

Invesco Perpetual UK Smaller Companies Investment Trust plc

Half-Yearly Financial Report for the Six Months to 31 July 2011

KEY FACTS

Invesco Perpetual UK Smaller Companies Investment Trust plc ('the Company') is an investment trust, quoted on the London Stock Exchange, which invests predominantly in the shares of small to medium sized UK quoted companies.

Investment objectives of the Company

The Company aims to achieve long-term total return for its shareholders via an investment vehicle which gives access to a broad cross section of small to medium sized UK quoted companies.

Full details of the Company's investment policy and risk and investment limits can be found in the annual financial report for the year ended 31 January 2011.

Performance Statistics

The Benchmark Index of the Company is the **Extended Hoare Govett Smaller Companies Index (excluding Investment Trusts)**.

	AT 31 JULY 2011	AT 31 JANUARY 2011	% CHANGE
Total return (all income reinvested) for the six months ended 31 July 2011:			
Net asset value*			+4.1
Benchmark index*			+3.5
FTSE All-Share Index*			+1.2
Net asset value and share price:			
Net asset value per ordinary share:			
– balance sheet	250.2p	242.9p	+3.0
– after charging proposed dividend	248.6p	240.2p	+3.5
Mid-market price per ordinary share	210.8p	195.0p	+8.1
Discount per ordinary share	15.8%	19.7%	
Shareholders' funds (£'000)	136,738	133,999	+2.0
Capital return – Indices:			
Benchmark*			+2.0
FTSE All-Share Index*			-0.6

*Source: Thomson Reuters and Morningstar

	SIX MONTHS ENDED 31 JULY 2011	SIX MONTHS ENDED 31 JULY 2010	AT 31 JULY 2011	AT 31 JANUARY 2011	AT 31 JULY 2010
Return and dividend per ordinary share:					
Revenue return	2.8p	2.5p			
Capital return	6.8p	7.5p			
Total return	9.6p	10.0p			
Interim dividend	1.6p	1.6p			
Gearing					
– gross gearing ⁽¹⁾	nil	nil	nil		
– net gearing ⁽²⁾	-0.1%	-0.6%	-6.3%		
– potential gearing ⁽³⁾	14.6%	14.9%	17.4%		

⁽¹⁾ Gross Gearing
This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of shareholders' funds.

⁽²⁾ Net Gearing
This reflects the amount of net borrowings invested, ie borrowings less cash and bond holdings. It is based on net borrowings as a percentage of shareholders' funds.

⁽³⁾ Potential Gearing
This reflects the maximum potential borrowings of a company taking into account both any gearing limits laid down in a company's investment policy and the maximum borrowings laid down in covenants under a company's borrowing facility. It is calculated from maximum potential borrowings as a percentage of shareholders' funds.

A positive percentage indicates the extent to which shareholders' funds are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested.

CHAIRMAN'S STATEMENT INCORPORATING THE INTERIM MANAGEMENT REPORT

Chairman's Statement

During the six months under review, the Company achieved an increase in net asset value of 4.1% on a total return basis, out-performing the benchmark Extended Hoare Govett Smaller Companies Index (excluding Investment Trusts), which rose by 3.5%. It also out-performed the FTSE All-Share Index, which rose by 1.2% over the same period.

This out-performance is due to the continuing cautious stance adopted by the Company's managers and their persistence in investing only in quality companies with solid balance sheets and proven business models. This approach will not work all the time, as stock markets sometimes reward companies that, prima facie, do not deserve it. However, your Board continues to support the managers' preference for higher quality stocks and their belief that, over time, they will deliver better and more consistent returns for shareholders.

I am pleased to note that the mid-market price of the Company's shares rose during the period from 195.0p to 210.8p per share and the discount narrowed from 19.7% at the beginning of the period to 15.8% as at 31 July 2011. Since the period end, subsequent events have proved less positive.

Share Buy Backs

During this six month period, the Company bought back and cancelled 508,945 ordinary shares at a weighted average price of 206p per share at an average discount to NAV of 18.1%, enhancing the NAV per share by nearly 0.2%.

Interim Dividend

The Board is pleased to declare an interim dividend of 1.6p per share to be paid on 21 October 2011 to shareholders on the register on 30 September 2011. This is the same level as the interim dividends paid in respect of the years ended 31 January 2009, 2010 and 2011.

Outlook

The outlook for the UK and world economies is probably less clear now than it was a few months ago. A degree of confidence had returned at the beginning of 2011 that, whilst the road was long and difficult to navigate, the right tools had been employed to ensure that recovery would be forthcoming. Since then, the world has experienced a number of shocks including the natural disaster in Japan, continuing unrest in the Middle East, the Arab Spring spreading amongst dictator-led nations. Most importantly, economic turmoil within the Euro countries, from a financial and economic viewpoint, and poor leadership demonstrated by the US when negotiating its debt ceiling restructuring have worsened the outlook. Such problems and lack of leadership have led investors to flee to safe-haven investments, such as gold and the Swiss franc. Equities have suffered as a result.

In this environment, your Company's managers have performed well especially as smaller companies listed in the UK tend to have a greater focus on the UK economy.

It is now widely believed that growth will be slower and recovery will take even longer than originally envisaged. During this period, interest rates are likely to stay low for an extended period and there is a chance of more support for markets and economies through a third round of Quantitative Easing, both in the UK and the US. With or without such support, your managers' preference for a balanced and diversified portfolio of high quality companies is likely to be the right one and your Board believes that this is the surest way to ride out the current period of market uncertainty and volatility until economic recovery is a reality.

Ian Barby

Chairman
16 September 2011

THIRTY LARGEST HOLDINGS AT 31 JULY 2011

Ordinary shares unless stated otherwise

COMPANY	ACTIVITY BY SECTOR	VALUE £'000	% OF PORTFOLIO
Synergy Health	Health Care Equipment & Services	5,542	4.1
Fenner	Industrial Engineering	5,064	3.7
Babcock	Support Services	4,738	3.5
Croda International	Chemicals	3,671	2.7
Chemring	Aerospace & Defence	3,207	2.4
Homeserve	Support Services	2,711	2.0
Domino Printing	Electronic & Electrical Equipment	2,629	1.9
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	2,605	1.9
Diploma	Support Services	2,415	1.8
Melrose	Industrial Engineering	2,315	1.7
RPC	General Industrials	2,134	1.6
Filtrona	Support Services	2,003	1.5
Elementis	Chemicals	1,976	1.4
Mears	Support Services	1,888	1.4
Fidessa	Software & Computer Services	1,765	1.3
Avocet Mining	Mining	1,763	1.3
Greene King	Travel & Leisure	1,725	1.3
Spectris	Electronic & Electrical Equipment	1,709	1.3
Paypoint	Support Services	1,696	1.2
Dignity	General Retailers	1,694	1.2
Cape	Oil Equipment, Services & Distribution	1,650	1.2
RWS	Support Services	1,634	1.2
Victrix	Chemicals	1,631	1.2
Premier Oil	Oil & Gas Producers	1,629	1.2
Microgen	Software & Computer Services	1,626	1.2
BTG	Pharmaceuticals & Biotechnology	1,578	1.2
JamesHalstead	Construction & Materials	1,544	1.1
Brown (N.)	General Retailers	1,524	1.1
Globeop Financial	Financial Services	1,521	1.1
Hargreaves Service	Support Services	1,488	1.1
		69,075	50.8
Other Investments (80)		67,264	49.2
Total Investments (110)		136,339	100.0

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS TO 31 JULY 2011			SIX MONTHS TO 31 JULY 2010			YEAR ENDED 31 JANUARY 2011
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
Gains on investments held at fair value through profit or loss	—	4,138	4,138	—	4,485	4,485	27,225
Income							
UK dividends	1,849	—	1,849	1,614	—	1,614	2,749
UK unfranked investment income	4	—	4	—	—	—	25
Overseas dividends	73	—	73	111	—	111	210
Underwriting commission	—	—	—	1	—	1	1
Gross return	1,926	4,138	6,064	1,726	4,485	6,211	30,210
Investment management fee — note 2	(219)	(219)	(438)	(177)	(177)	(354)	(754)
Performance fee — note 2	—	(180)	(180)	—	—	—	—
Other expenses	(163)	(1)	(164)	(132)	—	(132)	(296)
Net return before finance costs and taxation	1,544	3,738	5,282	1,417	4,308	5,725	29,160
Finance costs — note 2	—	—	—	—	—	—	—
Net return on ordinary activities before taxation	1,544	3,738	5,282	1,417	4,308	5,725	29,160
Taxation	(1)	—	(1)	—	—	—	(1)
Net return after tax	1,543	3,738	5,281	1,417	4,308	5,725	29,159
Return per ordinary share							
Basic — note 3	2.8p	6.8p	9.6p	2.5p	7.5p	10.0p	51.3p

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

CONDENSED BALANCE SHEET

Registered number 2129187

	AT 31 JUL 2011 £'000	AT 31 JUL 2010 £'000	AT 31 JAN 2011 £'000
Non-current assets			
Investments held at fair value through profit or loss	136,339	107,732	133,237
Current assets			
Amounts due from brokers	457	111	448
Prepayments and accrued income	375	213	180
Cash and cash equivalents	159	7,207	847
	991	7,531	1,475
Total assets	137,330	115,263	134,712
Current liabilities			
Amounts due to brokers	(277)	(74)	(495)
Accruals	(135)	(277)	(218)
Provision for performance fee	(180)	—	—
	(592)	(351)	(713)
Net assets	136,738	114,912	133,999
Issued capital and reserves			
Share capital	10,930	11,421	11,032
Share premium	21,244	21,244	21,244
Other reserves:			
Capital redemption reserve	3,098	2,607	2,996
Capital reserve	97,715	75,928	95,030
Revenue reserve	3,751	3,712	3,697
Total Shareholders' funds	136,738	114,912	133,999
Net asset value per ordinary share			
Basic – see note 5	250.2p	201.2p	242.9p

CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS TO 31 JUL 2011 £'000	SIX MONTHS TO 31 JUL 2010 £'000	YEAR TO 31 JAN 2011 £'000
Cash flow from operating activities			
Profit before tax	5,282	5,725	29,160
Taxation	(1)	—	(1)
Adjustments for:			
Purchases of investments	(16,321)	(8,820)	(29,819)
Sales of investments	17,130	14,760	33,077
	809	5,940	3,258
Gains on investments	(4,138)	(4,485)	(27,225)
Operating cash flows before movements in working capital	1,952	7,180	5,192
(Increase)/decrease in receivables	(195)	25	58
Increase/(decrease) in payables	112	(20)	83
Net cash flows from operating activities after tax	1,869	7,185	5,333
Cash flows from financing activities			
Buy back of shares	(1,068)	(368)	(3,966)
Equity dividends	(1,489)	(1,549)	(2,459)
Net cash used in financing activities	(2,557)	(1,917)	(6,425)
Net (decrease)/increase in cash and cash equivalents	(688)	5,268	(1,092)
Cash and cash equivalents at the beginning of period	847	1,939	1,939
Cash and cash equivalents at the end of the period	159	7,207	847

CONDENSED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
For the six months ended 31 July 2011						
At 31 January 2011	11,032	21,244	2,996	95,030	3,697	133,999
Profit for the year	—	—	—	3,738	1,543	5,281
Shares bought back and cancelled	(102)	—	102	(1,053)	—	(1,053)
Dividends paid – note 4	—	—	—	—	(1,489)	(1,489)
At 31 July 2011	10,930	21,244	3,098	97,715	3,751	136,738
For the six months ended 31 July 2010						
At 31 January 2010	11,492	21,244	2,536	72,165	3,844	111,281
Profit for the period	—	—	—	4,308	1,417	5,725
Shares bought back and cancelled	(71)	—	71	(545)	—	(545)
Dividends paid – note 4	—	—	—	—	(1,549)	(1,549)
At 31 July 2010	11,421	21,244	2,607	75,928	3,712	114,912
For the year ended 31 January 2011						
At 31 January 2010	11,492	21,244	2,536	72,165	3,844	111,281
Profit for the year	—	—	—	26,847	2,312	29,159
Shares bought back and cancelled	(460)	—	460	(3,982)	—	(3,982)
Dividends paid	—	—	—	—	(2,459)	(2,459)
At 31 January 2011	11,032	21,244	2,996	95,030	3,697	133,999

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

Accounting Standards and Policies

These condensed financial statements have been prepared using the same accounting policies as those adopted in the 2011 annual financial report, which are consistent with International Financial Reporting Standards ('IFRS'), and Standing Interpretation Committee and International Financial Reporting Interpretation Committee interpretations issued by the International Accounting Standards Board to the extent adopted by the EU.

2. Management Performance Fees and Finance Costs

The investment management fee is allocated 50% to revenue and 50% to capital; finance costs are allocated 20% to revenue and 80% to capital.

Performance-related fees are charged wholly to capital and at the period end, a provision of £180,000 (31 July 2010 and 31 January 2011: nil) is included in the financial statements.

3. Basis of Returns

	SIX MONTHS TO 31 JUL 2011	SIX MONTHS TO 31 JUL 2010	YEAR TO 31 JAN 2011
Returns after tax:			
Revenue	£1,543,000	£1,417,000	£2,312,000
Capital	£3,738,000	£4,308,000	£26,847,000
Total	£5,281,000	£5,725,000	£29,159,000

Weighted average number of ordinary shares in issue during the period	55,031,620	57,336,480	56,878,794
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4. Dividends on Ordinary Shares

	RATE	SIX MONTHS ENDED 31 JUL 2011 £'000	SIX MONTHS ENDED 31 JUL 2010 £'000	YEAR ENDED 31 JAN 2011 £'000
Second interim 2010	2.7p	—	1,549	1,549
First interim 2011	1.6p	—	—	910
Final 2011	2.7p	1,489	—	—
Dividends paid		1,489	1,549	2,459

An interim dividend of 1.6p per ordinary share (2010: 1.6p) will be paid on 21 October 2011 to shareholders on the register on 30 September 2011.

5. Basis of Net Asset Value per Ordinary Share

	AT 31 JUL 2011	AT 31 JUL 2010	AT 31 JAN 2011
Shareholders' funds	£136,738,000	£114,912,000	£133,999,000
Ordinary shares in issue at period end	54,650,084	57,104,629	55,159,029

6. Movements in Share Capital

	SIX MONTHS TO 31 JUL 2011	SIX MONTHS TO 31 JUL 2010	YEAR TO 31 JAN 2011
Number of ordinary 20p shares:			
Brought forward	55,159,029	57,459,629	57,459,629
Bought back and cancelled in period	(508,945)	(355,000)	(2,300,600)
In issue at period end	54,650,084	57,104,629	55,159,029

The average share price of shares bought back in the six months to 31 July 2011 was 206.01p.

In the period under review, no shares have been held in treasury.

After the period end an additional 400,000 shares were repurchased and cancelled at an average share price of 187.7p.

7. Investment Trust Status

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company set out in section 1159 of the Corporation Tax Act 2010.

8. Status of Half Yearly Financial Report

The financial information contained in this half yearly financial report, which has not been reviewed or audited by the independent auditors, does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half years ended 31 July 2010 and 31 July 2011 has not been audited. The figures and financial information for the year ended 31 January 2011 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Report of the Independent Auditors, which was unqualified.

By order of the Board
Invesco Asset Management Limited
 Company Secretary
 16 September 2011

DIRECTORS, ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Directors

Ian Barby (Chairman)
Richard Brooman (Deputy Chairman and Chairman of the Audit Committee)
Christopher Fletcher
Garth Milne
John Spooner

Manager, Company Secretary and Registered Office

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Company Secretarial contact: Kelly Nice

Company Number

Registered in England and Wales No. 2129187

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU.

If you hold your shares direct and not through either a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars' on:

☎ 0871 664 0300

Calls cost 10p per minute plus network charges. Lines are open from 8.30 am to 5.30 pm every working day.

Shareholders can also access their holding details via Capita's website www.capitaregistrars.com or www.capitashareportal.com.

The Registrars provide a telephone and an online share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or ☎ 0871 664 0454.

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to assist you from 8.30 am to 6.00 pm every working day. Please feel free to take advantage of this expertise.

☎ 0800 085 8677

www.invescooperpetual.co.uk/investmenttrusts



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Invesco Asset Management Limited is a wholly owned subsidiary of Invesco Limited and is authorised and regulated by the Financial Services Authority

Invesco Perpetual is a business name of Invesco Asset Management Limited