board is a member of the Committee to ensure that she is kept fully informed of all matters that arise and to bring her financial services experience to the Committee. The Committee members consider that collectively they have substantial recent and relevant financial experience to fulfil their roles. The Committee as a whole has competence relevant to the sector. A separate risk committee has not been established and the operation of risk management processes and controls is overseen by the Audit Committee.

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

- evaluation of the effectiveness of the internal controls and risk management systems, including reports received on the operational controls of the Company's service providers and the Manager's whistleblowing arrangements;
- consideration of the annual and half-yearly financial reports prepared by the Manager, of the appropriateness of the accounting policies applied and of any financial judgements and key assumptions therein, together ensuring compliance with relevant statutory and listing requirements;

- advising the Board on whether the Committee believes that the annual financial report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy; and
- managing the relationship with the external auditor, including evaluation of their reports and the scope, effectiveness, independence and objectivity of their audit, as well as their appointment, re-appointment, remuneration and removal.

Representatives of the Manager's Compliance and Internal Audit Departments attend at least two meetings each year. Representatives of the external auditor, Ernst & Young LLP, attend two Committee meetings. One at which the audit plan is presented and discussed and the other 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 2020/21

During the year, the Committee discharged its responsibilities by monitoring, reviewing and, where necessary, challenging. Whilst going concern and viability of the Company are reviewed by the Audit Committee as part of the consideration of the half year and annual financial reports, 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. The Manager performs reconciliations 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.
Income recognition	Revenue projections are monitored during the year to ensure income is complete and correctly accounted for, with emphasis on any special dividends and their classification as either revenue or capital.

These matters were discussed with the Manager and the auditor and were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor at the conclusion of the audit process. There were no significant matters arising from the audit that needed to be brought to the Board's attention.

Consequently, and following a thorough review process of the 2021 annual financial report, the Audit Committee advised the Board that the 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.

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

Ernst & Young LLP (EY) was appointed as auditor of the Company in 2019, led by Matt Price as audit partner who has held this role for 2 years, including to the year ended 31 January 2021. The Audit Committee considers that EY 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. Accordingly, a resolution to re-appoint EY and for the Audit Committee to determine their remuneration will be put to shareholders at the forthcoming AGM.

In accordance with the FRC's Ethical Standards, the Company's policy is not to seek substantial non-audit services from its auditor. No non-audit services relating to the Company were provided by the auditor during the year (2020: £nil). Prior to any engagement for non-audit services, the Audit Committee considers whether the skills and experience of the auditor make them a suitable supplier of such services and satisfies itself that there is no threat to objectivity and independence in the conduct of the audit as a result. Individual non-audit services up to £5,000 each require approval of the Chairman of the Audit Committee; amounts in excess of this require the approval of the Committee as a whole.

Internal Controls and Risk Management

Details of the Company's internal control and risk management, and the work undertaken by the Audit Committee with respect to them, are set out on page 28.

Internal Audit

The Company, being an externally managed investment company, does not have its own internal audit function. However, it places reliance on the reports it receives from the Manager's Internal Audit department.

Committee Evaluation

The Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under 'Board, Committee and Directors' Performance Appraisal' on pages 27 and 28.

Yours faithfully,

Graham Paterson
Chairman of the Audit Committee

22 April 2021

Directors' Remuneration Report

FOR THE YEAR ENDED 31 JANUARY 2021

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

The Company's auditor is required to audit certain sections of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 41 to 45.

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 11 June 2020.

The policy is that the remuneration of Directors should be fair and reasonable in relation to that of other comparable investment trust companies and be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board taking into account the views, where appropriate, of shareholders. Remuneration levels should properly reflect time incurred and responsibility undertaken. Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £200,000 in aggregate per annum.

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

Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for

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

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

In their review process, the Board did not use the services of external remuneration consultants.

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

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

Annual Statement on Directors' Remuneration

The following Directors' fee levels applied from 1 February 2018: Chairman £35,000; Audit Committee Chairman £28,000; and Other Directors £24,000. Discretionary fees are set at £1,250 per day. No Discretionary payments were made in the year, nor in the previous year.

Following the year end, Directors' fees were reviewed by the Board and it was agreed that the current level of remuneration remained appropriate. An external remuneration consultant was not used.

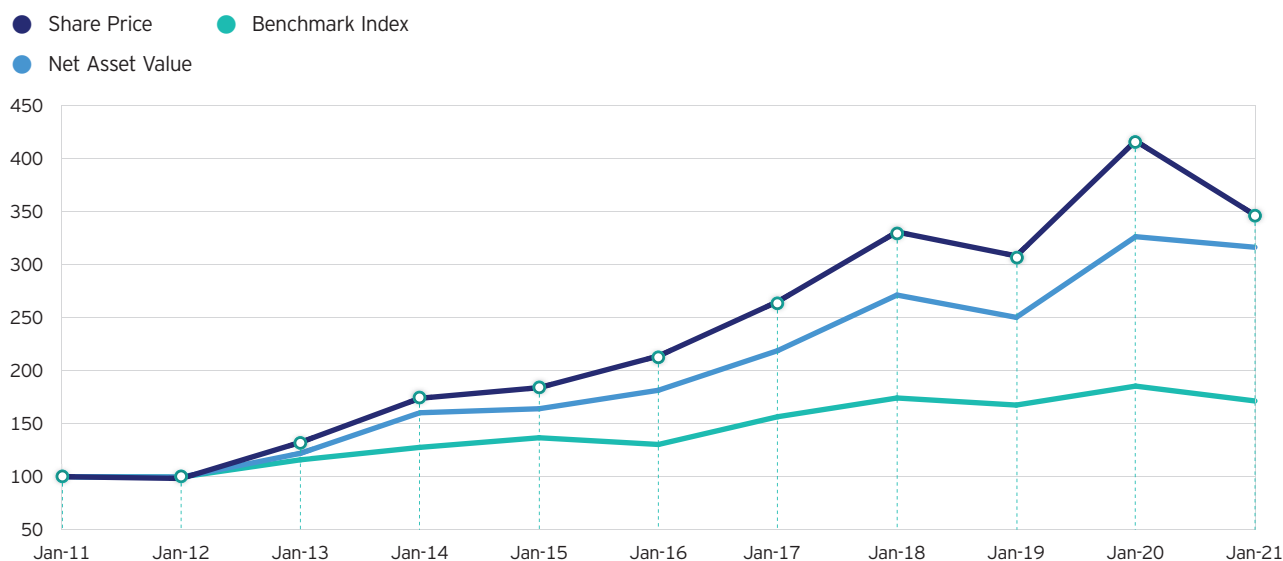
Report on Remuneration for the Year Ended 31 January 2021

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) with income reinvested (the benchmark index) over the ten years to 31 January 2021.

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

Figures have been rebased to 100 at 31 January 2011.



Source: Refinitiv.

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:

	2021			2020		
	Fees £	Taxable Benefits ⁽¹⁾ £	Total £	Fees £	Taxable Benefits ⁽¹⁾ £	Total £
Jane Lewis ⁽²⁾ - Chairman	35,000	-	35,000	31,153	1,098	32,251
Graham Paterson ⁽³⁾ - Chairman of the Audit Committee	26,568	527	27,095	7,140	862	8,002
Bridget Guerin	24,000	-	24,000	24,000	1,226	25,226
Christopher Fletcher	24,000	-	24,000	24,000	1,855	25,855
Richard Brooman ⁽⁴⁾	10,098	-	10,098	28,000	-	28,000
Ian Barby ⁽⁵⁾	-	-	-	12,210	-	12,210
Total	119,666	527	120,193	126,503	5,041	131,544

(1) Taxable benefits relate to the grossed up costs of travel.

(2) Appointed Chairman of the Board and Nomination Committee, from 6 June 2019.

(3) Appointed Chair of the Audit Committee from 11 June 2020, appointed to the Board 15 October 2019.

(4) Retired as Chair of the Audit Committee and the Board on 11 June 2020.

(5) Retired 6 June 2019.

Annual Percentage Change in Directors Remuneration

There was no change in Directors remuneration for the year to 31 January 2021.

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 2021	31 January 2020
Christopher Fletcher ⁽¹⁾	57,669	57,669
Bridget Guerin ⁽²⁾	5,472	5,472
Jane Lewis	8,000	5,406
Graham Paterson	4,500	4,500

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

(2) Bridget Guerin had a non-beneficial interest in 1,588 ordinary shares via a connected person.

Save as aforesaid, no Director had any other interests, beneficial or otherwise, in the shares of the Company during the period. Mike Prentis was appointed to the Board on 22 February 2021 and has a current shareholding of 5,984 ordinary shares. No changes to these holdings have been notified up to the date of this report.

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

Relative Importance of Spend on Pay

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders for the year to 31 January 2021. 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.

	2021 £'000	2020 £'000	Change £'000	Change %
Aggregate Directors' Remuneration	120	132	-12	-9.1
Aggregate Dividends	6,535	6,217	+318	+5.1

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 11 June 2020, 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.

	For	Votes against	Withheld
Directors' Remuneration Policy	98.82%	1.18%	14,458
Chairman's Annual Statement and Report on Remuneration	99.88%	0.12%	164,632

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 22 April 2021.

Signed on behalf of the Board of Directors

Jane Lewis
Chairman

Statement of Directors' Responsibilities

IN RESPECT OF THE PREPARATION OF THE ANNUAL FINANCIAL REPORT.

The Directors are responsible for preparing the annual financial report in accordance with United Kingdom 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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;
- this annual financial report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and
- they 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

Jane Lewis
Chairman

22 April 2021

Electronic Publication

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



Financial

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Invesco Perpetual UK Smaller Companies Trust plc for the year ended 31 January 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 January 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Company's going concern assessment process and engaged with the Directors and the Company Secretary to determine if all key factors that we have become aware of during our audit were considered in their assessment.
- We inspected the Directors' assessment of going concern, including the revenue forecast, for the period to 31 January 2023. In preparing the revenue forecast, the Company has considered the liquid nature of the investment portfolio and has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We have reviewed the factors and assumptions, including the impact of the Covid-19 pandemic, as applied to the revenue forecast. We also reviewed the Company's assessment of the portfolio's liquidity under stressed market conditions and determined the impact of sensitivities on net asset value from the reverse stress testing performed. We considered the appropriateness of the methods used to be able to make an assessment for the Company.
- We considered the mitigating factors included in the revenue forecasts that are within control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover working capital requirements should its revenue decline significantly.
- We reviewed the Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 31 January 2023 which is at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> ■ Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Statement of Comprehensive Income ■ Incorrect valuation or ownership of the investment portfolio
Materiality	■ Overall materiality of £1.91m which represents 1% of net asset value

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Statement of Comprehensive Income (as described on page 34 in the Audit Committee Chairman's Letter and as per the accounting policy set out on page 51).</p> <p>The total revenue for the year to 31 January 2021 was £1.68m (2020: £4.11m), consisting primarily of dividend income from listed equity investments.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition to the above, the directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.</p>	<p>We have performed the following procedures:</p> <p>We obtained an understanding of the processes and controls surrounding revenue recognition by performing walkthrough procedures.</p> <p>For a sample of dividends received and for all dividends accrued, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. Where applicable, we also agreed the exchange rates to an external source.</p> <p>For our sample of dividends received, we agreed the amounts to bank statements. For all dividends accrued, we reviewed the investee company announcement to assess whether the dividend obligation arose prior to 31 January 2021 and agreed the amounts to post-year end bank statements.</p> <p>To test completeness of recorded income, we tested that a sample of expected dividends for each investee company had been recorded as income with reference to investee company announcements obtained from an independent data vendor.</p> <p>Three special dividends were received during the year. Although only one of these special dividends was above our testing threshold, we recalculated and we assessed the appropriateness of management's classification as revenue for all three special dividends, to include unpredictability in our testing. Our assessment involved reviewing the underlying rationale of the distributions.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incorrect valuation or ownership of the investment portfolio (per the Audit Committee Chairman's Letter set out on page 34 and the accounting policy set out on page 51).</p> <p>The valuation of the investment portfolio at 31 January 2021 was £187.78m (2020: £199.97m) consisting primarily of listed investments.</p> <p>The valuation of the assets held in the investment portfolio is the primary driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date.</p>	<p>We performed the following procedures:</p> <p>We obtained an understanding of the processes and controls surrounding investment title and the pricing of listed securities by performing our walkthrough procedures.</p> <p>For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end.</p> <p>We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed around the year end and verified whether the listed price is a valid fair value through review of trading activity.</p> <p>We compared the Company's investment holdings at 31 January 2021 to independent confirmations received directly from the Company's Custodian and Depository, testing any reconciling items to supporting documentation.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

There have been no changes to the areas of audit focus raised in the above risk table from the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.91 million (2020: £2.05 million), which is 1% (2020: 1%) of net asset value. We believe that net asset value provides us with materiality aligned to the key measure of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £1.44m (2020: £1.54m).

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.10m (2020: £0.17m) being our reporting threshold (2020: 5% of revenue profit before tax).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.10m (2020: £0.10m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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 Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that 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.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 28;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 28;
- Directors' statement on fair, balanced and understandable set out on page 39;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 39;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 28; and
- The section describing the work of the Audit Committee set out on page 34.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are International Accounting Standards in conformity with the Companies Act 2006, the Companies Act 2006, the Listing Rules, the Disclosure Guidance and Transparency Rules, the UK Corporate Governance Code, the Association of Investment Companies' Statement of Recommended Practice and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate income recognition through the incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved, but were not limited to, a review of the reporting to the Directors with respect to the application of the documented policies and procedures, enquires of the Manager and Administrator and performance of journal entry testing to identify irregularities, including fraud. We also reviewed the financial statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 1 August 2019 to audit the financial statements for the year ending 31 January 2020 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 January 2020 to 31 January 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee

Use of our report

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

Matthew Price (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

22 April 2021

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 JANUARY

	Notes	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
(Loss)/profit on investments held at fair value	9	-	(7,625)	(7,625)	-	44,913	44,913
Income	2	1,682	-	1,682	3,924	181	4,105
Investment management fees	3	(187)	(1,057)	(1,244)	(204)	(1,160)	(1,364)
Other expenses	4	(371)	(5)	(376)	(379)	(5)	(384)
(Loss)/profit before finance costs and taxation		1,124	(8,687)	(7,563)	3,341	43,929	47,270
Finance costs	5	(1)	(6)	(7)	(1)	(7)	(8)
(Loss)/profit before taxation		1,123	(8,693)	(7,570)	3,340	43,922	47,262
Taxation	6	(2)	-	(2)	-	-	-
(Loss)/profit after taxation		1,121	(8,693)	(7,572)	3,340	43,922	47,262
Return per ordinary share	7	3.31p	(25.69)p	(22.38)p	10.13p	133.21p	143.34p

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The (loss)/profit after taxation is the total comprehensive (loss)/income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

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

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 2019		10,642	21,244	3,386	121,880	1,133	158,285
Total comprehensive income for the year		-	-	-	43,922	3,340	47,262
Dividends paid	8	-	-	-	(2,579)	(3,597)	(6,176)
Net proceeds from issue of shares from treasury		-	1,122	-	4,750	-	5,872
At 31 January 2020		10,642	22,366	3,386	167,973	876	205,243
Total comprehensive income for the year		-	-	-	(8,693)	1,121	(7,572)
Dividends paid	8	-	-	-	(4,294)	(1,997)	(6,291)
At 31 January 2021		10,642	22,366	3,386	154,986	-	191,380

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

Balance Sheet

AS AT 31 JANUARY

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	187,782	199,973
Current assets			
Other receivables	10	214	420
Cash and cash equivalents		4,218	5,493
		4,432	5,913
Total assets		192,214	205,886
Current liabilities			
Other payables	11	(834)	(643)
Total assets less current liabilities		191,380	205,243
Net assets		191,380	205,243
Capital and reserves			
Share capital	12	10,642	10,642
Share premium	13	22,366	22,366
Capital redemption reserve	13	3,386	3,386
Capital reserve	13	154,986	167,973
Revenue reserve	13	-	876
Total shareholders' funds		191,380	205,243
Net asset value per ordinary share			
Basic	14	565.76p	606.74p

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2021.

Signed on behalf of the Board of Directors

Jane Lewis
Chairman

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

Cash Flow Statement

FOR THE YEAR ENDED 31 JANUARY

	2021 £'000	2020 £'000
Cash flow from operating activities		
(Loss)/profit before finance costs and taxation	(7,563)	47,270
Taxation	(2)	-
Adjustments for:		
Purchase of investments	(48,429)	(45,256)
Sale of investments	53,293	39,201
	4,864	(6,055)
Scrip dividends	(121)	-
Loss/(profit) on investments held at fair value	7,625	(44,913)
Decrease/(increase) in receivables	232	(36)
Decrease in payables	(12)	(861)
Net cash inflow/(outflow) from operating activities	5,023	(4,595)
Cash flow from financing activities		
Finance cost paid	(7)	(7)
Net proceeds from issue of shares from treasury	-	5,872
Dividends paid - note 8	(6,291)	(6,176)
Net cash outflow from financing activities	(6,298)	(311)
Net decrease in cash and cash equivalents	(1,275)	(4,906)
Cash and cash equivalents at start of the year	5,493	10,399
Cash and cash equivalents at the end of the year	4,218	5,493
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:		
Cash held at custodian	1,198	103
Invesco Liquidity Funds plc - Sterling, money market fund	3,020	5,390
Cash and cash equivalents	4,218	5,493
Cash flow from operating activities includes:		
Dividends received	1,787	4,071

As the Company did not have any long term debt at both the current and prior year ends, no reconciliation of the financial liabilities position is presented.

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

Notes to the Financial Statements

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 on the grounds that the Company's investment portfolio (including cash) is sufficiently liquid and significantly exceeds all balance sheet liabilities, there are no unrecorded commitments or contingencies and its gearing facilities remain undrawn. The disclosure on going concern on page 28 in the Directors' Report provides further detail. The Directors believe the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as and when they fall due for a period until at least 31 January 2023.

(a) Basis of Preparation

(i) Accounting Standards Applied

The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable international accounting standards in conformity with the requirements of the Companies Act 2006. The standards are those that are effective at the Company's financial year end.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', updated by the Association of Investment Companies in October 2019, is consistent with the requirements of international accounting standards in conformity with the requirements of the Companies Act 2006. The Directors have prepared the financial statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the statement of comprehensive income between items of a revenue and a capital nature is presented in accordance with the SORP.

(ii) Adoption of New and Revised Standards

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

The following standards became effective during the year:

- IAS 1 and IAS 8 Amendments - definition of Material. The amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and consequential amendments to other IFRSs require companies to:
 - (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - (ii) clarify the explanation of the definition of material; and
 - (iii) incorporate some of the guidance of IAS 1 about immaterial information.
- IFRS 3 Amendment - definition of a Business. This amendment revises the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.
- IFRS 9 and IFRS 7 Amendments - Interest Rate Benchmark Reform. These amendments provide certain reliefs in connection with the interest rate benchmark reform.
- IAS 1, 8, 34, 37, 38 and IFRS 2, 3, 6, 14, IFRIC 12, 19, 20, 22 and SIC 32 - amendment to References to the Conceptual Framework.

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

(iii) Critical Accounting Estimates and Judgements

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

(b) Foreign Currency and Segmental Reporting

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currency, are translated into sterling at the rates of exchange ruling on the dates of such transactions, and profit or loss on translation is taken to revenue or capital depending on whether it is 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 classifies its financial assets as measured at amortised cost or measured at fair value through profit or loss on the basis of both: the entity's business model for managing the financial assets; and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost include cash, debtors and prepayments.

A financial asset is measured at fair value through profit or loss if its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. The Company's equity investments are classified as fair value through profit or loss as they do not give rise to cash flows that are SPPI.

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, where applicable.

(d) Cash and Cash Equivalents

Cash and cash equivalents include any cash held at custodian and approved depositories, holdings in Invesco Liquidity Funds plc - Sterling, a triple-A rated money market fund and overdrafts.

(e) Income

All dividends are taken into account on the date investments are marked ex-dividend; other income from investments is taken into account on an accruals basis. Deposit interest and underwriting commission receivable are taken into account on an accruals basis. Special dividends representing a return of capital are allocated to capital in the Statement of Comprehensive Income and then taken to capital reserves. All special dividends are reviewed, with consideration given to the facts and circumstances of each case, before a decision over whether allocation is to revenue or capital is made.

1. Principal Accounting Policies (continued)

(f) Expenses and Finance Costs

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

The investment management fee and finance costs are allocated 85% to capital and 15% to revenue. This is in accordance with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the portfolio.

(g) Taxation

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

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

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

(h) Dividends

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

(i) Consolidation

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

2. Income

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

	2021 £'000	2020 £'000
Income from investments		
UK dividends	1,061	3,526
UK special dividends	286	130
Overseas dividends	214	268
Scrip dividends	121	-
Total income	1,682	3,924

No special dividends have been recognised in capital during the year (2020: £181,000).

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

3. Investment Management Fee

This note shows the fees due to the Manager. These are made up of the management fee calculated and paid monthly and, for the previous year. This fee is based on the value of the assets being managed.

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Investment management fee	187	1,057	1,244	204	1,160	1,364

Details of the investment management and secretarial agreement are given on page 29 in the Directors' Report.

At 31 January 2021, £120,000 (2020: £128,000) was accrued in respect of the investment management fee.

4. Other Expenses

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

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Directors' remuneration ⁽ⁱ⁾	120	-	120	132	-	132
Auditors' fees ⁽ⁱⁱ⁾ :						
- for audit of the Company's annual financial statements	27	-	27	28	-	28
- additional fees in respect of Covid-19 audit procedures in prior year	5	-	5	-	-	-
Other expenses ⁽ⁱⁱⁱ⁾	219	5	224	219	5	224
	371	5	376	379	5	384

(i) The Director's Remuneration Report on page 37 provides further information on Directors' fees.

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

(iii) Other expenses shown above include:

- amounts payable to the registrar, depositary, custodian, brokers, printers and other legal & professional fees;
- £11,200 (2020: £11,200) of employer's National Insurance payable on Directors' remuneration. As at 31 January 2021, the amounts outstanding on employer's National Insurance on Directors' remuneration was £800 (2020: £1,000); and
- custodian transaction charges of £5,000 (2020: £5,400). These are charged to capital.

5. Finance Costs

Finance costs arise on any borrowing facilities the Company has.

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Bank overdraft facility fee	1	6	7	1	6	7
Overdraft interest	-	-	-	-	1	1
	1	6	7	1	7	8

The £15 million overdraft facility was renewed on 12 September 2020 and the interest rate is at a margin above the Bank of England base rate.

6. Taxation

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

(a) Tax charge

	2021 £'000	2020 £'000
Overseas taxation	2	-

(b) Reconciliation of tax charge

	2021 £'000	2020 £'000
(Loss)/profit before taxation	(7,570)	47,262
Theoretical tax at the current UK Corporation Tax rate of 19% (2020: 19%)	(1,438)	8,980
Effects of:		
- Non-taxable UK dividends	(180)	(639)
- Non-taxable UK special dividends	(54)	(59)
- Non-taxable overseas dividends	(37)	(38)
- Non-taxable overseas special dividends	(23)	-
- Non-taxable loss/(gains) on investments	1,448	(8,533)
- Excess of allowable expenses over taxable income	283	289
- Disallowable expenses	1	-
- Overseas taxation	2	-
Tax charge for the year	2	-

6. Taxation (continued)

(c) Factors that may affect future tax changes

The Company has cumulative excess management expenses of £40,733,000 (2020: £39,243,000) that are available to offset future taxable revenue.

A deferred tax asset of £7,739,000 (2020: £6,671,000) at 19% (2020: 17%) has not been recognised in respect of these expenses since the Directors believe that there will be no taxable profits in the future against which the deferred tax assets can be offset.

On 11 March 2020, it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% until 31 March 2025, and not reduce to 17% (the previously enacted rate at the year end) from 1 April 2020. The deferred tax balances shown above as at 31 January 2021 have been calculated with reference to the rate of 19% (2020: 17%).

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. Existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 25% rate. The impact of the post balance sheet date change in tax rate, on the unrecognised deferred tax asset, is not expected to be material.

7. Return 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.

	Revenue	2021 Capital	Total	Revenue	2020 Capital	Total
Return £'000	1,121	(8,693)	(7,572)	3,340	43,922	47,262
Return per ordinary share	3.31p	(25.69)p	(22.38)p	10.13p	133.21p	143.34p

The returns per ordinary share are based on the weighted average number of shares in issue during the year of 33,826,929 (2020: 32,971,792).

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.

	2021		2020	
	Pence	£'000	Pence	£'000
Dividends paid from revenue in the year:				
Third interim (prior year)	2.59	876	3.45	1,133
Final (prior year)	-	-	-	-
First interim	3.31	1,121	3.75	1,232
Second interim	-	-	3.75	1,232
Total dividends paid from revenue	5.90	1,997	10.95	3,597
Dividends paid from capital in the year:				
Third interim (prior year)	1.16	393	0.20	66
Final (prior year)	7.35	2,484	7.65	2,513
First interim	0.44	148	-	-
Second interim	3.75	1,269	-	-
Total dividends paid from capital	12.70	4,294	7.85	2,579
Total dividends paid in the year	18.60	6,291	18.80	6,176

	2021		2020	
	Pence	£'000	Pence	£'000
Dividends payable in respect of the year:				
First interim	3.75	1,269	3.75	1,232
Second interim	3.75	1,269	3.75	1,232
Third interim	3.75	1,269	3.75	1,269
Final	8.07	2,728	7.35	2,484
	19.32	6,535	18.60	6,217

The Company's dividend policy was changed in 2015 so that dividends will be paid firstly from current year revenue and any revenue reserves available, and thereafter from capital reserves. The amount payable in respect of the year is shown below:

	2021 £'000	2020 £'000
Dividends in respect of the year:		
- from current year revenue	1,121	3,340
- from revenue and capital reserves	5,414	2,877
	6,535	6,217

Dividend payable from capital reserves of £5,414,000 (2020: revenue and capital reserves of £2,877,000) as a percentage of year end net assets of £191,380,000 (2020: £205,243,000) is 2.8% (2020: 1.4%).

9. Investments Held at Fair Value Through Profit and Loss

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

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

	2021 £'000	2020 £'000
Investments listed on a regulated stock exchange	124,947	144,472
AIM quoted investments	62,835	55,501
	187,782	199,973
Opening valuation	199,973	149,211
Movements in year:		
Purchases at cost	48,753	44,996
Sales proceeds	(53,319)	(39,147)
(Loss)/profit on investments in the year	(7,625)	44,913
Closing valuation	187,782	199,973
Closing book cost	151,955	140,572
Closing investment holding gains in the year	35,827	59,401
Closing valuation	187,782	199,973

The transaction costs amount to £186,000 (2020: £146,000) on purchases and £24,000 (2020: £25,000) for sales. These amounts are included in determining profit/(loss) on investments held at fair value as disclosed in the Statement of Comprehensive Income.

The Company received £53,319,000 (2020: £39,147,000) from investments sold in the year. The book cost of these investments when they were purchased was £37,370,000 (2020: £31,022,000) realising a profit of £15,949,000 (2020: £8,125,000). These investments have been revalued over time and until they were sold any unrealised profits were included in the fair value of the investments.

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.

	2021 £'000	2020 £'000
Amounts due from brokers	26	-
Prepayments and accrued income	188	420
	214	420

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.

	2021 £'000	2020 £'000
Amounts due to brokers	638	435
Accruals	196	208
	834	643

12. Share Capital

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

	2021		2020	
	Number	£'000	Number	£'000
Allotted, called-up and fully paid				
Ordinary shares of 20p each	33,826,929	6,765	33,826,929	6,765
Treasury shares of 20p each	19,382,155	3,877	19,382,155	3,877
	53,209,084	10,642	53,209,084	10,642

For the year to 31 January 2021, no shares were issued from treasury (2020: 975,000). No issue proceeds were received during the year (31 January 2020: gross issue proceeds £5,895,000 at an average price of 604.61p, and the net proceeds after issue costs were £5,872,000).

13. Reserves

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

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

Capital investment gains and losses are shown in note 9, and form part of the capital reserve. The revenue reserve shows the net revenue retained after payment of dividends. The capital and revenue reserves are distributable by way of dividend. In addition, the capital reserve is also distributable by way of share buy backs.

14. Net Asset Value per Ordinary Share

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

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

	Net asset value per ordinary share		Net assets attributable	
	2021 Pence	2020 Pence	2021 £'000	2020 £'000
Ordinary shares	565.76	606.74	191,380	205,243

Net asset value per ordinary share is based on net assets at the year end and on 33,826,929 (2020: 33,826,929) ordinary shares, being the number of ordinary shares in issue (excluding treasury) at the year end.

15. Subsidiary Undertaking

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

	Net asset value at 31 January 2021	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.

16. 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 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 22 to 23), cash, overdraft, other receivables and other payables that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

Risk Management Policies and Procedures

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

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

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

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The appointment of a depositary has substantially lessened this risk. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian, Bank of New York Mellon (International) Limited, an A-1+ rated financial institution. 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 Invesco Liquidity Funds plc – Sterling, a triple-A rated money market fund.

Market Risk

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

1. Currency Risk

The exposure to currency risk is considered minor as the Company's financial instruments are mainly denominated in sterling. At the current and preceding year end, the Company held no foreign currency investments or cash, although a small amount of dividend income was received in foreign currency.

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

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

Market Risk (continued)

2. Interest Rate Risk

Interest rate movements will affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings. When the Company has cash balances, they are held in variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian, The Bank of New York Mellon (International) Limited. Additionally, holdings in Invesco Liquidity Funds plc – Sterling 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 (2020: same), whichever is the lower; the interest rate is charged at a margin over the 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 (2020: none). Based on the maximum amount that can be drawn down at the year end under the overdraft facility of £15 million (2020: £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 (2020: £150,000).

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

3. Other Price Risk

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

Management of Other Price Risk

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

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

If the value of the portfolio fell by 10% at the balance sheet date, the loss after tax for the year would increase by £19 million (2020: profit after tax for the year would decrease by £20.0 million). Conversely, if the value of the portfolio rose by 10%, the loss after tax would decrease (2020: 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 2 and one Level 3 investment described below, all of the Company's investments are in the Level 1 category as set out in IFRS 13, 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.

ECO Animal Health was the only Level 2 investment in the portfolio, valued at £1,149,000. This was a Level 1 asset prior to the company's AIM listing being temporarily suspended from 4 January 2021 to 4 February 2021 due to delays in the release of their audited accounts as a result of Covid-19 related issues. At the year end, the suspended price used in the fair value of the company was 247.5p. This price was considered appropriate on the basis that after the temporary suspension, the company commenced trading at a higher price.

Berry Starquest Limited was the only Level 3 investment in the portfolio at the current year end and was also Level 3 investment at the 2020 year end. Berry Starquest Limited is a dormant subsidiary and is valued at £100 (2020: £100).

17. Maturity Analysis of Contractual Liability Cash Flows

The contractual liabilities of the Company are shown in note 11 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; accruals would generally be due within three months.

18. 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 13.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 14 to 15. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

The Board can also manage the capital structure directly since it determines dividend payments and has taken the powers, which it is seeking to renew, to buy-back shares, either for cancellation or to be held in treasury, and to issue new shares or sell shares held in treasury.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by s1158 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 2021, the composition of which is shown on the balance sheet on page 48, was £191,380,000 (2020: £205,243,000).

19. Contingencies, Guarantees and Financial Commitments

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

There were no contingencies, guarantees or other financial commitments of the Company as at 31 January 2021 (2020: nil).

20. Related Party Transactions and Transactions with Manager

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

Under international accounting standards, in conformity with the requirements of the Companies Act 2006, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on pages 36 to 38 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 29 and in note 3.

21. Post Balance Sheet Events

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





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Notice of Annual General Meeting

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.

The Board is mindful of the travel and meeting restrictions in place in response to Covid-19 and therefore the AGM will be held as a closed meeting. Shareholders are therefore encouraged to submit their votes by proxy. You are strongly encouraged to lodge your vote either electronically via the Registrar's online portal, contacting your platform provider or using a Form of Proxy to appoint the Chairman of the AGM as your proxy to vote on your behalf.

The Board is cognisant of the fact that many shareholders value this opportunity to hear from the Portfolio Managers and the Board and therefore invite you to attend a webinar with us on 2 June 2021 at 10 am. A presentation will be made by Jonathan Brown followed by a question and answer session. Shareholders can submit questions during the webinar or in advance by writing to the Company Secretary at the address given on page 68 or investmenttrusts@invesco.com. Details on how to register for the event are available via the Company's website www.invesco.co.uk/ipukscit

NOTICE IS GIVEN that the Annual General Meeting ('AGM') of Invesco Perpetual UK Smaller Companies Investment Trust plc will be held at the offices of Invesco at 43-45 Portman Square, London W1H 6LY at 12 noon on 10 June 2021 for the following purposes:

Ordinary Business

1. To receive and consider the Annual Financial Report for the year ended 31 January 2021.
2. To approve the Directors' Remuneration Policy.
3. To approve the Annual Statement and Report on Remuneration for the year ended 31 January 2021.
4. To approve a final dividend as recommended.
5. To re-elect Jane Lewis as a Director of the Company.
6. To re-elect Bridget Guerin as a Director of the Company.
7. To re-elect Graham Paterson as a Director of the Company.
8. To elect Mike Prentis as a Director of the Company.
9. To re-appoint the auditor, Ernst & Young LLP.
10. To authorise the Audit Committee to determine the auditor's remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 12 will be proposed as an ordinary resolution and resolutions 11 and 13 to 15 as special resolutions:

Articles of Association

11. That:

the Articles of Association as produced to the meeting and initialled by the Chairman for the purpose of identification (the 'New Articles') be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association (the 'Current Articles').

Authority to Allot Shares

12. That:

the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £676,538, this being 10% of the Company's issued ordinary share capital as at 22 April 2021, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier unless the authority is renewed or revoked at any other general meeting prior to such time, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.

Disapplication of Pre-emption Rights

13. That:

the Directors be and are hereby empowered, in accordance with Sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 (1), (2) and (3) of the Act) for cash, either

pursuant to the authority given by resolution 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 £676,538, this being 10% of the Company's issued ordinary share capital as at 22 April 2021; and
- (c) to the allotment of equity securities at a price not less than the net asset value per share (as determined by the Directors),

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

Authority to Make Market Purchases of Shares

14. That:

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

PROVIDED ALWAYS THAT:

- (a) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary shares, this being 5,070,657 as at 22 April 2021;
- (b) the minimum price which may be paid for a Share shall be 20p;

- (c) the maximum price which may be paid for a Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the Shares for the five business days before the purchase is made; and (ii) the higher of the price of the last independent trade in the Shares and the highest then current independent bid for the Shares on the London Stock Exchange;
- (d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);
- (e) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, unless the authority is renewed or revoked at any other general meeting prior to such time;
- (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
- (g) any Shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of Sections 724 to 731 of the Act 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 Act) as treasury shares.

Period of Notice Required for General Meetings

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

Dated this 22 April 2021

By order of the Board

Invesco Asset Management Limited
Corporate Company Secretary

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. However, as members will only be permitted to attend the meeting in line with government restrictions at the date of the meeting, you are strongly encouraged to appoint a proxy. 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. However, if you appoint the Chairman of the AGM as your proxy, this will ensure that your votes are cast in accordance with your wishes given that members will only be permitted to attend the AGM in person depending on the government restrictions in place at the time of the meeting. If any other person is appointed as your proxy, they may not be able to attend the meeting to vote on your behalf. In order to be valid an appointment of proxy must be returned by one of the following methods:

- via Link Asset Services website www.signalshares.com; or
- In hard copy form by post, by courier or by hand to the Company's registrars, Link Asset Services, Link Group, Unit 10, Central Square, 29 Wellington Street, Leeds LS1 4DL; 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. Shareholders wishing to appoint a proxy should therefore appoint the Chairman of the AGM.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any changes of instructions to proxies through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST

members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

3. A form of appointment of proxy is enclosed. Appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction) does not prevent a member from attending and voting at this meeting.

To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Link Asset Services, Link Group, Unit 10, Central Square, 29 Wellington Street, Leeds LS1 4DL, by not later than 12 noon on 8 June 2021.

4. A person entered on the Register of Members at close of business on 8 June 2021 ('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 by request to the Company Secretary.
6. A copy of the Articles of Association are available for inspection by request to the Company Secretary.
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, should this be permitted by government restrictions at the time, 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. In view of the Stay at Home Measures, if you have a question or comment you wish to be considered, please contact the Company Secretary, who will forward your question or comment to the Board for consideration.
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 22 April 2021 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 33,826,929 ordinary shares of 20p each carrying one vote each.
12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.invesco.co.uk/ipukscit.
13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006 (the 'Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act (in each case) that the members propose to raise at the relevant AGM. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
14. The following documents may be inspected at the registered office of the Company during business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) from the date of this Notice of AGM to the date of the AGM and will be available for inspection at the AGM, if appropriate, from 11.45am on 10 June 2021 until the conclusion of the meeting:
 - copies of the letters of appointment of the Non-Executive Directors; and
 - the Current Articles.

The Current Articles and the proposed New Articles, marked to show all of the changes proposed, are available to view on the Company's website www.invesco.co.uk/ipukscit.

Appendix

Summary of principal changes reflected in the proposed new Articles of Association of the Company

The Directors are seeking approval to amend the existing Articles of Association of the Company ("Current Articles"). Resolution 11 proposes that the Company amends its constitution by adopting new Articles of Association ("New Articles") to expand on its scope which currently permits the Company to hold a form of combined physical and electronic (or 'hybrid') general meeting, albeit with limitations. The Current Articles have been amended to expressly permit the Company to hold hybrid general meetings (including an annual general meeting) in such a way that enables members to attend and participate in the business of the meeting across various electronic platforms and to grant the Directors powers to facilitate such meetings, should the Board deem this necessary. This provides the Company with greater flexibility to align with technological advances, changes in investor sentiment and evolving best practice, particularly in light of the Covid-19 situation. The principal changes to the Current Articles are as follows:

- The New Articles provide that the Company may hold 'hybrid' general meetings which would enable members to attend and participate in the business of the meeting by attending a physical location (in a main location or in specified satellite locations) or by means of an electronic facility or facilities, in accordance with the Companies (Shareholders' Rights) Regulations 2009 and the Companies Act 2006.
- The New Articles are not intended to permit the Company to hold general meetings solely by electronic means. The Company will remain able to hold physical general meetings as at present.
- This change is intended to make it easier for members and other attendees to attend and participate in future general meetings and to facilitate better engagement, while providing the Directors with the flexibility should they need to make alternative arrangements for participation in meetings (including where physical participation may be prevented or restricted).
- The New Articles include a number of consequential changes to facilitate the holding of hybrid general meetings and attendance and participation by members at such meetings, including by way of electronic facilities.
- Article 100 of the Current Articles has been updated to reflect that all Directors retire at each AGM in accordance with the UK Corporate Governance Code.
- In addition, the New Articles state that where Directors have not been appointed or reappointed at an AGM ("Retiring

Directors") and this results in the total number of Directors being fewer than the minimum number required by the New Articles, all Retiring Directors shall be deemed to be re-appointed and shall remain in office for certain limited purposes. The New Articles require a general meeting to be convened as soon as reasonably practicable after the relevant AGM in order to appoint at least the minimum number of Directors and for the Retiring Directors to retire.

Other changes which are of a minor, technical or clarifying nature, have not been summarised.

Although the Company has no plans at the current time to routinely hold hybrid general meetings in the future, it considers the ability to hold hybrid general meetings to be in the best interests of shareholders as a whole and to reflect evolving investor sentiment and market practice.

The Current Articles and the New Articles are available on our website www.invesco.co.uk/ipukscit and by request to the Company Secretary.

Shareholder Information

Company History

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

Net Asset Value (NAV) Publication

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

Website

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

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

How to invest in the Company

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

Share Price Listings

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

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

Financial Calendar

The Company publishes information according to the following calendar:

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

Annual General Meeting

The Annual General Meeting will be held at 12 noon on 10 June 2021 at 1st Floor, 43-45 Portman Square, London W1H 6LY. The Board is mindful of the travel and meeting restrictions in place in response to Covid-19 and therefore the AGM will be held as a closed meeting. Shareholders are therefore encouraged to submit their votes by proxy. You are strongly encouraged to lodge your vote either electronically via the Registrar's online portal, contacting your platform provider or using a Form of Proxy to appoint the Chairman of the AGM as your proxy to vote on your behalf.

The Board is cognisant of the fact that many shareholders value this opportunity to hear from the Portfolio Managers and the Board and therefore invite you to attend a webinar with us on 2 June 2021 at 10 am. A presentation will be made by Jonathan Brown followed by a question and answer session. Shareholders can submit questions during the webinar or in advance by writing to the Company Secretary at the address given on page 68 or investmenttrusts@invesco.com. Details on how to register for the event are available via the Company's website www.invesco.co.uk/ipukscit

General Data Protection Regulation (GDPR)

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

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at
www.fca.org.uk/scamsmart



Advisers and Principal Service Providers

Registered Office and Company Number

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

Registered in England and Wales
Number 02129187

Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contact: Kelly Nice

Correspondence address

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

Invesco Client Services

Invesco has a Client Services Team available from 8.30am to 6.00pm

Monday to Friday (excluding UK Bank Holidays). Please feel free to take advantage of their expertise by ringing
☎ 0800 085 8677
www.invesco.co.uk/investmenttrusts

The Association of Investment Companies

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place, Canary Wharf,
London E14 5EY

Depository, Custodian and Banker

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

Corporate Broker

JPMorgan Cazenove
25 Bank Street
London E14 5JP

Registrars

Link Asset Services
Link Group,
Unit 10,
Central Square,
29 Wellington Street,
Leeds LS1 4DL

☎ 0371 664 0300

If you hold your shares directly and not through a savings scheme or ISA and have queries relating to your shareholding you should contact the Registrar on: ☎ 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider.

Link Group provides an on-line and telephone share dealing services to existing shareholders who are not seeking advice on buying or selling. This service is available at www.linksharedeal.com or ☎ 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider.

Calls from outside the UK will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm Monday to Friday (excluding Bank Holidays in England and Wales).

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

Investor Warning

The Company, Invesco and the Registrar would never contact members of the public to offer services or require any type of upfront payment. If you suspect you have been approached by fraudsters, please contact the FCA consumer helpline on 0800 111 6768 and Action Fraud on 0300 123 2040.

Further details for reporting frauds, or attempted frauds, can be found on page 67 of the Company's 2021 Annual Financial Report.

Manager's Website

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

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

Glossary of Terms and Alternative Performance Measures

Alternative Performance Measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The calculations shown in the corresponding tables are for the years ended 31 January 2021 and 2020. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability.

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.

Capital dividend as a percentage of year end net assets (APM)

The percentage of year end net assets represented by a payment from revenue reserves and capital reserves to fund the annual dividend payable in respect of the year.

	Page		2021 £'000	2020 £'000
Dividends paid from capital in respect of the year:				
First interim	54		148	-
Second interim	54		1,269	-
Third interim	54		1,269	393
Final	54		2,728	2,484
Net Assets	48	a b	5,414 191,380	2,877 205,243
Capital dividend as a percentage of year end net assets		c = a/b	2.8%	1.4%

Discount/Premium (APM)

Discount is a measure of the amount by which the mid-market price of an investment company share is lower than the underlying net asset value (NAV) of that share. Conversely, Premium is a measure of the amount by which the mid-market price of an investment company share is higher than the underlying net asset value of that share. In this annual financial report the discount is expressed as a percentage of the net asset value per share and is calculated according to the formula set out below. If the shares are trading at a premium the result of the below calculation will be positive and if they are trading at a discount it will be negative.

	Page		2021	2020
Share price	4	a	483.00p	606.00p
Net asset value per share (note 14)	56	b	565.76p	606.74p
Discount		c = (a-b)/b	(14.6)%	(0.1)%

Dividend Yield (APM)

The annual dividend payable expressed as a percentage of the year end share price.

	Page		2021	2020
Annual dividend payable	4	a	19.32p	18.60p
Year end share price	4	b	483.00p	606.00p
Dividend Yield		c = a/b	4.0%	3.1%

Gearing (APM)

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which net assets, or shareholders' funds, would move if the value of a company's investments were to rise or fall. A positive percentage

indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested and is holding net cash as described below.

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

Gross Gearing (APM)

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 net assets. As at 31 January 2021 the Company had no gross borrowings (2020: £nil).

	Page		2021 £'000	2020 £'000
Bank facility	48		-	-
Gross borrowings		a	-	-
Net asset value	48	b	191,380	205,243
Gross gearing		c = a/b	nil	nil

Net Gearing or Net Cash (APM)

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

	Page		2021 £'000	2020 £'000
Bank facility	48		-	-
Less: cash and cash equivalents	48		4,218	5,493
Net cash and cash equivalents		a	4,218	5,493
Net asset value	48	b	191,380	205,243
Net cash		c = a/b	2.2%	2.7%

Maximum Authorised Gearing

This reflects the maximum authorised borrowings of a company taking into account both any gearing limits laid down in the investment policy and the maximum borrowings laid down in covenants under any borrowing facility and is calculated as follows:

	Page		2021 £'000	2020 £'000
Maximum authorised borrowings as laid down in:				
Investment policy:				
- lower of 30% of net asset value; and		a = 30% x e	57,414	61,573
- £25 million		b	25,000	25,000
Bank facility covenants: lower of 30% of net asset value and £15 million		c	15,000	15,000
Maximum authorised borrowings (d = lower of a, b and c)		d	15,000	15,000
Net asset value	48	e	191,380	205,243
Maximum authorised gearing		f = d/e	7.8%	7.3%

Leverage

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

Accordingly, if a Company's exposure was equal to its net assets it would have leverage of 100%. 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 (see page 73 for further detail on Leverage at year end).

Market Capitalisation

Is calculated by multiplying the stockmarket price of an ordinary share by the number of ordinary shares in issue.

Net Asset Value (NAV)

Also described as shareholders' funds the NAV is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The NAV per ordinary share is calculated by dividing the net assets by the number of ordinary shares in issue. For accounting purposes assets are valued at fair (usually market) value and liabilities are valued at par (their repayment - often nominal - value).

Ongoing Charges Ratio (APM)

The annualised ongoing charge incorporates charges allocated to capital in the financial statements as well as those allocated to revenue, but excludes non-recurring costs, transaction costs of investments, finance costs, taxation, and the costs of buying back or issuing shares. The ongoing charges are the aggregate of these costs expressed as a percentage of the daily average net asset value reported in the year.

	Page	2021 £'000	2020 £'000
Investment management fee	52	1,244	1,364
Other expenses	53	376	384
Less: costs in relation to custody dealing charges and one off legal costs		(7)	(7)
Total recurring expenses	a	1,613	1,741
Average daily net assets	b	166,380	179,477
Ongoing charges ratio %	c = a/b	0.97%	0.97%

Return

The return generated in a period from the investments including the increase and decrease in the value of investments over time and the income received.

Total Return

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. In this annual financial report these return figures have been sourced from Refinitiv who calculate returns on an industry comparative basis.

Net Asset Value Total Return (APM)

Total return on net asset value per share, with debt at market 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.

Share Price Total Return (APM)

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

2021	Page	Net Asset Value	Share Price
As at 31 January 2021	4	565.76p	483.00p
As at 31 January 2020	4	606.74p	606.00p
Change in year	a	-6.8%	-20.3%
Impact of dividend reinvestments ⁽¹⁾	b	3.7%	3.5%
Total return for the year	c = a+b	-3.1%	-16.8%

2020	Page	Net Asset Value	Share Price
As at 31 January 2020	4	606.74p	606.00p
As at 31 January 2019	5	481.81p	465.00p
Change in year	a	25.9%	30.3%
Impact of dividend reinvestments ⁽¹⁾	b	4.5%	4.9%
Total return for the year	c = a+b	30.4%	35.2%

(1) Total dividends paid during the year of 18.60p (2020: 18.80p) reinvested at the NAV or share price on the ex-dividend date. NAV or share price falls subsequent to the reinvestment date consequently further reduce the returns, vice versa if the NAV or share price rises.

Benchmark

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

Volatility

Volatility refers to the amount of uncertainty or risk about the size of changes in a security's value. It is a statistical measure of the dispersion of returns for a given security or market index measured by using the standard deviation or variance of returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

Alternative Investment Fund Managers Directive Disclosure

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

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

Amongst other things, regulations enacted following AIFMD require certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invesco.co.uk/ipukscit) in a downloadable document entitled 'AIFMD Investor Information'. There have been no material changes to this information in the year to 31 January 2021 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 71) 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 98% for both gross and commitment (2020: both 98%). The limits the AIFM has set for the Company remain unchanged at 250% and 200%, respectively;
- the AIFM summary remuneration policy is available from the corporate policies section of the Manager's website www.invesco.co.uk and from the Company's company secretary, on request (see contact details on page 68); and
- the AIFM remuneration paid for the year to 31 December 2020 is set out below.

AIFM Remuneration

Remuneration policy

On 18 March 2016, Invesco Fund Managers Limited (the "Manager") adopted a remuneration policy consistent with the principles outlined in the European Securities and Markets Authority (ESMA) Guidelines, on sound remuneration policies under the AIFM Directive.

The policy was revised in 2020, to include specificities for some Invesco EU regulated Management Companies. The Manager was not impacted by the changes.

The purpose of the remuneration policy is to ensure the remuneration of the staff of the Manager is consistent with and promotes sound and effective risk management, does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Manager and of the AIF it manages and does not impair the Manager's compliance with its duty to act in the best interests of the AIF it manages. The Manager's summary remuneration policy is available from the corporate policies section of our website (www.invesco.co.uk). Paper copies of the full remuneration policy can be obtained for free from the registered office of the Manager, Invesco Fund Managers Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, UK upon request.

The remuneration policy is reviewed annually by the Compliance, Human Resources and Risk Management functions, who recommend any adjustments to ensure continued alignment of the policy with sound risk management. The board of directors of the Manager are responsible for the oversight of remuneration and for ensuring adherence to this policy through the Human Resources function.

The Internal Audit function conducts regular testing of administration of the remuneration policy to assess its ongoing compliance with the Invesco Group's remuneration policies and procedures.

The Manager does not employ any direct staff. All staff involved in the AIF related activities of the Manager are employed and paid by various entities of the Invesco Ltd. Group.

The aggregate total remuneration of Invesco staff involved in AIF related activities of the Manager in respect of performance year (1 January 2020 to 31 December 2020) is £3.71 million of which £2.29 million is fixed remuneration and £1.42 million is variable remuneration. The number of beneficiaries apportioned to AIFMD activities is 18. The Manager has identified individuals considered to have a material impact on the risk profile of the Manager or the AIF it manages ("Identified Staff"), who include board members of the Manager, senior management, heads of control functions, other risk takers and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

The aggregate total remuneration paid to the Identified Staff of the Manager for AIF related activities for the performance year (1 January 2020 to 31 December 2020) is £0.74 million of which £0.17 million is paid to Senior Management and £0.57 million is paid to other Identified Staff. Please note that remuneration for AIFMD Identified Staff includes remuneration for staff employed by delegates.



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

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

Invesco is a business name of Invesco Fund Managers Limited.

Invesco is one of the largest independent global investment management firms, with assets under management of approximately \$1,404 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 2021.

Specialist Funds Managed by Invesco

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

City Merchants High Yield Trust Limited

A Jersey incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments. The Company may use repo financing to enhance returns.

Invesco Enhanced Income Limited

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

Invesco Select Trust plc – Managed Liquidity Portfolio

Aims to produce an appropriate level of income return combined with a high degree of security. The portfolio invests in a range of sterling based or related high quality debt securities and similar assets either directly or indirectly through authorised funds.

Invesco Select Trust plc – UK Equity Portfolio

Aims to provide shareholders with an attractive real long term total return by investing primarily in UK quoted equities. The portfolio 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 size 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 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 Select Trust plc – Balanced Risk Allocation Portfolio

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

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

Investing in Multiple Asset Classes

Invesco Select Trust plc

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

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

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