Invesco Perpetual UK Smaller Companies Investment Trust plc

Annual Financial Report

Year Ended 31 January 2011

Invesco Perpetual UK Smaller Companies Investment Trust plc

Annual Financial Report 2011

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

0800 085 8677

Website:- www.invescoperpetual.co.uk/investmenttrusts

Front cover: abstract granite, Cornwall

Contents

The Company is a member of

aic
The Association of Investment Companies

Your Company

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.

Our Objective

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.

Our Performance Goal

To achieve long-term shareholder returns which are in excess of our benchmark, the Extended Hoare Govett Smaller Companies Index (excluding Investment Trusts). The pursuit of income is of secondary importance.

Our Managers

Richard Smith and Jonathan Brown. Richard Smith has over twenty years' experience in the management of smaller company funds and over thirty years in investment management. His co-manager, Jonathan Brown, has been with Invesco Perpetual for ten years and has managed money for the last five years.

Our Style

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

To moderate risk by investing in a wide range of stocks and, by the careful use of gearing, to take advantage of anticipated market strength or special situations.

Share Capital and Gearing

The Company's share capital consisted of 57,459,629 ordinary shares of 20p each at 31 January 2010. During the year, the Company repurchased 2,300,600 ordinary shares, leaving 55,159,029, ordinary shares at 31 January 2011.

When required, gearing is provided by an uncommitted bank overdraft.

ISA Eligibility

The ordinary shares of the Company are eligible for investment in an ISA.

Glossary

There is a glossary of terms on page 57 which defines some of the more technical references used in this Annual Financial Report.

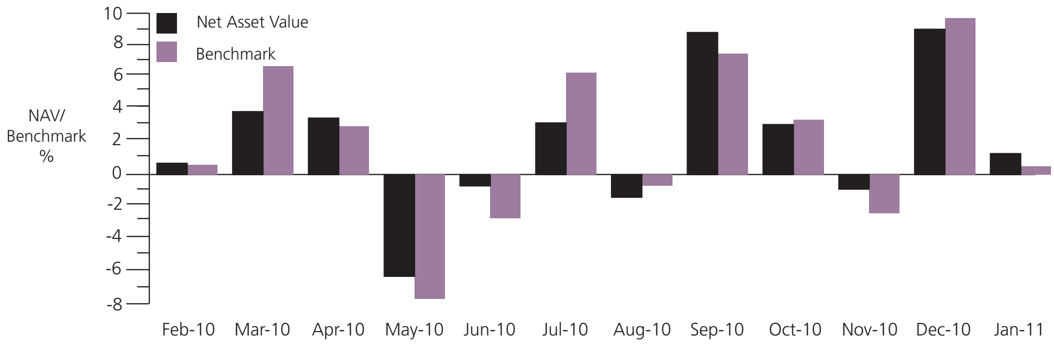
The Benchmark Index of the Company is the Extended Hoare Govett Smaller Companies Index (excluding Investment Trusts)

	AT 31 JANUARY 2011	AT 31 JANUARY 2010	% CHANGE
Total return (all income reinvested):			
Net asset value[(1)(2)(3)]			+28.6
Benchmark[(1)(3)]			+28.7
FTSE All-Share Index[(3)]			+18.1
Net asset value per ordinary share:			
– balance sheet	242.9p	193.7p	+25.4
– after charging proposed dividends (capital NAV)	240.2p	191.0p	+25.8
Shareholders' funds (£'000)[(2)]	133,999	111,281	+20.4
Mid-market price per ordinary share	195.0p	150.5p	+29.6
Discount[(1)] per ordinary share based on balance sheet NAV	19.7%	22.3%	
Capital only return – indices:			
Benchmark[(1)(3)]			+25.3
FTSE All-Share Index[(3)]			+14.4
Return and dividend per ordinary share:			
Revenue return	4.1p	4.3p	
Capital return	47.2p	49.4p	
Total return	51.3p	53.7p	
First interim dividend	1.6p	1.6p	
Final dividend/second interim	2.7p	2.7p	
	4.3p	4.3p	nil
Total expense ratio[(1)(4)]			
– excluding performance fee	0.9%	0.9%	
– including performance fee	0.9%	0.9%	
Gearing[(1)(5)]			
– gross gearing	nil	nil	
– net gearing	-0.6%	-1.7%	
– potential gearing	14.9%	18.0%	

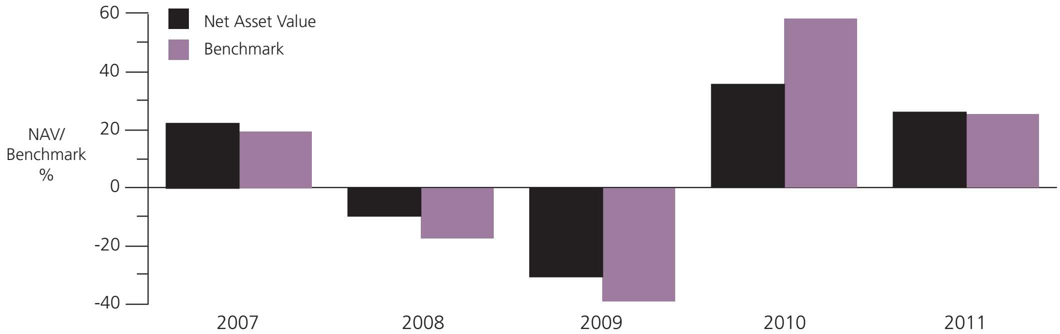
Note: (1) The term is defined in the Glossary on page 57.
(2) Includes enhancements from share repurchases.
(3) Source: Thomson Reuters Datastream and Morningstar.
(4) Excludes the effect of any recoverable VAT on management fees and interest thereon.
(5) A gearing level of nil indicates there is no gearing.

12 Months NAV Performance vs Benchmark (Capital only)

For the year 1 February 2010 to 31 January 2011

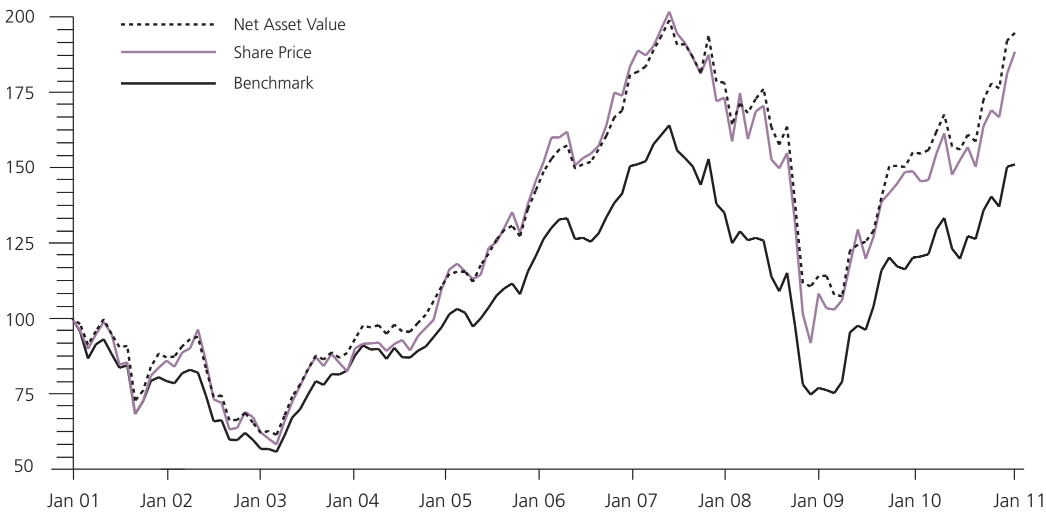


Five Year Annual NAV (Balance Sheet) Performance vs Benchmark (Capital only)



Cumulative Ten Year Share Price and NAV Performance vs Benchmark (Capital only)

From 31 January 2001 to 31 January 2011
(Figures have been rebased to 100 at 31 January 2001)



Five Year Historical Record

TO 31 JANUARY	GROSS INCOME £'000	NET REVENUE RETURN AVAILABLE FOR ORDINARY SHAREHOLDERS £'000	DIVIDENDS ON ORDINARY SHARES(1) COST £'000	DIVIDENDS ON ORDINARY SHARES(1) RATE p	TOTAL ASSETS LESS CURRENT LIABILITIES £'000	NET ASSET VALUE PER ORDINARY SHARE p	MID-MARKET PRICE PER ORDINARY SHARE p
2007	2,976	2,140	2,095	3.15	151,165	226.3	195.5
2008	3,264	2,463	2,289	3.75	124,971	205.2	164.3
2009	3,666	3,560	3,075(2)	5.30(2)	84,348	144.7	107.0
2010	2,909	2,477	2,472	4.30	111,281	193.7	150.5
2011	2,985	2,312	2,399	4.30	133,999	242.9	195.0

(1) The dividends shown above are those proposed in respect of each year.
(2) 2009 includes a special dividend of 1.2p per ordinary share of £692,000 in respect of VAT recovered on management fees.

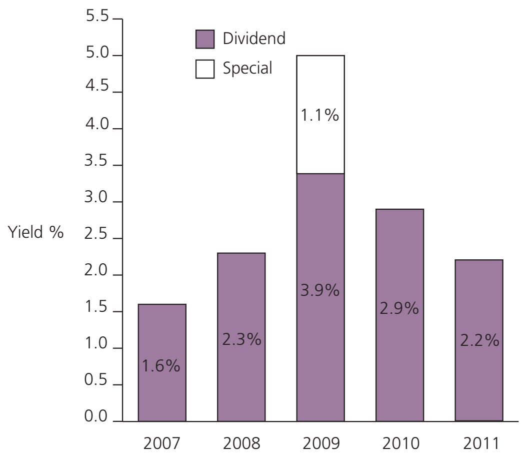
Net Asset Value and Benchmark Total Return Performance

For the Ten Years to 31 January 2011

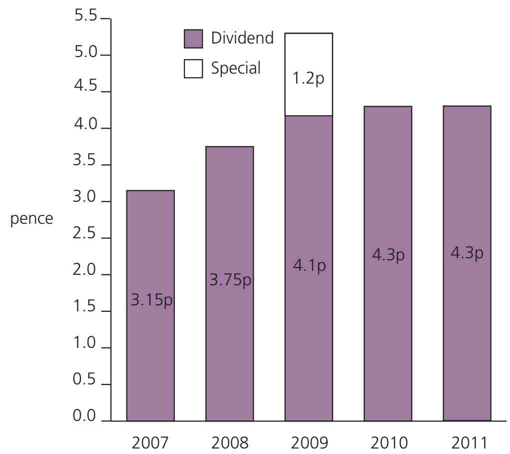
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	3yr	5yr	10yr
Net Asset Value %	-11.6	-27.9	+52.7	+24.3	+31.0	+24.7	-8.3	-29.2	+40.1	+28.6	+27.6	+45.9	+131.1
Benchmark %	-18.4	-26.0	+59.6	+18.9	+28.0	+22.9	-15.6	-36.7	+62.8	+28.7	+32.7	+37.6	+102.1
Variance %	+6.8	-1.9	-6.9	+5.4	+3.0	+1.8	+7.3	+7.5	-22.7	-0.1	-5.1	+8.3	+29.0

Source: Thomson Reuters Datastream and Morningstar.

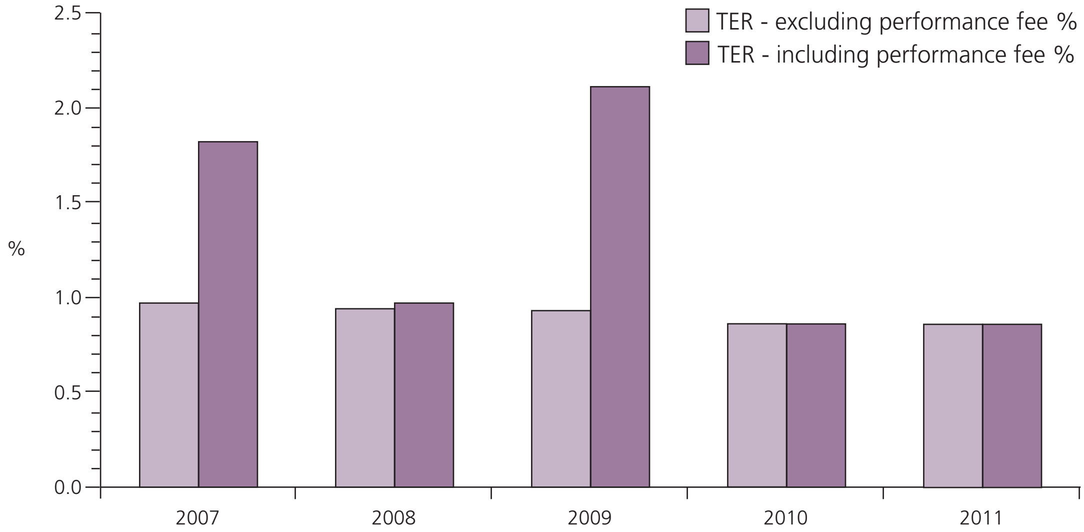
Dividend Yield History – 5 Years



Dividend History – 5 Years

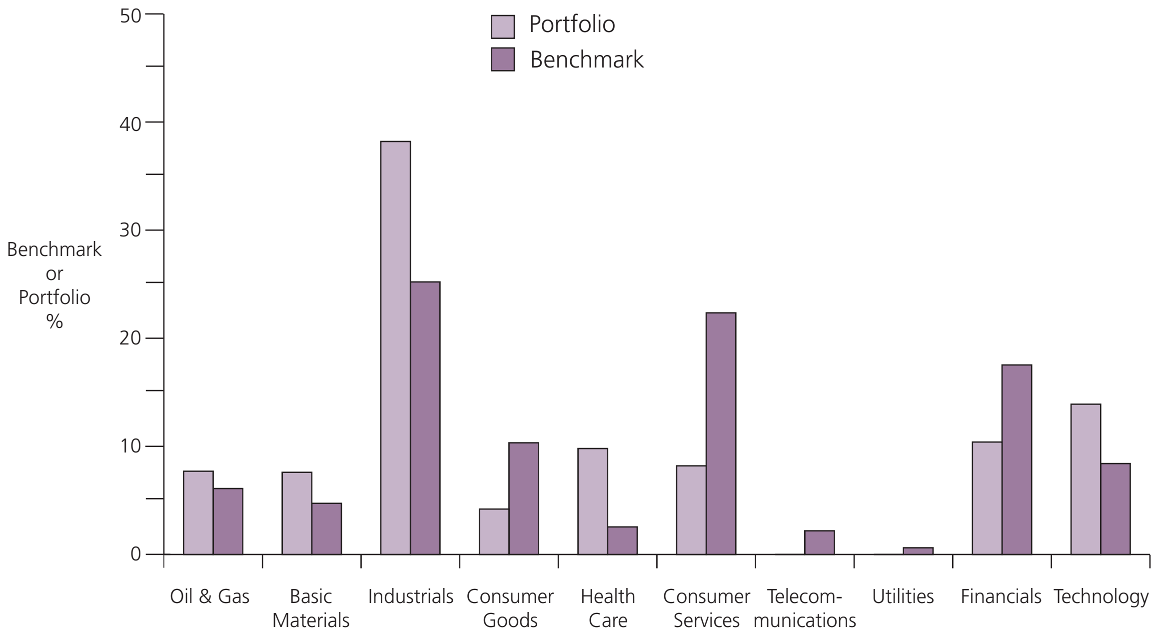


Total Expense Ratio (TER) – Five Years



Sector Allocation of Portfolio vs Benchmark

As at 31 January 2011



During the year ended 31 January 2011, the Company achieved an increase in net asset value ('NAV') of 28.6% on a total return basis, outperforming the FTSE All-Share Index, which rose by 18.1% over the same period, and effectively matching its benchmark the Extended Hoare Govett Smaller Companies Index (excluding Investment Trusts), which rose by 28.7%.

At the same time, I am pleased to note that during the same period the mid-market price of the Company's shares rose by 29.6% from 150.5p to 195p per share, accompanied by a narrowing of the discount to NAV from 22.3% to 19.7%.

Dividend

For the year ended 31 January 2011, an interim dividend of 1.6 pence per share was paid on 22 October 2010 to shareholders on the register on 24 September 2010. The Board is proposing the payment of a final dividend of 2.7 pence per share on 27 May 2011 to shareholders on the register on 26 April 2011.

Total dividends for the year to 31 January 2011 are 4.3 pence per share, the same as last year. Future dividends, as well as investment performance, will, as always, depend on market conditions, the income earned from the investment portfolio and the ability of the Managers to achieve satisfactory results.

Share Repurchases

During the year ended 31 January 2011, the Company purchased and cancelled a total of 2,300,600 ordinary shares at a weighted average price of 172 pence per share and at an average discount to NAV of over 20%. The effect has been to buy in 4% of the issued share capital and to enhance NAV by approximately 0.9%. Since the year end, no further ordinary shares have been bought back.

Board Renewal

During the year, the Board undertook the search for a new Director with the help of an independent consultancy. As a result, I am pleased to report that Christopher Fletcher, who has broad experience at a senior level in both accountancy and fund management, agreed to join the Board as a non-executive Director on 1 December 2010 and will be seeking shareholder's approval for his election at the forthcoming AGM.

Mark O'Hare will be stepping down from the Board at the AGM after 14 years of invaluable service. We shall miss his insights and constructive contribution to the development of the Company.

Management of the Company

As already mentioned in the half-yearly report, during the year the Board appointed Jonathan Brown as co-manager of the portfolio, alongside the existing manager, Richard Smith. Both managers have worked together in the same investment environment for seven years and the Board has confidence in their ability to add value to the company's assets.

New Management Agreement

The Board has recently completed a review of the management fee provisions of the investment management agreement and agreed with the Manager a number of changes to the method of calculating performance related fees. The Board believes these changes are appropriate both to provide a more consistent basis for measuring the Company's performance and to bring the level of overall fees more in-line with the peer group.

The principal changes to the annual performance fee calculation are:

- performance to be measured on the basis of NAV rather than share price;
- fees to be reduced from 15% to 12.5% of the value of the outperformance;
- maximum fee payable reduced from 1.85% to 1% of funds under management; and
- maximum percentage to carry forward has been reduced from 1.85% to 1%.

There will be no change to the benchmark index. The changes have taken effect from the beginning of the current financial year, on 1 February 2011, and any under- or outperformance of the benchmark for periods up to 31 January 2011 will not be carried forward.

Annual General Meeting

The Directors have carefully considered all of the resolutions proposed in the Notice of the AGM and believe them to be in the best interests of shareholders and the Company as a whole. The Directors accordingly recommend that shareholders vote in favour of each resolution.

There are four resolutions to be proposed as Special Business at the AGM and these will be proposed as one Ordinary Resolution and three Special Resolutions.

Authority to Allot Shares and Authority to Buy Back Shares (Resolutions 9, 10 and 11)

In order to assist the Board with its commitment to discount management, the Directors are seeking to renew the authority to undertake purchases of the Company's ordinary shares in the market and to issue new ordinary shares, and are also seeking authority to issue new ordinary shares whilst disapplying pre-emption rights, if required, within the set limits set out in Ordinary Resolution 9 and Special Resolutions 10 and 11 in the Notice of AGM. New shares will not be issued at prices below, nor will shares be repurchased at prices higher, than the prevailing net asset value.

As stated in previous years, the Directors might consider holding repurchased shares as treasury shares, with a view to possible resale. To take account of the possibility of treasury shares, the disapplication of pre-emption rights has been extended to apply to the resale of treasury shares (if any) in the same way as to the allotment of new securities.

Notice Period for General Meetings (Resolution 12)

The implementation of the EU Shareholder Rights Directive in 2009, has increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice.

At the Company's AGM last year, a resolution was passed by shareholders allowing the period of notice required for general meetings (other than AGMs) to be not less than 14 days' notice. The Directors are proposing Special Resolution 12, to renew this authority.

Outlook

The Manager's Report highlights the difficulties facing the UK economy and the factors which could militate against its continued recovery. At the same time it is worth recording the emphasis in your Company's portfolio on high quality mid to small-cap stocks, whose overseas earnings exceed those from the domestic market and provide both the possibility of relative out-performance and the maintenance of continued defensive characteristics. Your Manager's long-term record of superior stock selection will remain key and will determine the likelihood of achieving a continued positive return for the year ahead from a balanced portfolio of quality companies.

Ian Barby
Chairman

13 April 2011

Richard Smith

Jonathan Brown

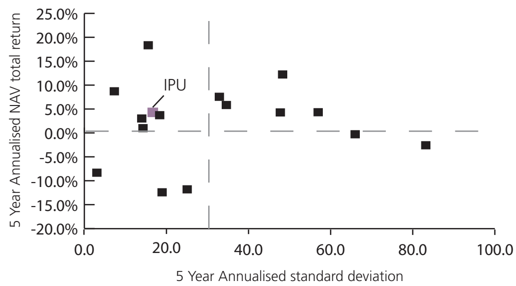
Investment Review

In the period under review, the UK stock market was buffeted by both internal and external factors. Initially, the stock market continued the recovery begun in 2009. However, from a peak in April there was a sharp sell-off, resulting from sovereign debt problems, initially in Greece and Ireland, but later spreading to Portugal and Spain. A substantial bail-out package from the EU and IMF, combined with harsh spending cuts brought some stability to the situation. At the same time, the UK had its own problems, following an indecisive general election result in May. This was resolved by the formation of the first coalition government since the Second World War; investors, however, remained cautious ahead of the comprehensive spending review in October. Even so, by late summer the stock market resumed its uptrend, encouraged by the continuing recovery in the global economy, further quantitative easing by the US and stronger than expected increases in profits for many companies. Even the poor weather in December was shrugged off, as shares recorded their strongest month of the year. For the year to 31 January 2011, the UK stock market, as measured by the FTSE All Share Index, rose 18.1% (on a total return basis). This compares with just a 4% gain at the halfway stage at the end of July 2010. Small to mid-cap stocks significantly outperformed the larger capitalisation companies, this for the second year in a row, as they demonstrated selectively their greater ability to grow and their flexibility to handle difficult environments. The FTSE 250 Index gained 27.4% and your Company's benchmark index, the Extended Hoare Govett Smaller Companies Index, increased 28.7%.

Against this background, the net asset value of the shares (on a total return basis) rose 28.6%. The portfolio benefited from overweight positions in the Industrial Engineering, Electronic Equipment and Chemicals sectors, but suffered from under exposure to the Mining and Travel and Leisure sectors. The main contributors were: **Fenner**, which increased by 80% during the period, as a result of a succession of earnings upgrades, due to the recovery in its industrial polymers division and a continued good performance from its heavy duty conveyor belting which is used extensively in the coal mining industry; **Croda**, which gained 94%, is a specialty chemicals business whose products are a small but important part of the ingredients in a wide range of skincare and cosmetic products; **Synergy Healthcare**, which increased 41%, is a leading provider of decontamination services for surgical instruments, sterilisation services for medical instruments and linen services to the NHS; **Domino Printing**, which gained 94%, is a leading manufacturer of digital ink jet printers which are used to track and trace the origin of products. The year was not without its disappointments, however. Historically the managers have wished to be overweight in support services, because of the recurring nature of the revenue of many of the companies in this sector. Unfortunately, in a more difficult economic environment, these revenues have proved less defensive than expected. Investments in **Connaught** and **Mouchel** have been disappointing.

Despite the underperformance in 2009/10 and flat performance in 2010/11, on a five-year basis the Company continues to achieve its objective relative to the peer group of being an above average performer combined with lower than average volatility, as the following chart shows.

Returns vs. Volatility† Over Five Years – UK Smaller Companies Investment Trust Peer Group (16 trusts)



IPU = Invesco Perpetual UK Smaller Companies Investment Trust
— represents the average performance (vertical) and the average volatility (horizontal) of the peer group.
† Defined in the Glossary of Terms on page 57

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

Invesco Perpetual UK Smaller Companies Investment Trust plc
Performance attribution for the year ended 31 January 2011

	Total Absolute %
Net asset value total return	28.6
Benchmark total return	28.7
Relative under performance	(0.1)
Analysis of Relative Performance	
Portfolio total return	28.7
Less Benchmark total return	(28.7)
Portfolio underperformance	–
Net gearing effect	–
Management fees	(0.7)
Performance fees	–
Other expenses	(0.3)
Interest payable	–
Effect of ordinary share buy backs	0.9
Total	(0.1)

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

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

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

Management fees, performance fees, other expenses and interest payable reduce the level of assets and therefore result in a negative effect for relative performance.

Effect of ordinary share buy backs measures the effect of ordinary shares bought back on the Company's relative performance.

Investment Strategy

2010 witnessed a steady climb out of recession for many western economies. This recovery has been aided by strong growth in many developing countries, notably China, and the reluctance so far for the US, at least at the federal level, to begin tackling its trade and budget deficits. It has also been helped by easy monetary policies, developed in response to the unprecedented burden of debt of many governments and consumers and designed to soften the impact of the austerity budgets being pursued by many governments. There is little doubt that the monetary authorities regard the higher inflation generated as more desirable than either a double dip in economic growth or deflation, both of which would once again expose underlying deficits which may require large and politically difficult bailouts. The willingness, however, of lenders to see their loans devalued in this way remains a major uncertainty. Moreover the UK authorities are faced with quite a dilemma. Higher UK inflation is predominantly supply-led, rather than demand-led, being caused by rising commodity prices, higher UK taxes and increased public-sector service costs as a result of reduced government subsidies. A rise in UK interest rates, currently being demanded by financial markets, would do little to subdue these inflationary pressures but could have the effect of choking off what, so far, is proving to be a pretty fragile recovery. The more dangerous wage-led inflation seems unlikely due to the weak bargaining position of labour in the current environment. Whatever the outcome, the UK and most western economies surely face a prolonged period of anaemic growth, as the required drop in living standards takes place and the process of deleveraging runs its course. Additionally, the recent increases in basic commodities such as food products as well as oil prices are unhelpful to either developing or developed economies.

We continue to believe that the outlook for the UK stock market is more attractive than for the UK economy. Firstly, well over 60% of earnings from UK public companies come from abroad, where prospects appear brighter. Sterling may weaken further, enhancing the value of these foreign earnings. Secondly, the thrust of government policy is to rebalance the economy towards the private sector which should provide outsourcing opportunities for many UK companies. Thirdly, valuations appear reasonable on an historical basis. In particular, dividends are growing again and yields remain attractive versus extremely low deposit rates. Finally, if we are right about the authorities tolerating a higher inflation rate, then equities could be a prime beneficiary.

As ever, we wish to run a reasonably balanced portfolio of quality companies. We remain favourably disposed to businesses with overseas exposure, partly to benefit from better economic prospects outside the UK, but also we view the ability to sell products and services around the world as a clear indication of a strong business. In the current inflationary environment, the need to be invested in high-quality businesses, with intellectual property and the ability to pass on rising costs through price increases, has never been more important. With this in mind, the portfolio retains its exposure to the industrial engineering sector. We have investments in world-class businesses such as **Fenner**, which was described earlier in this report, **Rotork**, whose valve actuators are critical components in power stations, pipelines and infrastructure projects around the world, and **Spirax-Sarco**, whose steam handling technology improves the efficiency of a wide range of manufacturing processes. In the technology sector, we have outstanding companies such as **Aveva**, which produces the most widely used 3D design software in the shipbuilding, petrochemical and energy sectors and **Fidessa**, which supplies trading platforms and systems to the global financial sector. We continue to have a relatively limited exposure to consumer related businesses reflecting our belief that the consumer will remain under pressure for some time to come. Where we do invest in the sector, it is in good quality niche companies such as **Brown (N.)**, which is a catalogue retailer with a significant online presence, serving the outsize clothing market, a sector not well served on the high street. We have suffered from being overweight support services companies with public-sector exposure. Eventually, these companies will benefit from increased outsourcing opportunities, but in the short term, they remain under pressure to reduce prices and to curtail certain activities in order to help the government achieve its spending targets.

Current prospects

The outlook for the UK economy is uncertain. The recovery seen over the first three quarters of the year came to a halt in the fourth quarter, as poor weather and the initial impact of prospective government spending cuts were felt. The fiscal squeeze in the UK and Europe will no doubt be adopted by the US in coming months, with potentially negative consequences for growth. In the UK, government and consumer spending account for almost 90% of GDP and explain why we believe the prospects for the UK economy are for slow growth at best. Unfortunately, this situation is now being made worse by the political unrest in the Middle East and the resulting increase in oil prices. The rise in price of such a widely used commodity such as oil has a similar effect to an increase in taxes and will result in slower global growth if sustained for long. Not surprisingly, equity markets around the world have experienced some profit-taking in recent weeks and are likely to remain subdued until the political situation stabilises and fears of the unrest spreading to Saudi Arabia, the major country of the region, subside. Provided that calm returns, we believe that the UK stock market can make further upward progress, even if we experience the first increase in official interest rates. Good stock selection could produce a third successive year of positive returns for your Company.

Richard Smith   Jonathan Brown
Invesco Asset Management Limited

13 April 2011

INVESTMENTS IN ORDER OF VALUATION

AT 31 JANUARY 2011

Ordinary shares unless stated otherwise

COMPANY	ACTIVITY BY SECTOR	VALUE £'000	% OF PORTFOLIO
Synergy Healthcare	Health Care Equipment & Services	5,408	4.1
Fenner	Industrial Engineering	4,779	3.6
Chemring	Aerospace & Defence	4,151	3.1
Babcock	Support Services	3,469	2.6
Croda	Chemicals	3,104	2.3
Domino Printing	Electronic & Electrical Equipment	2,971	2.2
Homeserve	Support Services	2,804	2.1
Dechra Pharma	Pharmaceuticals & Biotechnology	2,174	1.6
Mears	Support Services	2,086	1.6
Melrose	Industrial Engineering	2,042	1.6
Top Ten Holdings		32,988	24.8
Premier Oil	Oil & Gas Producers	2,032	1.5
Brewin Dolphin	Financial Services	1,924	1.5
Diploma	Support Services	1,916	1.4
Avocet Mining	Mining	1,787	1.3
Jupiter Fund Management	Financial Services	1,767	1.3
Filtrona	Support Services	1,651	1.2
Victrex	Chemicals	1,609	1.2
Brown (N.)	General Retailers	1,513	1.1
Phoenix	Software & Computer Services	1,512	1.1
New Britain Palm Oil	Food Producers	1,503	1.1
Top Twenty Holdings		50,202	37.5
Fidessa	Software & Computer Services	1,485	1.1
RM	Software & Computer Services	1,481	1.1
Spectris	Electronic & Electrical Equipment	1,470	1.1
IQE	Technology Hardware & Equipment	1,458	1.1
Ultra Electronic	Aerospace & Defence	1,400	1.1
Cape	Oil Equipment, Services & Distribution	1,394	1.1
Dignity	General Retailers	1,384	1.1
James Halstead	Construction & Materials	1,382	1.0
United Business Media	Media	1,362	1.0
SDL	Software & Computer Services	1,347	1.0
Top Thirty Holdings		64,365	48.2
Northgate	Support Services	1,321	1.0
Micro Focus	Software & Computer Services	1,317	1.0
Greene King	Travel & Leisure	1,292	1.0
Beazley	Non-life Insurance	1,276	1.0
BTG	Pharmaceuticals & Biotechnology	1,264	1.0
Microgen	Software & Computer Services	1,256	1.0
Spirent Communications	Technology Hardware & Equipment	1,255	1.0
Hargreaves Service	Support Services	1,253	0.9
Gulfsands Petroleum	Oil & Gas Producers	1,173	0.9
NCC	Software & Computer Services	1,169	0.9
Top Forty Holdings		76,941	57.9

INVESTMENTS IN ORDER OF VALUATION
AT 31 JANUARY 2011 *continued*

COMPANY	ACTIVITY BY SECTOR	VALUE £'000	% OF PORTFOLIO
RWS	Support Services	1,167	0.9
Aveva	Software & Computer Services	1,146	0.9
Kofax	Software & Computer Services	1,143	0.9
Greggs	Food & Drug Retailers	1,123	0.8
Spirax-Sarco	Industrial Engineering	1,123	0.8
Globeop Financial	Financial Services	1,111	0.8
RPS	Support Services	1,109	0.8
Mitie	Support Services	1,094	0.8
Xchanging	Support Services	1,089	0.8
Berendsen	Support Services	1,085	0.8
Top Fifty Holdings		88,131	66.2
Rotork	Industrial Engineering	1,067	0.8
Dunelm	General Retailers	1,067	0.8
Elementis	Chemicals	1,057	0.8
H & T	Financial Services	1,040	0.8
Hunting	Oil Equipment, Services & Distribution	1,026	0.8
Salamander Energy	Oil & Gas Producers	1,020	0.8
Anglo Pacific	Mining	1,017	0.8
Emis	Software & Computer Services	1,005	0.8
E2V Technologies	Electronic & Electrical Equipment	999	0.7
Cranswick	Food Producers	993	0.7
Top Sixty Holdings		98,422	74.0
May Gurney	Support Services	992	0.7
PZ Cussons	Personal Goods	962	0.7
CPP	Support Services	955	0.7
Hiscox	Non-life Insurance	948	0.7
Immunodiagnostic	Health Care Equipment & Services	946	0.7
Carillion	Support Services	933	0.7
Valiant Petroleum	Oil & Gas Producers	920	0.7
CSR	Technology Hardware & Equipment	857	0.6
Omega Insurance – US common stock	Non-life Insurance	852	0.6
Devro	Food Producers	843	0.6
Top Seventy Holdings		107,630	80.7
Halfords	General Retailers	819	0.6
JKX Oil & Gas	Oil & Gas Producers	809	0.6
Laird	Electronic & Electrical Equipment	804	0.6
Consort Medical	Health Care Equipment & Services	779	0.6
Mouchel	Support Services	776	0.6
Collins Stewart	Financial Services	774	0.6
WH Smith	General Retailers	773	0.6
Headlam	Household Goods & Home Construction	773	0.6
Sinclair Pharmaceuticals	Pharmaceuticals & Biotechnology	768	0.6
RSM Tenon	Financial Services	766	0.6
Top Eighty Holdings		115,471	86.7

COMPANY	ACTIVITY BY SECTOR	VALUE £'000	% OF PORTFOLIO
London Mining	Industrial Metals & Mining	739	0.6
Faroe Petroleum	Oil & Gas Producers	722	0.5
Advanced Medical Solutions	Health Care Equipment & Services	672	0.5
Howden Joinery	Support Services	664	0.5
Paypoint	Support Services	656	0.5
Axis-Shield	Pharmaceuticals & Biotechnology	648	0.5
Hansard Global	Life Insurance	646	0.5
Hill & Smith	Industrial Engineering	641	0.5
Hardy Underwriting	Non-life Insurance	630	0.5
Senior	Aerospace & Defence	629	0.5
Top Ninety Holdings		122,118	91.8
Afren	Oil & Gas Producers	623	0.5
Pace	Technology Hardware & Equipment	617	0.5
Group NBT	Software & Computer Services	602	0.5
Playtech	Software & Computer Services	600	0.5
Abbey Protection	Non-life Insurance	594	0.4
Low & Bonar	Construction & Materials	587	0.4
CVS	General Retailers	573	0.4
Renishaw	Electronic & Electrical Equipment	528	0.4
Coastal Energy	Oil & Gas Producers	528	0.4
Holidaybreak	Travel & Leisure	519	0.4
Top Hundred Holdings		127,889	96.2
Az Electronic Materials	Chemicals	505	0.4
RPC	General Industrials	446	0.3
Caretech Holdings	Health Care Equipment & Services	434	0.3
Yougov	Media	430	0.3
Mountview Estates	Real Estate Investment & Services	400	0.3
Sthree	Support Services	356	0.3
Morson	Support Services	333	0.2
Petra Diamonds	Mining	324	0.2
Britvic	Beverages	323	0.2
Unite	Real Estate Investment & Services	301	0.2
Top Hundred and Ten Holdings		131,741	98.9
MAM Funds	Financial Services	291	0.2
Hansteen	Real Estate Investment Trusts	288	0.2
Strategic Thought	Software & Computer Services	260	0.2
Mucklow A&J	Real Estate Investment Trusts	250	0.2
Bellway	Household Goods & Home Construction	222	0.2
Keller	Construction & Materials	185	0.1
Clean Energy – Warrants	Chemicals	–	–
Minorplanet Systems	Industrial Transportation	–	–
Berry Starquest Limited – see note 1(h)	Investment Dealing Subsidiary	–	–
TOTAL INVESTMENTS		133,237	100.0

As at 31 January 2011, one investment was held at a fair value of nil (2010: one).

Ian Barby†

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

Mark O'Hare†

Joined the Board in 1997. He founded Citywatch, the UK share ownership information service in 1993, after 12 years with Boston Consulting Group and Goodall Alexander O'Hare & Company. In 2002 he founded, and is managing director of, Preqin Ltd, an information service in the private equity and venture capital industries. He will retire at the end of the forthcoming AGM.

Richard Brooman*

Joined the Board in 1988. He is Deputy Chairman of the Board and Chairman of the Audit Committee. A chartered accountant, he was formerly group finance director of Sherwood International Plc. Prior to this, he was finance director of VCI plc and CFO of the global consumer healthcare business at SmithKline Beecham plc, having held senior financial and operational roles at Mars and qualifying at Price Waterhouse. He is also a non-executive director and chairman of the Audit & Valuations Committee of Hg Capital Trust plc, a non-executive director and chairman of the Audit and Risk Committee of the Camden & Islington NHS Foundation Trust and a non-executive director of SVM UK Active Fund plc.

Christopher Fletcher†

Joined the Board on 1 December 2010. For over 10 years, he has been Head of Retail Investments at Baillie Gifford & Co with responsibility for administration and non-institutional business development, particularly of investment trusts and pooled funds. He was managing director of Baillie Gifford & Co Ltd, Baillie Gifford Life Limited and Baillie Gifford Savings Management Ltd. He is a director and chairman of the Audit Committee of Northern 2 VCT plc. Prior to joining Baillie Gifford & Co in 1997, Mr Fletcher was a partner in the Edinburgh office of KPMG for over 12 years. He will join the Audit Committee following election at the AGM.

Garth Milne†*

Joined the Board in 2001. He has been involved in investment funds in the City for over 30 years. He was formerly head of the investment funds team at UBS Warburg, having originally set up the team at Laing & Cruickshank. He is chairman of Westhouse (Holdings) plc and is a director of Real Estate Opportunities plc.

John Spooner*

Joined the Board in 2001. He is a director of a number of companies and an active investor in AIM listed and private companies. He has over 30 years' venture capital and investment experience. He founded Quester in 1984 after six years as an investment manager with 3i; Quester became one of the leading independent venture capital companies in the UK. He qualified as a chartered accountant with Moore Stephens. He will step down as a member of the Audit Committee after the AGM.

All Directors are independent and non-executive. All Directors are members of the Management Engagement Committee.

* Member of the Audit Committee. † Member of the Nomination Committee.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Manager, Secretary and Registered Office

Invesco Asset Management Limited
30 Finsbury Square
London EC2A 1AG
☎ 020 7065 4000
Company Secretarial Contacts: Carolyn Ladd and Kerstin Rucht

Registered in England and Wales

Number 2129187

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 their expertise.
☎ 0800 085 8677
www.invescoperpetual.co.uk/investmenttrusts

Registrars

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

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars on:
☎ 0871 664 0300.

Calls cost 10p per minute plus network charges. 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.

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

Calls cost 10p per minute plus network charges. Lines are open from 8.00 am to 5.30 pm every working day.

Custodian

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

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Stockbrokers

JP Morgan Cazenove
10 Aldermanbury
London EC2V 7RF

Savings Scheme and ISA Administration

for both the Invesco Perpetual Investment Trust Savings Scheme and ISA:

Invesco Perpetual
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH
☎ 0800 085 8677

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

Savings Plan and ISA

Invesco Perpetual UK Smaller Companies Investment Trust plc is a member of the Invesco Perpetual Investment Trust Savings Scheme and the Invesco Perpetual Investment Trust ISA. Shares in this Company can be purchased and sold via these two schemes.

Invesco Perpetual Investment Trust Savings Scheme

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

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to £10,680 in shares of Invesco Perpetual UK Smaller Companies Investment Trust plc in each tax year. Investors can also choose to make lump sum investments from £500, or regular investments from as little as £20 per month.

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

Net Asset Value ('NAV') Publication

The net asset value of the Company's ordinary shares ('NAV') is calculated by the Managers on a daily basis and is notified to the Stock Exchange by the Managers on the following business day. An estimated NAV is also published daily in the newspapers detailed below under Share Price Listings, and can be found on the Manager's website.

Manager's Website

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

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.

Share Price Listings

The price of your shares can be found in the following places:

Financial Times	Investment Companies
The Times	Investment Companies
Daily Telegraph	Investment Trusts
Reuters	IPU.L
Topic	IPU

Internet addresses:

Trust net	www.trustnet.com
Interactive Investor	www.iii.co.uk
Invesco Perpetual	www.invescoperpetual.co.uk/investmenttrusts
The Association of Investment Companies	www.theaic.co.uk

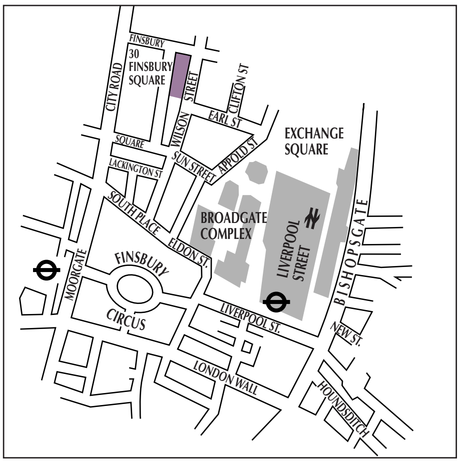
Financial Calendar

The Company publishes information according to the following calendar:

Announcements:	
Annual financial report	March/April
Half-yearly financial report	September
Interim Management Statements	May and November
Annual General Meeting	May/June
Year End	31 January
Normal Dividend Timetable:	
– Interim	October
– Final	May/June

Location of Annual General Meeting:

To be held at 12 Noon on 19 May 2011 at 30 Finsbury Square, London EC2A 1AG



ISSUES RELEVANT TO THE COMPANY

Generic Considerations

An investment trust is a company listed by the UK Listing Authority and traded on the London Stock Exchange, whose specific business is to invest in a selection of shares of other companies.

The price of an investment trust's shares is a function of the supply and demand for them among buyers and sellers in the stockmarket. Consequently, the trust's shares may trade at a premium or a discount to the net asset value of the underlying shares in the trust's portfolio.

Although an investment trust diversifies its exposure by investing in a range of companies, any investment in the stockmarket involves risk.

An investment trust can increase its exposure to the stockmarket by borrowing money to invest in additional stocks and shares and this may increase the volatility of its returns and of its share price. Borrowing in this manner is commonly referred to as 'gearing' (see Glossary of Terms on page 57).

Past performance is not necessarily indicative of likely future performance.

Since the stockmarket can be volatile, an investment trust should be seen as a long-term, rather than a short-term investment.

Additional Considerations Relevant to Invesco Perpetual UK Smaller Companies Investment Trust plc

The Company invests in smaller companies, which are generally considered riskier than their larger counterparts: their share prices can be more volatile.

As smaller companies do not generally have the financial strength, diversity and resources of larger companies, they may find it more difficult to overcome periods of economic slowdown or recession. In addition, the relatively small capitalisation of such companies can make the market in their shares less liquid, thus affecting the Company's ability to buy and sell shares in its portfolio.

There can be no guarantee that the Company's aim to achieve long-term total return for shareholders from its investments will be achieved.

These are issues which the Board feels are relevant to the Company. However, the above is not intended to be an exhaustive list.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JANUARY 2011

Introduction

The Directors have pleasure in presenting their Report together with the audited financial statements of the Company for the year ended 31 January 2011.

The Report of the Directors incorporates the Business Review and the Corporate Governance Statement. It expands on the following main areas:

Nature of the Company and Company Business

The Company was incorporated and registered in England and Wales on 7 May 1987 and is a public limited company under the Companies Act 2006, registered number 2129187.

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010 ('CTA') (previously section 842 of the Income and Corporation Taxes Act 1988). HM Revenue & Customs have approved the Company's status as an investment trust, subject to there being no subsequent enquiry under Corporation Tax Self Assessment, in respect of the year ended 31 January 2010. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval.

A review of the business is detailed in the Chairman's Statement on pages 6 and 7 and the Manager's Report on pages 8 to 10.

Objective and Investment Policy

Objective

Invesco Perpetual UK Smaller Companies Investment Trust plc 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.

Asset allocation and risk diversification

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

The Manager seeks to outperform the benchmark index. As a result, the Manager's approach can, and often does, result in significant overweight or underweight positions in individual stocks or sectors compared with the benchmark. Sector weights 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. 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, both limits by reference to gross assets at the time of acquisition.

Gearing

The Manager may use gearing to take advantage of anticipated market strength, or special situations. The Company has authority to borrow up to a maximum of 30% of net asset value or £25 million, whichever is the lesser. Currently the Company has an uncommitted overdraft facility of up to £20 million or 30% of net assets, whichever is the lesser.

Company Business

The Board does not at present envisage any significant changes to the business of the Company. No important events affecting the Company have occurred since the end of its financial year. A review of the Company's business is provided in the Chairman's Statement on pages 6 to 7 and in the Manager's Report on pages 8 to 10.

Issued Share Capital and Rights Attaching to the Company's Shares

Share Capital

The Company has the ability to repurchase shares to enhance investor value and to manage the discount. During the year 2,300,600 ordinary shares of 20p each with a nominal value of £460,120 were repurchased for cancellation at weighted average price of 172p per share. This represented 4% of the issued share capital at the beginning of the year.

The total consideration paid (including stamp duty and commissions) for all the repurchased shares was £3,982,000. At 31 January 2011, the Company's issued share capital consisted of 55,159,029 ordinary shares (2010: 57,459,629 ordinary shares) of 20p each. Since the financial year end, no further ordinary shares have been repurchased by the Company.

Rights Attaching to the Company's shares

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

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.

No shareholder is, unless the Board decide otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open or proper basis. As at 31 January 2011, the Company's issued share capital did not include any ordinary shares that were not fully paid. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Share Valuations

On 31 January 2011 the mid-market price and the net asset value of the ordinary shares were 195.0p and 242.9p respectively. By comparison, on 31 January 2010 the mid-market price and the net asset value were 150.5p and 193.7p respectively.

Results for the Year

The results for the year are shown in the income statement on page 40, and the Manager's Report includes the performance attribution for this period.

Key Performance Indicators

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

- Asset Performance
- Performance Relative to Peer Group
- Discount
- Risk and Volatility
- Total Expense Ratio
- Dividend Level

Asset Performance

The Company's prime objective is to achieve long-term total return for shareholders through an investment vehicle which gives access to a broad cross section of small to medium sized UK quoted companies. When discussing and assessing shareholders' returns, the Board primarily makes reference to the Extended Hoare Govett Smaller Companies Index (excluding Investment Trusts). The total return net asset value of the Company grew by 28.6% during the course of the year, compared with a rise of 28.7% in the above index.

Performance Relative to Peer Group

There are currently some 300 investment trust companies in the UK, of which 16 are in the UK smaller companies sector. The Board monitors the performance of the Company in relation to both the sector as a whole and to those companies within and outside it, which most closely match its objectives and capital structure. At 31 January 2011, the Company was ranked thirteenth, ninth and fourth over 1, 3 and 5 years, respectively, by net asset value performance (with debt valued at par) within the UK smaller companies sector (source: JP Morgan Cazenove).

Discount

The Board monitors the price of the shares in relation to their net asset value and the discount at which the Company's shares trade. During the year, the shares traded at a discount to net asset value in the range of 10.1% to 24.6%. At the financial year end, the discount stood at 19.7% (2010: 22.3%). 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 every year to buy back and to issue shares. During the year, the Board made use of this power to buy back 4% (2010: 1.4%) of the Company's issued share capital, thereby enhancing the NAV by 0.9% (2010: 0.3%).

Risk and Volatility

The Fund Manager aims to moderate the risk inherent in smallcap investing through careful stock selection and portfolio construction. As shown in the comparative chart with the Company's peer group on page 8 of the Manager's Report, this approach has consistently produced above-average returns for a relatively low level of volatility.

Total Expense Ratio ('TER')

The expenses of managing the Company are carefully monitored by the Board which ensures a low base cost of running the Company, whilst recognising that superior portfolio performance will result in a performance fee for the Manager which can be a significant (although capped) amount.

Expenses totalled £1,050,000 (2010: £929,000) excluding any performance fees and VAT recovered on management fees; this gave a TER excluding performance fee for the year of 0.9%, which was consistent with last year's TER. There was no performance fee for 2011 (2010: £nil).

Dividend Level

For the year ended 31 January 2011, an interim dividend of 1.6p per ordinary share (2010: 1.6p) was paid to shareholders on 22 October 2010. The proposed final dividend of 2.7p per ordinary share (2010: second interim dividend of 2.7p) will be proposed to shareholders at the AGM on 19 May 2011 and will be paid on 27 May 2011 to shareholders on the register on 26 April 2011. The revenue return per ordinary share was 4.1p (2010: 4.3p).

Main Trends and Factors Likely to Affect the Future Development, Performance and Position of the Company's Business

As Invesco Perpetual UK Smaller Companies Investment Trust plc is an investment trust, details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Managers' Report on pages 8 to 10. Further details as to the risks affecting the Company are set out below under 'Principal Risks and Uncertainties'.

Resources

The Company is an investment trust which outsources its administrative function, and has no employees. All the Directors are non-executive. However, through the contractual arrangements in place, a full range of services is available to the Company. The most significant contract is with the Manager, Invesco Asset Management Limited, to whom responsibility for the management of the portfolio is delegated. The Board reviews the performance of the Manager at every Board meeting and otherwise when market conditions dictate.

The day-to-day management of the portfolio is the responsibility of the Fund Managers.

The Board has adopted guidelines within which the Manager is permitted wide discretion; any proposed variations outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the management contract formally once a year. The outcome of this review is discussed on page 26.

Other contractual arrangements govern relationships with the Company Secretary and Administrator, Auditor, Broker, Registrar and Custodian. These contracts are also reviewed by the Board on a regular basis and, more formally, on an annual basis.

Relationships

Through the annual and half-yearly financial reports, interim management statements, monthly factsheets and the publication of a daily net asset value, the Board endeavours to ensure that shareholders understand the Company's investment objectives and policies and that the Board, both independently and through the Manager, reviews its objectives and policies in the light of feedback from shareholders. The Board monitors and reviews shareholder communications on a regular basis.

The Company's main supplier of services is Invesco Asset Management Limited, providing both investment management services and company secretarial and administrative support.

Advisers

Other service providers are:

- JP Morgan Cazenove as Corporate Broker;
- Kepler Partners LLP as Marketing Specialists;
- Grant Thornton UK LLP as Auditors;
- Capita Registrars as Registrars; and
- The Bank of New York Mellon as Custodian.

Further details of the advisers can be found on page 15.

Invesco Perpetual’s Investment Process and Performance

The two co-fund managers, Richard Smith and Jonathan Brown, aim to produce above average performance over a full stockmarket cycle. Through careful stock selection and portfolio construction, they endeavour to moderate the risk inherent in smallcap investing. Potential candidates for the portfolio are identified through internal and external research, following which a meeting with the management of the company is usually arranged. At such meetings, quantitative aspects of the company are confirmed, such as historical performance, balance sheet and cash flow items. More importantly, the qualitative aspects of the company are assessed, to gain an understanding of the products and services provided, recurring and proprietary elements of revenue, market share, barriers to entry for the competition, the volatility and sustainability of margins and the quality of management. The Fund Managers prefer companies with diversified revenues and those that control as much of their own destiny as possible. These and other factors are used to assess the quality and resilience of a potential portfolio company.

Current and Future Developments

As part of its overall strategy, the Company seeks to manage its affairs so as to achieve long-term total returns for its shareholders.

For a fuller description of the economic and market conditions facing the Company and the prospects for the future performance of the portfolio, please see the Chairman’s Statement and the Managers’ Report on pages 6 to 10.

Principal Risks and Uncertainties

Investment Objective

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

There can be no guarantee that the Company will achieve its investment objective.

Market Movements and Portfolio Performance

The majority of the Company’s investments is traded on the London Stock Exchange. A smaller proportion of investments is traded on the AIM Market. The principal risk for investors in the Company is of a significant fall in the markets and/or a prolonged period of decline in the markets relative to other forms of investment as well as bad performance of individual portfolio companies.

The Managers’ approach to investment is one of individual stock selection. Market 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 Managers 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 smaller companies available. The Managers remain cognisant at all times of the potential liquidity of the portfolio.

The Managers are relatively risk averse, look for lower volatility in the portfolio and seek to outperform in more challenging markets. In comparison to peer group investment trusts, the Company believes that its portfolio often has a higher than average market capitalisation and a lower than average exposure to the AIM market.

The performance of the Managers is carefully monitored by the Board, and the continuation of the Managers’ mandate is revisited annually. The Board has established guidelines to ensure that the investment policy that it has approved is pursued by the Managers. The Board and the Managers maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying net asset value; and there are in place both share buy back and issuance facilities to help the management of this process.

The Risks and Risk Management Policies are detailed in note 18 to the financial statements.

Ordinary Shares

The market value of the shares in the Company may not reflect their underlying net asset value (‘NAV’) and may trade at a discount to its NAV. The value of an investment in the Company and the income derived from that investment may go down as well as up and an investor may not get back the amount invested.

Whilst the Directors intend to pay a dividend to ordinary shareholders each year, the ability to do so will depend upon the level of income received from securities, the timing of receipts of such income from securities, expenses and the amount of any distributable reserves.

Regulatory and Tax Related

The Company is subject to various laws and regulations by virtue of its status as an investment trust, and its listing on the London Stock Exchange. A breach of s1158 CTA (previously s842 ICTA) could lead to the Company being subject to capital gains tax on the sale of its investments. A serious breach of other regulatory rules may lead to suspension from the Stock Exchange or a qualified Audit Report. Other control failures, either by the Manager or any other of the Company's service providers, may 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 s1158 CTA and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance and Internal Audit Officers produce regular reports for review at the Company's Audit Committee.

Reliance on Third Party Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party providers for its executive function. In particular, the Manager performs services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy.

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

The Manager reviews the performance of all third party providers regularly through formal and informal meetings. The results are reported to the Board and any issues and concerns tend to be dealt with before they become problems.

Financial Position

Financial Instruments

The Company's use of financial instruments is disclosed in note 18 to the financial statements.

Assets and Liabilities

At 31 January 2011, the Company's net assets were valued at £134 million (2010: £111 million), comprising mainly UK equity investments of £133.2 million (2010: £108.9 million).

The Company has an uncommitted overdraft facility of up to £20 million or 30% of net assets, whichever is the lesser. At the year end there were no borrowings (2010: none). Interest applicable to drawings under the loan facility is calculated as LIBOR +1% on the daily debit balance outstanding.

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments. Cash flow also derives from the income from investments, against which must be set the cost of borrowing and management expenses.

Gearing Policy

Gearing policy is under the control of the Board which has established a maximum level of gearing of 30% of net asset value or £25 million, whichever is the lesser. Gearing levels are regularly reviewed with the Manager. Under the criteria noted above, the Company's maximum overdraft under the current banking covenants is £20 million.

REPORT OF THE DIRECTORS

continued

Social and Environmental Policies

As an investment trust company with no employees, property or activities outside investment management, environmental policy has limited application.

The Manager considers various factors when evaluating potential investments. Some are financial ratios and measures, such as free cash flow, earnings per share and price-to-book value. Others are more subjective indicators which rely on first hand research; for example quality of management, innovation and product strength.

The Company's policy is that, subject to an overriding requirement to pursue the best financial interests of the Company and its shareholders, the Manager should take account of social, environmental and ethical factors in making and holding investments and in the use of voting powers conferred by such investments.

At the AGM in 2008, the Directors received approval from shareholders to send or supply documents or information to shareholders in electronic form (e.g. by email) or by means of a website. This delivers significant environmental benefits through reduced use of paper and of the energy required for its production and distribution.

Substantial Holdings in the Company

At 31 March 2011, the Company had been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	HOLDING	%
1607 Capital Partners	6,947,013	12.6
Royal London Asset Management	5,037,090	9.1
Lazard Asset Management	4,548,055	8.2
Sarasin & Partners	3,365,260	6.1
West Yorkshire Pension Fund	3,300,000	6.0
Invesco Perpetual	2,550,000	4.6
Legal & General Investment Management	2,102,799	3.8
Brewin Dolphin, Stockbrokers	1,679,950	3.0

Special Business at the Annual General Meeting ('AGM')

Shareholders will find on pages 53 to 56 the notice of the forthcoming AGM of the Company to be held on 19 May 2011. In addition to the ordinary business of the meeting, four resolutions are proposed as special business. These will be proposed as one Ordinary Resolution and three Special Resolutions as follows:

Authority to Allot Shares

By law, Directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, Directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings.

Firstly, Resolution 9, which is an Ordinary Resolution, seeks to renew the Directors' authority to allot up to 5% of the issued ordinary share capital, this being an aggregate nominal amount of £551,590 as at 13 April 2011. The authority will expire at the AGM in 2012 or fifteen months after the passing of the Resolution, whichever is the earlier. This will allow Directors to issue ordinary shares within the prescribed limits should any favourable opportunities arise to the advantage of shareholders.

Secondly, Special Resolution 10 seeks the usual authority to issue ordinary shares pursuant to a rights issue or otherwise than in connection with a rights issue, of up to 5% of the Company's issued ordinary share capital dis-applying pre-emption rights. This will allow shares to be issued to new shareholders without having to be offered to existing shareholders first, thus broadening the shareholder base of the Company. The authority will expire at the AGM in 2012 or fifteen months after the passing of the resolution, whichever is the earlier. To take account of the possibility of treasury shares, the disapplication of pre-emption rights has been extended to apply to the resale of treasury shares (if any) in the same way as to the allotment of new securities.

The powers authorised in Resolutions 9 and 10 will not be exercised at a price below NAV of the existing ordinary shares so that the interests of existing shareholders are not diluted.

Authority to Buy Back Shares

The Directors were granted authority at last year's AGM to buy back shares for cancellation or to hold in treasury. As detailed above, 2,300,600 ordinary shares were bought back for cancellation by the year end; since then no further shares have been bought back. No shares are currently held in treasury.

Special Resolution 11 seeks the renewal of the Directors' authority to purchase up to 14.99% of the Company's issued share capital, this being 8,268,338 of its own ordinary shares as at 13 April 2011. The authority will expire at the AGM in 2012 or fifteen months after the passing of the resolution, if earlier. As companies may now hold shares repurchased as treasury shares with a view to possible resale at a future date as an alternative to simply having to cancel them, the Directors might consider holding repurchased shares as treasury shares with a view to possible resale. In any event, shares will only be repurchased at a price per share below the prevailing net asset value per share.

Under the Listing Rules of the Financial Services Authority, the maximum price which can be paid is 5% above the average of the middle market values of the ordinary shares for the five business days before the purchase is made. The minimum price which may be paid will be 20p per share, this being the nominal value of a share. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The Company will finance the purchase of ordinary shares by using its existing cash balance or by selling securities in the Company's portfolio.

Notice Period for General Meetings

The EU Shareholder Rights Directive, which was implemented in October 2009 increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. A shareholders' resolution is required to ensure that the Company's general meetings (other than Annual General Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 12 will propose that the period of notice for general meetings of the Company (other than AGMs) shall be not less than 14 clear days' notice.

Investment Management Agreement

Perpetual Portfolio Management Limited provided investment and administration services to the Company under an agreement effective from 14 November 2000. Invesco Asset Management Limited ('IAML') ('the Manager') took over these responsibilities with effect from 1 January 2002 under an agreement dated 12 December 2001. The agreement is terminable by either party giving not less than one year's notice and immediately in certain circumstances.

With effect from 1 August 2004, an amendment to the Investment Management Agreement was put in place securing a lower base fee. This was coupled with a revision to the performance fee arrangements, which provided greater motivation to the Manager and more closely aligned the interests of shareholders and Manager. Under the arrangements, the management fee is payable monthly in arrears and is calculated at the rate of 0.65% per annum by reference to the Company's gross funds under management.

A performance-related fee is payable annually in arrears, if the Company's share price performance exceeded the benchmark index performance. The performance-related fee was equal to 15% of the value of outperformance, but was not allowed to exceed in any one year 1.85% of the value of the Company's average funds under management. Any unpaid, but earned, performance fees were held over and paid in the following year subject to an overall cap of two times 1.85% of the Company's average funds under management. Any performance-related fee was based on the outperformance over the benchmark index after taking into account any previous underperformance (up to a maximum of two times 1.85% of the Company's average funds under management).

The Board has recently completed a review of the management fee provisions of the investment management agreement and agreed with the Manager a number of changes to the method of calculating performance related fees. The Board believes these changes are appropriate both to provide a more consistent basis for measuring the Company's performance and to bring the level of overall fees more in-line with the peer group.

Under the new agreement, a performance-related fee is payable annually in arrears, if the Company's **net asset value performance** exceeds the benchmark index performance. The performance-related fee is equal to **12.5%** of the value of outperformance, but is not allowed to exceed in any one year **1%** of the value of the Company's average funds under management. Any unpaid, but earned, performance fees are held over and paid in the following year subject to an overall cap of two times **1%** of the Company's average funds under management. Any performance-related fee is based on the outperformance over the benchmark index after taking into account any previous underperformance (up to a maximum of two times **1%** of the Company's average funds under management).

There will be no change to the benchmark index. The changes have taken effect from the beginning of the current financial year, on 1 February 2011, and any under or outperformance of the benchmark for periods up to 31 January 2011 will not be carried forward.

The Manager's Responsibilities

The Directors have delegated to Invesco Asset Management Limited ('the Manager') the responsibility for the day-to-day investment management activities of the Company, for seeking and evaluating investment opportunities and for analysing the accounts of investee companies. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies as determined from time to time by the Board. Within the guidelines specified by the Board, the Fund Managers have discretion to make purchases and sales, make and withdraw cash deposits, enter into underwriting commitments and exercise all rights over the investment portfolio. The Manager also advises on borrowings. Day-to-day investment management is the responsibility of the UK Equity Management team based in Henley-on-Thames.

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

Assessment of the Investment Manager

The Management Engagement Committee comprises the entire Board of Directors. The Committee meets at least annually, specifically to consider the ongoing investment management, secretarial and administrative requirements of the Company.

The Committee considers the performance of the Manager across a broad spectrum of activities. Investment performance and the Company's profile in the smaller companies sector are considered with reference to its trust peer group and appropriate benchmarks. Certain aspects of administration, compliance and secretarial services are reviewed on a regular basis.

The Management Engagement Committee has carried out a review following the Company's financial year end on 31 January 2011 and has decided that the continuing appointment of Invesco Asset Management Limited as Manager and Secretary is in the best interests of the Company and its shareholders.

Directors

Directors are appointed by ordinary resolution at a general meeting of ordinary shareholders. The Directors have the power to appoint a Director during the year but any person so appointed must be put up for appointment at the next Annual General Meeting.

Subject to its Articles of Association and relevant statutory law and to such direction as may be given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting.

The present members of the Board, the majority of whom served throughout the year, are listed on page 14 together with their biographies. In accordance with the Board's tenure policy set out on page 31, long-serving Directors will retire at this year's AGM and will offer themselves for re-election. Therefore, the Directors retiring and offering themselves for re-election at the Company's AGM are Richard Brooman, Garth Milne and John Spooner, having served on the Board for more than 9 years. Mark O'Hare will retire from the Board following the forthcoming AGM.

In accordance with the Company's Articles of Association, at every AGM, there shall retire from office any Director who shall have been a Director at each of the preceding two AGMs and who was not appointed or re-appointed by the Company in general meeting since. A retiring Director is eligible for re-appointment. Ian Barby, having been re-elected at the Company's AGM in 2010, will not need to retire and stand for re-election before the AGM in 2013.

Christopher Fletcher was appointed to the Board as a Director with effect from 1 December 2010. In accordance with the Articles of Association, he retires and stands for election at the forthcoming AGM.

Directors' Interests

The beneficial interests of the Directors in the ordinary share capital of the Company are set out below.

	13 APRIL 2011	31 JANUARY 2011	1 FEBRUARY 2010
Ian Barby	25,000	25,000	25,000
Richard Brooman	19,670	19,670	19,670
Christopher Fletcher	–	–	–
Garth Milne	5,000	5,000	5,000
Mark O'Hare (Shares held by Mr O'Hare's spouse)	32,707	32,707	31,905
John Spooner	25,000	25,000	25,000

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

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 Deeds of Indemnity with Directors individually, under which Directors are indemnified by the Company for costs incurred in defending claims made by third parties. The Deeds of Indemnity are available for inspection at the Registered Office at any time.

Conflicts of Interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

The Articles of Association of the Company, approved by shareholders at the AGM on 14 May 2008, give the Directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. Firstly, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, 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. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Going forward, it is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

The Directors have advised that there are currently no potential conflicts of interest with the Company. This is reviewed regularly by the Board and the Directors will advise the Company Secretary as soon as they become aware of any potential conflicts of interest. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.

Deeds of Indemnity

A Deed of Indemnity was executed between the Company and each Director.

Under the terms of the indemnities, a Director may be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the discharge of his duties or the exercise of his powers or discretions as a Director of the Company. This includes any liability incurred by the Director in disputing, defending, investigating or providing evidence in connection with any actual or threatened or alleged claims, demands, investigations or proceedings whether civil or criminal, and any settlement in respect thereof. Directors will continue to be indemnified under the terms of the indemnities notwithstanding that they may have ceased to be Directors of the Company.

However, Directors will not be entitled to be indemnified for any liability to the Company, for fines payable to regulatory authorities, for defending any criminal proceedings in which they are convicted or in defending any civil proceedings brought by the Company. In the event that judgment is given against a Director in relation to any claim, the Director will repay to the Company any amount received from the Company under his indemnity. The indemnity does not apply to the extent that a liability is recoverable from any insurers, if it is prohibited by the Companies Act 2006 or otherwise prohibited by law, if it relates to tax payable on remuneration or other benefits received, or if a liability arises from an act or omission of the Director which is shown to have been in bad faith or arising from gross negligence.

Report of the Audit Committee

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process, the Manager's systems of internal control and the management of financial risks, the audit process, the Company's processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against a risk checklist approved by the Board. The Committee has also received satisfactory reports on the Manager's internal operations from the Manager's Compliance and Internal Audit Officers.

The audit strategy is considered with the Company's Auditors prior to the start of the annual audit. At this stage, matters for audit focus are discussed and agreed. These matters will be given particular attention during the audit process and, among other matters, reported on by the Auditors in their report to the Committee. This report is considered by the Committee and discussed with the Auditors and the Manager prior to approval and signature of the financial statements.

The Committee reviewed the financial statements for the period to 31 January 2011 with the Manager and Auditors at the conclusion of the audit process.

Disclosure to Auditors

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are 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.

Auditors

The Audit Committee has considered the independence of the auditors and the objectivity of the audit process and is satisfied that Grant Thornton UK LLP has fulfilled its obligations to shareholders as independent auditor to the Company.

A resolution proposing the re-appointment of Grant Thornton UK LLP as the Company's Auditors and authorising the Directors to determine their remuneration will be put to the forthcoming AGM.

Individual Savings Account ('ISA') Eligibility

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

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors at 31 January 2011 (2010: none).

Donations

The Company made no charitable or political donations during the year (2010: £nil).

Going Concern

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

Corporate Governance Statement

Corporate Governance Principles

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

In February 2006, the Financial Reporting Council confirmed that AIC member companies which report against the AIC Code and which follow the AIC Guide meet their obligations in relation to the Combined Code on Corporate Governance and paragraph 9.8.6 of the Listing Rules. On 20 February 2009 the FRC provided the AIC with an updated endorsement to cover the 2009 edition of the AIC Code relating to additional items to be included in the annual financial report. This statement describes how the principles of the AIC Code and Guide have been complied with in the affairs of the Company. Any reference to the AIC Code in this statement includes references to the AIC Guide. Copies of the AIC Code and AIC Guide can be found on the AIC's website at www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders. The Company has complied with the recommendation of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the Company, which is an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

In October 2010, a new edition of the AIC Code was published, which addresses the governance issues relevant to investment companies and enables boards to satisfy any requirements they may have under the new UK Corporate Governance Code. Both the new UK Corporate Governance Code and the new 2010 AIC Code apply to companies whose financial year starts on or after 29 June 2010. Invesco Perpetual UK Smaller Companies Investment Trust plc will report against these new Codes at the end of the next financial year.

Directors

Independence

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

Some commentators have a view that length of service on a board can compromise independence from the manager. The AIC does not believe that this is the case for investment companies and therefore does not recommend that long serving directors be prevented from forming part of the independent majority.

The Board considers that the independence of Richard Brooman, Garth Milne and John Spooner, each of whom has served on the Board for more than 9 years, is not compromised by their length of service but, to the contrary, is strengthened by their experience. Garth Milne, who is a director of one other company formerly managed by Invesco Perpetual, is considered by the Board to be independent of the Manager.

Chairman

The Chairman of the Board is Ian Barby, a non-executive Director who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Ian Barby has been a member of the Board since 2004 and Chairman since 2005. Like all Board members, he is subject to an annual performance appraisal. Following this year's appraisal, the Board has confirmed that the Chairman's performance continues to be effective.

The Chairman will be present at the AGM to answer questions.

Senior Independent Director/Deputy Chairman

The Deputy Chairman of the Board is Richard Brooman who also fulfils the role of Senior Independent Director. Richard Brooman is available to shareholders if they have concerns which contact through the normal channels of Chairman or Manager have failed to resolve or for which such contact is inappropriate.

Board Balance

The Directors have a range of business, financial or asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 14.

Board Responsibilities

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. In addition, the Board is responsible for ensuring that the Company's policies and activities are in the best interests of all of the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered. The success of the Company is promoted by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. The main responsibilities include: setting the Company's objectives, policies and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure, setting long-term objectives and strategy, assessing risk, reviewing investment performance, approving loans and borrowing, and controlling risks. The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the balance between risk and reward to which they are exposed by holding their shares, through the portfolio details given in the annual financial and half-yearly financial reports, factsheets and daily net asset value disclosures.

The Board as a whole undertakes periodically the responsibilities which would otherwise be assumed by a remuneration committee, having decided that a separate remuneration committee is not appropriate for a company of this size and nature. The schedule of matters reserved for decision by the Board is available at the Registered Office of the Company and on the Manager's website at www.invescoperpetual.co.uk/investmenttrusts

The Manager's Responsibilities

The Manager is responsible for the day-to-day investment management decisions of the Company and for the provision of Company Secretarial and Accounting Services. A statement of the Manager's responsibilities is shown on page 26 in the Report of the Directors.

The Board has reviewed and accepted the Manager's 'whistleblowing' policy under which staff of Invesco Asset Management Limited can, in confidence, raise concerns about possible improprieties or irregularities in matters affecting the Company.

Supply of Information

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

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

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

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

Company Secretary

The Board has direct access to the advice and services of the 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 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 Secretary is responsible for advising the Board through the Chairman on all governance matters.

There is an agreed procedure for Directors, in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £5,000, having first consulted with the Chairman.

The Company Secretary makes a contribution to the efficiency and effectiveness of the Board, and the smooth running of the Company. To fulfil the role, the Company Secretary keeps up-to-date with relevant legal, statutory and regulatory requirements and is also able to provide impartial advice and support to the Directors. The Company Secretary also acts as a primary point of contact for institutional and other shareholders, especially with regard to matters of corporate governance.

Appointment, Re-election and Tenure of Directors

The Nomination Committee currently comprises Messrs Barby, Milne and O'Hare. The Chairman of the Nomination Committee is Ian Barby. The Committee meets at least once each year to review the Board's size and structure, any changes considered necessary or new appointments. The Committee has written terms of reference, which clearly define its responsibilities and duties. The terms of reference of the Nomination Committee are available for inspection at the AGM, at the registered office address of the Company and also available via Invesco Perpetual's investment trust website.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company and are also available via Invesco Perpetual's investment trust website and will be available at the AGM.

During the year, Trust Associates, an independent consultancy for the investment industry, was appointed to help with the search for a new non-executive Director for the Company. The fees for this search amounted to £15,000. Details of a number of potential candidates were submitted to the Nomination Committee which then decided that Christopher Fletcher be invited to join the Board.

The Articles of Association require that a Director shall retire and be subject to re-election at the first AGM after appointment and be subject to re-election at least every three years thereafter. No Director serves a term of more than three years before re-election. Mr Fletcher, having been appointed to the Board on 1 December 2010, is seeking to be elected by shareholders at the forthcoming AGM. Mr Barby does not yet need to seek re-election, having been re-elected at the AGM in 2010.

A Director's normal tenure of office will be for three terms of three years only, except that the Board may determine otherwise if it is considered that the continued service on the Board of an individual Director is in the best interests of the Company and its shareholders. In this case, a Director serving longer than nine years will seek re-election annually. Accordingly, Messrs Brooman, Milne and Spooner stand for re-election at this year's AGM. The Articles of Association provide that the Directors may, by notice in writing, remove any Director from the Board without notice or compensation.

Board, Committee and Directors' Performance Appraisal

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

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

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

Attendance at Board and Committee Meeting

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 2011 and the number of meetings attended by each Director:

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETING	
	HELD*	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Ian Barby, Chairman	6	5	n/a	n/a	2	2	2	2
Richard Brooman	6	6	3	3	2	2	n/a	n/a
Christopher Fletcher (appointed on 1 December 2010)	1	1	n/a	n/a	n/a	n/a	n/a	n/a
Garth Milne	6	6	3	3	2	2	2	2
Mark O'Hare	6	5	n/a	n/a	2	1	2	1
John Spooner	6	6	3	3	2	2	n/a	n/a

* while being a member.

Messrs Barby and O'Hare are not members of the Audit Committee. However, at times they attend Audit Committee Meetings by invitation from the Chairman of the Audit Committee. Mr Fletcher will join the Audit Committee after his election by shareholders at the forthcoming AGM, at which time Mr Spooner will resign from the Committee.

Messrs Brooman, Fletcher and Spooner are not members of the Nomination Committee. However, at times they attend Nomination Committee meetings by invitation from the Chairman of the Nomination Committee.

Directors' Remuneration

The Board as a whole reviews Directors' remuneration periodically. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 35 and 36.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 37. The Auditor's Report appears on pages 38 and 39.

Audit Committee

The Audit Committee comprises Messrs Brooman, Milne and Spooner, all of whom are considered independent by the Board. The Chairman of the Audit Committee is Richard Brooman. Committee members consider that, collectively, they are appropriately experienced to fulfill the role required. The Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference of the Audit Committee, including its role and authority, are updated regularly to ensure best practice and compliance with the AIC Code. They will be available for inspection at the AGM, can be inspected at the Registered Office of the Company and are available via Invesco Perpetual's investment trust website at www.invescoperpetual.co.uk/investmenttrusts.

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process, the systems of internal control and the management of financial risks, the audit process, relationships with external auditors, the Company's processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board. It is responsible for making recommendations to the Board in respect of the appointment, re-appointment and removal of auditors as laid out in its terms of reference.

The Committee meets at least twice a year to review the internal financial and non-financial controls, accounting policies and the contents of the half-yearly and annual financial reports to shareholders. In addition, the Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of the services of the service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk management processes. At each meeting, representatives of the Manager's Internal Audit and Compliance

Department are present. Representatives of Grant Thornton UK LLP, the Company's Auditors, attend the Committee meeting at which the draft annual financial report is reviewed and are given the opportunity to speak to Committee members without the presence of representatives of the Manager.

The audit programme and timetable are agreed with the Auditors in advance of the financial year end. At this stage, matters for audit focus are discussed and agreed. These matters are given particular attention during the audit process and, among other matters, are reported on by the Auditors in their report to the Committee. This report is considered by the Committee and discussed with the Auditors and the Manager prior to approving and signing the financial statements.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Audit Committee has also received satisfactory reports on the Manager's internal operations from the Manager's Compliance and Internal Audit Officers. The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the accounts.

The Committee has reviewed the financial statements for the year ended 31 January 2011 with the Manager and Auditors at the conclusion of the audit process.

The Committee has recommended approval by the Board of an audit fee of £19,000, exclusive of expenses and VAT. The Committee has considered and is satisfied with the objectivity and the independence of the Auditors.

Internal Financial and Non-Financial Controls

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

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirm 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 2011 and up to the date of this Annual Financial Report.

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

Internal Audit Function

The Directors have reviewed the need for the Company to establish an internal audit function but, in view of the extent of the Manager's executive responsibilities and, given that the Manager has an internal audit function, consider that such a function is not necessary for the Company.

Auditors' Non-Audit Services

It is the Company's policy normally not to seek substantial non-audit services from its Auditors. Non-audit services up to the level of £5,000 require the approval in advance of the Chairman of the Audit Committee, while non-audit services in excess of £5,000 require the approval of the whole Audit Committee. In particular, the Audit Committee considers whether the skills and experience of the auditors make them a suitable supplier of the non-audit service and whether there are any safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the Auditors. Details of non-audit services provided by the Auditors are given in note 4 to the financial statements.

The Management Engagement Committee

The Management Engagement Committee comprises the entire Board under the chairmanship of Ian Barby. The Management Engagement Committee has written terms of reference which clearly define

REPORT OF THE DIRECTORS

continued

its responsibilities and duties. The terms of reference of the Management Engagement Committee, including its role and authority, will be available for inspection at the AGM and can be inspected at the Registered Office of the Company and are available via Invesco Perpetual's investment trust website. The Committee meets at least annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager.

A statement of Invesco Asset Management Limited's responsibilities as Manager, Company Secretary and Administrator of the Company and the assessment of the Fund Manager by the Management Engagement Committee can be found in the Report of the Directors on page 26.

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 report, which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the bi-annual publication of the interim management statement, the daily publication at the Stock Exchange of the net asset value and by a monthly fact sheet. At each AGM, a presentation is made by the Manager following the business of the Meeting and shareholders have the opportunity to communicate directly with the whole Board. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the annual financial report and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of 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 15. At other times, the Company responds to letters from shareholders on a range of issues.

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

There is a regular dialogue between the Manager and individual institutional 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 institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and institutional shareholders are reported to the Board.

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

Institutional Voting

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. 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. Your Company's voting rights are exercised on an informed and independent basis and are not simply passed back to the company concerned for discretionary voting by its chairman. The Manager's policy on Corporate Governance and Stewardship can be found on the Manager's website at www.invescoperpetual.co.uk

By order of the Board

Invesco Asset Management Limited
Secretary
30 Finsbury Square
London EC2A 1AG
13 April 2011

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 JANUARY 2011

The Board presents this Report which has been prepared under the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution for the approval of this Report will be put to shareholders at the Annual General Meeting ('AGM').

Your Company's Auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The Auditors' opinion is included in their report on pages 38 and 39.

Remuneration Committee

The Board is of the opinion that a remuneration committee is not appropriate for a company of this size and nature. Remuneration responsibilities are part of the Board's responsibilities, to be addressed regularly as a whole.

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice from the Manager, when considering the level of Directors' fees. This is undertaken periodically.

During the year, the Board reviewed Directors' fees and increased them as follows with effect from 1 August 2010:

- Chairman: from £22,000 to £25,000
- Audit Committee Chairman: from £20,000 to £21,000
- Directors: from £15,000 to £17,000

Fees of £1,250 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. No such extra fees were paid during the year.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to that of other investment trusts. Furthermore, the objective is to ensure that Directors are rewarded for their individual contributions to the success of the Company, also taking into consideration any committee memberships. Due regard is given to the Combined Code of Corporate Governance, as well as to the UK Listing Authority's Listing Rules and associated guidance. It is intended that this policy will continue for the year ending 31 January 2012 and subsequent years.

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 a total of £150,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Directors' Service Contracts

All Directors have letters of appointment which are available for inspection at the Registered Office of the Company. The terms of the Directors' appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after appointment and at least every three years thereafter, subject to the provisions set out under 'Appointment, Re-election and Tenure of Directors' in the Corporate Governance section in the Directors' Report. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

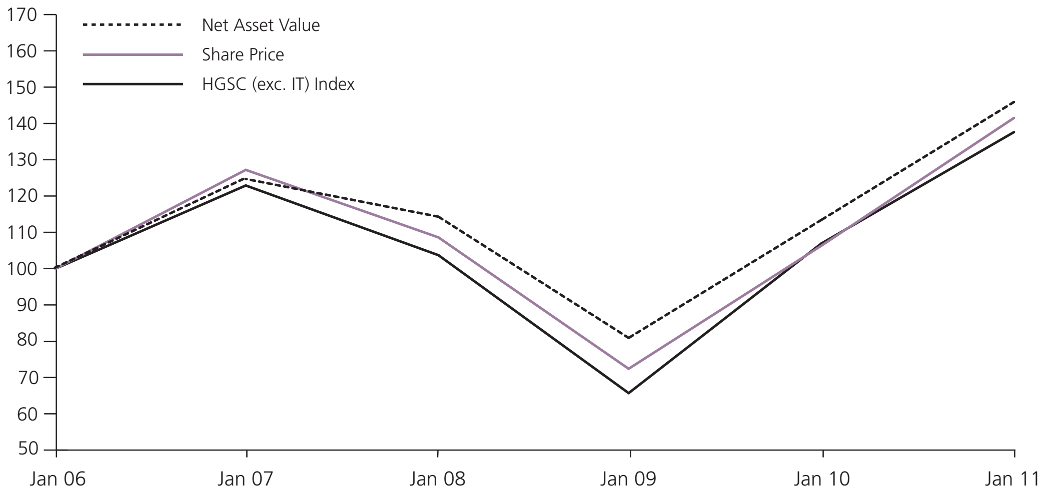
DIRECTORS' REMUNERATION REPORT
continued

Your Company's Performance

The graph below plots the total return to ordinary shareholders compared with the total return of the Extended Hoare Govett Smaller Companies Index (excluding Investment Trusts) (the benchmark performance index) over the five years to 31 January 2011.

Figures have been rebased to 100 at 31 January 2006.

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



Directors' Emoluments for the Year (Audited)

The Directors who served during the year received the following emoluments in the form of fees:

	2011 £	2010 £
Ian Barby (Chairman)	23,500	22,000
Richard Brooman (Chairman of the Audit Committee)	20,500	20,000
Christopher Fletcher (joined on 1 December 2010)	2,833	–
Garth Milne	16,000	15,000
Mark O'Hare	16,000	15,000
John Spooner	16,000	15,000
Total	94,833	87,000

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 13 April 2011.

Ian Barby – Chairman
Signed on behalf of the Board of Directors

DIRECTORS' RESPONSIBILITY STATEMENT
in respect of the preparation of the Annual Financial Report

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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.

In so far as each of the Directors is aware:

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

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

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

Signed on behalf of the Board of Directors

Ian Barby
Chairman

13 April 2011

Electronic Publication

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

INDEPENDENT AUDITOR'S REPORT
to the Members of Invesco Perpetual UK Smaller Companies Investment Trust plc

We have audited the financial statements of Invesco Perpetual UK Smaller Companies Investment Trust plc for the year ended 31 January 2011 which comprise of the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

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.

Respective Responsibilities of Directors and Auditors
As explained more fully in the Directors' Responsibility Statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's APB's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

- the Directors' Statement, set out on page 29, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code, specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

13 April 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2011

	NOTES	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
Gains on investments at fair value through profit or loss	9	—	27,225	27,225	—	28,704	28,704
Income	2	2,985	—	2,985	2,909	—	2,909
Investment management fee	3	(377)	(377)	(754)	(308)	(308)	(616)
VAT recoverable on management fees	3	—	—	—	188	88	276
Other expenses	4	(295)	(1)	(296)	(310)	(3)	(313)
Profit before finance costs and taxation		2,313	26,847	29,160	2,479	28,481	30,960
Finance costs	5	—	—	—	—	—	—
Profit before tax		2,313	26,847	29,160	2,479	28,481	30,960
Taxation	6	(1)	—	(1)	(2)	—	(2)
Profit after tax		2,312	26,847	29,159	2,477	28,481	30,958
Earnings per ordinary share							
Basic	7	4.1p	47.2p	51.3p	4.3p	49.4p	53.7p

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2011

	NOTES	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 January 2009		11,656	21,244	2,372	44,651	4,425	84,348
Profit for the year		—	—	—	28,481	2,477	30,958
Shares repurchased and cancelled		(164)	—	164	(967)	—	(967)
Dividends paid	8	—	—	—	—	(3,058)	(3,058)
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 repurchased and cancelled		(460)	—	460	(3,982)	—	(3,982)
Dividends paid	8	—	—	—	—	(2,459)	(2,459)
At 31 January 2011		11,032	21,244	2,996	95,030	3,697	133,999

The accompanying notes are an integral part of this statement

BALANCE SHEET

AS AT 31 JANUARY

	NOTES	2011 £'000	2010 £'000
Non-current assets			
Investments designated at fair value through profit or loss	9	133,237	108,892
Current assets			
Other receivables	10	628	674
Cash and cash equivalents		847	1,939
		1,475	2,613
Total assets		134,712	111,505
Current liabilities			
Other payables	11	(713)	(224)
Net assets		133,999	111,281
Issued capital and reserves			
Share capital	12	11,032	11,492
Share premium	13	21,244	21,244
Capital redemption reserve	13	2,996	2,536
Capital reserve	13	95,030	72,165
Revenue reserve	13	3,697	3,844
Total Shareholders' funds		133,999	111,281
Net asset value per ordinary share			
Basic	14	242.9p	193.7p

These financial statements were approved and authorised for issue by the Board of Directors on 13 April 2011.

Signed on behalf of the Board of Directors

Ian Barby
Chairman

Richard Brooman
Deputy Chairman

The accompanying notes are an integral part of this statement

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 JANUARY 2011

	NOTES	2011 £'000	2010 £'000
Cash flow from operating activities			
Profit before tax		29,160	30,960
Taxation		(1)	(2)
Adjustments for:			
Purchases of investments		(29,819)	(29,822)
Sales of investments		33,077	27,991
		3,258	(1,831)
Gains on investments		(27,225)	(28,704)
Finance costs		—	—
Operating cash flows before movements in working capital		5,192	423
Decrease in receivables		58	1,225
Increase/(decrease) in payables		83	(1,276)
Net cash flows from operating activities after tax		5,333	372
Cash flows from financing activities			
Buy back of shares		(3,966)	(967)
Equity dividends paid	8	(2,459)	(3,058)
Net cash used in financing activities		(6,425)	(4,025)
Net decrease in cash and cash equivalents		(1,092)	(3,653)
Cash, cash equivalents and bank overdraft at the beginning of the year		1,939	5,592
Cash, cash equivalents and bank overdraft at the end of the year		847	1,939

The accompanying notes are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

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 accounts have been prepared on a going concern basis. The disclosure on going concern on page 29 of the Report of the Directors forms part of the financial statements.

(a) Basis of Preparation

(i) *Accounting Standards applied*

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

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

(ii) *Adopted new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS adopted in the year commencing 31 January 2010:

- IFRS 8 Operating Segments (issued in April 2009): clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The adoption of the amendment had no impact on the Company's segment disclosure since the Company is organised into only one operating segment.
- Other standards, amendments and interpretations effective from 31 January 2010 have been considered by the Directors and concluded they are not relevant to the Company.

(iii) *Standards, amendments and interpretations that are in issue but not yet effective at the date of authorising these financial statements are listed below:*

IAS 24 Related Party Disclosures (Amendment) – revised definition of related parties

IAS 32 Financial Instruments: Presentation (Amendment)

IFRS 9 Financial Instruments: Classification and Measurement

The Directors have considered the standards, amendments and interpretations in issue but not effective and concluded that these will not have a material impact on the financial statements.

(iv) *Improvements to IFRSs (issued in May 2010)*

The IASB issued 'Improvements to IFRS', an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods commencing after 31 January 2010.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements

The Company expects no impact from the adoption of the amendments on its financial position or performance. The adoption of the amendment to IFRS 7 is expected to have a limited impact on the disclosure of credit risk.

(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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies (continued)

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

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

(c) Financial Instruments

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

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

(iii) *Derecognition of financial liabilities*
The Company derecognises financial liabilities when its obligations are discharged, cancelled or expired.

(iv) *Trade date accounting*
Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

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

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost, with transaction costs expensed in the statement of comprehensive income, 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. Unquoted investments are valued by the Directors at fair valued based on recommendations from Invesco's Pricing Committee, which in turn is guided by the International Private Equity and Venture Capital Association Guidelines.

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

(d) Income

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

1. Principal Accounting Policies (continued)

(e) Expenses and Finance Costs

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

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

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

Finance costs are allocated 80% to capital and 20% to revenue. This is in accordance with the Board's expected long term split of returns arising as a result of the gearing of the Company and the impact of this gearing on portfolio holdings.

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

(f) Taxation

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

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

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

(g) 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 year in which they are approved by the shareholders.

(h) Consolidation

Consolidated accounts have not been prepared as the subsidiary, which 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

	2011 £'000	2010 £'000
Income from listed investments		
UK dividends	2,749	2,670
UK unfranked investment income	25	—
Overseas dividends	210	136
	2,984	2,806
Other income		
Underwriting commission	1	11
Interest on VAT recoverable	—	92
Total income	2,985	2,909

NOTES TO THE FINANCIAL STATEMENTS

continued

3. Investment Management Fee

	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
Investment management fee	377	377	754	308	308	616

Invesco Asset Management Limited ('IAML') provides investment and administration services to the Company. Details of the Investment Management Agreement can be found in the Report of the Directors.

At 31 January 2011 an amount of £146,000 (2010: £61,000) was due for payment in respect of outstanding management fees. No performance-related fee is payable for the current or the preceding year.

During the year ended 31 January 2010, an additional amount of £276,000 was received in respect of VAT recoverable on management fees paid to the current manager, IAML, together with £92,000 of interest thereon.

4. Expenses

	2011 REVENUE £'000	2011 CAPITAL £'000	2011 TOTAL £'000	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000
Directors' fees	95	—	95	87	—	87
Auditors' remuneration:						
– for audit of the annual financial statements	19	—	19	18	—	18
– other services relating to taxation compliance and advice	4	—	4	4	—	4
Other expenses	177	1	178	201	3	204
	295	1	296	310	3	313

The Director's Remuneration Report provides further information on Directors' fees.

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

5. Finance Costs

There were no drawings on the overdraft facility in the year and the preceding year and no interest charged.

6. Taxation

(a) Current tax charge

	2011 £'000	2010 £'000
Overseas taxation	1	2

(b) Reconciliation of current tax charge

	2011 £'000	2010 £'000
Total return on ordinary activities before taxation	29,160	30,960
Theoretical tax at UK Corporation Tax rate of 28% (2010: 28%)	8,165	8,669
Effects of:		
– UK dividends which are not taxable	(770)	(748)
– Overseas dividends which are not taxable	(53)	—
– Gains on investments which are not taxable	(7,623)	(8,037)
– Expenses in excess of taxable income	280	116
– Disallowable expenses	1	—
– Overseas dividends tax	1	2
Actual current tax amount	1	2

6. Taxation (continued)

(c) Factors That May Affect Future Tax Charges

The Company has excess management expenses of £18,991,000 (2010: £18,093,000) that are available to offset future taxable revenue. A deferred tax asset of £5,128,000 (2010: £5,066,000) at 27% (2010: 28%) has not been recognised in respect of these expenses, since they are recoverable only to the extent that the Company has sufficient future taxable revenue. The Company has no deferred tax liability at the balance sheet date.

7. Earnings per Ordinary Share

	2011			2010		
	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
Basic	4.1p	47.2p	51.3p	4.3p	49.4p	53.7p

Basic total earnings per ordinary share is based on the net total profit for the financial year of £29,159,000 (2010: £30,958,000).

Basic revenue earnings per ordinary share is based on the net revenue profit for the financial year of £2,312,000 (2010: £2,477,000).

Basic capital earnings per ordinary share is based on the net capital profit for the financial year of £26,847,000 (2010: £28,481,000).

All three earnings are based on the weighted average number of shares in issue during the year of 56,878,794 (2010: 57,671,287).

8. Dividends on Ordinary Shares

Dividends paid in the year:	2011		2010	
	pence	£'000	pence	£'000
Second interim/final paid in respect of previous year	2.70	1,549	2.50	1,443
Special paid in respect of previous year	—	—	1.20	692
First interim paid	1.60	910	1.60	923
	4.30	2,459	5.30	3,058

Dividends payable in respect of the year:

	2011		2010	
	pence	£'000	pence	£'000
First interim	1.60	910	1.60	923
Final/second interim	2.70	1,489	2.70	1,549
	4.30	2,399	4.30	2,472

The final dividend/second interim 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

9. Investments

	2011 £'000	2010 £'000
Investments listed on a recognised stock exchange	111,619	95,885
AIM quoted investments	21,618	13,007
	133,237	108,892
Opening valuation	108,892	78,317
Movements in year:		
Purchases at cost	30,209	29,685
Sales – proceeds	(33,089)	(27,814)
– profit/(losses) on disposal of investments	2,769	(4,234)
Movement in investment holding gains	24,456	32,938
Closing valuation	133,237	108,892
Closing book cost	90,345	90,456
Closing investment holding gains	42,892	18,436
Closing valuation	133,237	108,892
Profit/(losses) on disposals of investments in year	2,769	(4,234)
Movement in investment holding gains in year	24,456	32,938
Total gains in year	27,225	28,704

The transaction costs included in gains on investments amount to £176,000 on purchases and £55,000 for sales (2010: £152,000 and £48,000 respectively).

10. Other Receivables

	2011 £'000	2010 £'000
Amounts due from brokers	448	436
Prepayments and accrued income	180	238
	628	674

11. Other Payables

	2011 £'000	2010 £'000
Amounts due to brokers	495	105
Accruals and deferred income	218	119
	713	224

12. Share Capital

	2011 NUMBER	2011 £'000	2010 NUMBER	2010 £'000
Authorised:				
Ordinary shares of 20p each	160,000,000	32,000	160,000,000	32,000
Allotted, called-up and fully paid:				
Ordinary shares of 20p each	55,159,029	11,032	57,459,629	11,492

During the year the Company ordinary share movements were as follows:

	NUMBER	£'000
At 1 February 2010	57,459,629	11,492
Repurchased and cancelled	(2,300,600)	(460)
At 31 January 2011	55,159,029	11,032

Details of the share repurchases are given in the Report of Directors on page 19.

13. Reserves

The capital redemption reserve maintains the equity share capital and arises from the nominal value of shares bought back and cancelled. The capital redemption reserve, share premium account and capital reserves are non-distributable.

The capital reserve includes investment holding gains/(losses), being the difference between cost and market value. At the year end this was a gain of £42,892,000 (2010: 18,436,000).

14. Net Asset Value per Ordinary Share

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

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2011 PENCE	2010 PENCE	2011 £'000	2010 £'000
Ordinary shares				
– Basic	242.9	193.7	133,999	111,281

Net asset value per ordinary share is based on net assets at the year end and on 55,159,029 (2010: 57,459,629) ordinary shares, being the number of ordinary shares in issue at the year end.

15. Subsidiary Undertaking

	NET ASSET VALUE AT 31 JANUARY 2011	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. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2010: £nil).

17. Related Party Transactions

Invesco Asset Management Limited ('IAML'), a wholly owned subsidiary of Invesco Limited, acts as Manager, Company Secretary and Administrator to the Company. Details of IAML's services and fees are disclosed in the Report of the Directors. Full details of Directors' interests are set out in the Report of the Directors on page 27 and details of Directors' remuneration are set out on page 35. There are no other related party transactions.

18. Risk Management, Financial Assets and Liabilities

Financial Instruments

The Company's financial instruments comprise its investment portfolio (as shown on pages 11 to 13), cash, overdraft, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

Risk Management Policies and Procedures

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

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

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

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £2.5 million with any one depositary, with only approved depositories being used, and a maximum of £10 million on deposit with AIM Short-Term Investments Company (Global Series) plc, a triple-A rated money market fund.

Market Risk

The fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Looking at the components parts of market risk, the currency risk component effect is minimal as the Company's financial instruments are either all or mainly denominated in sterling. For the remaining two components of market risk, the Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed in the Board Responsibilities on page 37. No derivative or hedging instruments are utilised to manage market risk. Gearing is used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

1. Interest Rate Risk

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

The Company has an uncommitted bank overdraft facility based on the lower of 30% of the net asset value of the Company or £20 million; the interest rate charged at 1% over LIBOR. The Company uses the facility when required at levels approved and monitored by the Board.

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

At the year end, as there were no drawings on the Company's overdraft facility (2010: none) there was no interest rate risk. The maximum amount that can be drawn down at any time under the current banking covenant is the lower of 30% of net assets and £20 million. Thus at the year end, with a maximum amount of £20 million, the effect of a +/– 1% in the interest rate would result in an increase or decrease to the Company's statement of comprehensive income of £200,000.

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

2. Other Price Risk

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

Management of Other Price Risk

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

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

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year would decrease by £13.3 million (2010: £10.9 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax would increase by £13.3 million (2010: £10.9 million).

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

Nearly all of the Company's portfolio of investments are in the Level 1 category as defined in IFRS 7 'Financial Instruments: Disclosures' which is applicable for reporting periods beginning on or after 1 January 2009. The three levels set out in the IFRS 7 hierarchy follow:

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

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

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

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

The valuation techniques used by the Company are explained in the accounting policies note. There were no investments in Level 2 in the year. The only transfer in the year was one investment, Minorplanet Systems, which was valueless when it was transferred from Level 1 to Level 3. The sole investment in Level 3 at the start of the year was assessed to have a permanent diminuation in value in the year and was removed from the portfolio. The Company also has a subsidiary, Berry Starquest Limited, the details of which are shown in note 1(h). At the year end the subsidiary was categorised as Level 3 and this has unchanged during the year.

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 be the purchase date of the investment plus three business days. Accruals will be paid normally within 30 days of receipt of invoice or, in the case of management fees, in accordance with the management fee agreement.

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

Capital Management

The Company's capital is as disclosed in the balance sheet and is managed on a basis consistent with its investment objective and policies, as disclosed in the Report of the Directors on page 18 and 19. The principal risks and their management are disclosed above.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting ('AGM') of Invesco Perpetual UK Smaller Companies Investment Trust plc will be held at 30 Finsbury Square, London EC2A 1AG at 12.00 noon on 19 May 2011 for the following purposes:

Ordinary Business

1. To receive the Report of the Directors and financial statements for the year ended 31 January 2011.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2011.
3. To declare a final dividend as recommended.
4. To re-elect Richard Brooman a Director of the Company.
5. To re-elect Garth Milne a Director of the Company.
6. To re-elect John Spooner a Director of the Company.
7. To elect Christopher Fletcher a Director of the Company.
8. To re-appoint the Auditors and authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions of which 9 will be proposed as an Ordinary Resolution and 10, 11 and 12 as Special Resolutions:

9. 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 £551,590, this being 5% of the Company's issued ordinary share capital as at 13 April 2011, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.

10. THAT:

    the Directors be and are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to allot equity securities for cash, either pursuant to the authority given by resolution 9 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); and

    (b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £551,590, this being 5% of the Company's issued ordinary share capital as at 13 April 2011 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, 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.

11. THAT:

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

PROVIDED ALWAYS THAT:

(i) the maximum number of shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary shares, this being 8,268,338 as at 13 April 2011;

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

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

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

(v) the authority hereby conferred shall expire at the conclusion of the AGM of the Company in 2012 or, if earlier, on the expiry of fifteen months from the passing of this resolution unless the authority is renewed at any other general meeting prior to such time; and

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

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

Explanatory Notes to Resolution 12

Notice of period for general meetings

This resolution is required as the implementation of the EU Shareholder Rights Directive has increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days. To ensure that the Company's general meetings (other than AGMs) may be held on 14 days' notice, a shareholder resolution reducing the period of notice to not less than 14 days must have been passed at the immediately preceding AGM. It is intended that this flexibility will be used only for non-routine business and where it is in the interests of shareholders as a whole.

For an explanation of all Special Business please refer to the Chairman's Statement on pages 6 and 7 and the Report of the Directors on pages 24 to 25.

Dated this 13 April 2011
By order of the Board

Invesco Asset Management Limited
Secretary

The Manager will be giving a presentation following the Annual General Meeting. Refreshments will be provided.

NOTICE OF ANNUAL GENERAL MEETING

continued

Notes:

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

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

   To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Capita Registrars, Proxy Department, PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR, by not later than 12.00 noon on 17 May 2011.
4. A person entered on the Register of Members at close of business on 17 May 2011 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Members 48 hours before the time fixed for the adjourned meeting.

5. The Terms of Reference of the Audit Committee and the Management Engagement Committee and the Letters of Appointment for Directors will be available for inspection for at least 15 minutes prior to and during the Company's AGM.
6. A copy of the Articles of Association are available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the AGM and will also be available at the AGM for at least 15 minutes prior and during the Meeting.
7. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the above rights of the shareholders in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
11. As at 13 April 2011 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 55,159,029 ordinary shares of 20p each carrying one vote each.
12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.invescoperpetual.co.uk/investmenttrusts.
13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006 (the '2006 Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning on 1 February 2010; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 February 2010 ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

GLOSSARY OF TERMS

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

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

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

Gearing
The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which shareholders' funds are geared; a nil gearing percentage, or 'nil', shows the company is ungeared. A negative percentage indicates that the company is not fully invested.

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

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

Net Gearing
This reflects the amount of net borrowings invested, ie borrowings less cash. It is calculated from the aggregate of shareholders' funds and net borrowings as a percentage of shareholders' funds.

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

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

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

Total Assets
Total assets less current liabilities.

Total Expense Ratio
Total expenses (excluding interest) incurred, including those charged to capital, but excluding the effect of VAT refunds on management fees, divided by average shareholders' funds.

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

Invesco Perpetual

The Manager of Invesco Perpetual UK Smaller Companies Investment Trust plc is Invesco Asset Management Limited.

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.

Invesco is one of the largest independent global investment management firms, with funds under management in excess of $641.9 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.

**Funds under management as at 31 March 2011*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

Perpetual Income and Growth Investment Trust plc
Aims to generate capital growth with a higher than average income from investment, primarily, in the UK equity market. It is intended that the Company will provide shareholders with real dividend growth over the medium term by investing mainly in above-average yielding equities. However, investments are also made in companies with lower initial yields which are considered to have good potential for income growth. The Company is geared by a debenture stock and bank debt.

Keystone Investment Trust plc
Aims to provide shareholders with long-term growth of capital mainly from UK investments. The Company is geared by way of debenture stocks.

Invesco Income Growth Trust plc
Aims to provide shareholders with long-term growth in capital and real, long-term growth in dividends from an above-average yielding portfolio comprising mainly UK equities and equity-related securities. Seeks to achieve a total return in excess of the FTSE All-Share Index. The Company is geared by bank debt.

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio
Aims to generate long-term capital & income growth with real growth in dividends from investment, primarily, in the UK equity market. The portfolio is geared by bank debt.

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio
Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security.

Invesco Property Income Trust Limited
The Company is a closed-ended investment company with limited liability incorporated in Jersey. The objective is to provide ordinary shareholders with an attractive level of income together with the prospect of income and capital growth from investing in commercial properties in the UK and Continental Europe. The Company is geared by bank debt.

City Merchants High Yield Trust plc
Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security. The Company is geared by bank debt.

Invesco Leveraged High Yield Fund 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 is highly geared.

Invesco Perpetual Recovery Trust 2011 plc
A split-capital investment trust with ordinary income shares, zero dividend preference shares and units (a combination of the two). Aims to meet the capital entitlements of the zero dividend preference shares and to maximise the capital and income returns of the ordinary income shares by investing primarily in equities but also debt securities which are considered to offer recovery prospects. Returns to ordinary income shareholders are geared by the prior charge of the ZDP shares. The Company has an initial life projected to end in 2011.

The Edinburgh Investment Trust plc
Invests in UK securities with long term objective of achieving:

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

The Company is geared by two debenture stocks.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc
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. The Company may gear by bank debt.

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 Morgan Stanley Capital International All Country Asia Pacific ex-Japan Index, measured in sterling. The Company is geared by bank debt.

Invesco Perpetual Select Trust plc – Global Equity Share Portfolio
Aims to produce long-term capital growth from a sensibly diversified portfolio of international equities (including the UK). The portfolio comprises the "best ideas" of a number of Invesco Perpetual's investment managers. The portfolio is geared by bank debt.

Investing for Absolute Returns

Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio
Aims to achieve an absolute return of 3-month sterling LIBOR plus 5% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc
- UK Equity Share Portfolio
- Global Equity Share Portfolio
- Managed Liquidity Share Portfolio
- Hedge Fund Share Portfolio

A choice of asset classes within one investment trust with the freedom to switch between them, twice a year, free from capital gains tax liability.

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

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