Invesco Perpetual UK Smaller Companies Investment Trust plc

Annual Financial Report

Year Ended 31 January 2013

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

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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 Numis 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 five years' experience in the management of smaller company funds and over thirty years in investment management. Jonathan Brown is a member of the UK Equity team specialising in smaller companies and has been with Invesco Perpetual for more than ten 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 53,346,084 ordinary shares of 20p each at 31 January 2012. During the year, the Company repurchased 137,000 ordinary shares, leaving 53,209,084 ordinary shares in issue at 31 January 2013.

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.

The Benchmark Index of the Company is the Numis Smaller Companies Index (excluding Investment Trusts)

	AT 31 JANUARY 2013	AT 31 JANUARY 2012	% CHANGE
Net asset value per ordinary share[2]:			
– balance sheet	285.7p	237.6p	+20.2%
– after charging proposed dividends (capital NAV)	281.3p	234.2p	+20.1%
Shareholders' funds (£'000)[2]	152,034	126,771	+19.9%
Mid-market price per ordinary share	246.5p	187.5p	+31.4%
Discount[1] per ordinary share based on balance sheet NAV	13.7%	21.1%	
Total return (all income reinvested):			
Net asset value[1][2][3]			+22.4%
Benchmark Index[1][3]			+25.6%
FTSE All-Share Index[3]			+16.3%
Capital return:			
Net asset value[1][2]			+20.2%
Benchmark Index[1][3]			+22.0%
FTSE All-Share Index[3]			+12.1%
Gearing:			
– gross gearing[1]	nil	6.7%	
– net gearing[1]	nil	6.7%	
– net cash[1]	5.1%	nil	
– maximum permissable gearing[1]	13.2%	15.8%	
Return and dividend per ordinary share:			
Revenue return	6.3p	5.2p	
Capital return	46.7p	(7.8)p	
Total return	53.0p	(2.6)p	
Interim dividend	1.6p	1.6p	
Final dividend	4.4p	3.4p	
Total dividends	6.0p	5.0p	+20.0%
Ongoing charges[1]			
– excluding performance fee	0.87%	0.89%	
– performance fee	nil	0.31%	

Note: (1) The term is defined in the Glossary on page 53.
(2) Includes enhancements from share repurchases.
(3) Source: Thomson Reuters Datastream.

Net Asset Value and Benchmark Total Return Performance

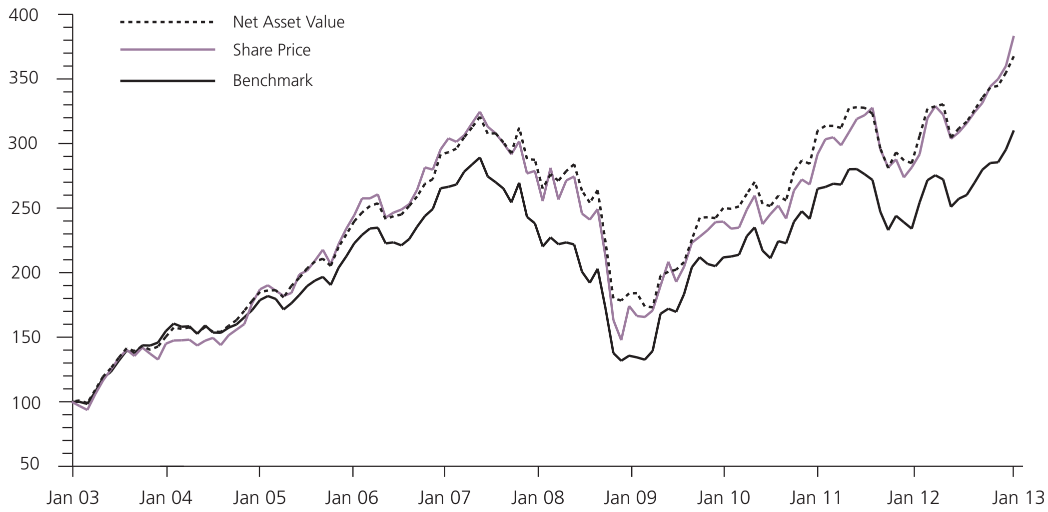
For the Ten Years to 31 January 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3yr	5yr	10yr
Net Asset Value %	+52.7	+24.3	+31.0	+24.7	-8.3	-29.2	+40.1	+28.6	-0.8	+22.4	+56.1	+54.9	+340.3
Benchmark %	+59.6	+18.9	+28.0	+22.9	-15.6	-36.7	+62.8	+28.7	-1.8	+25.6	+58.8	+63.8	+312.8
Variance %	-6.9	+5.4	+3.0	+1.8	+7.3	+7.5	-22.7	-0.1	+1.0	-3.2	-2.7	-8.9	+27.5

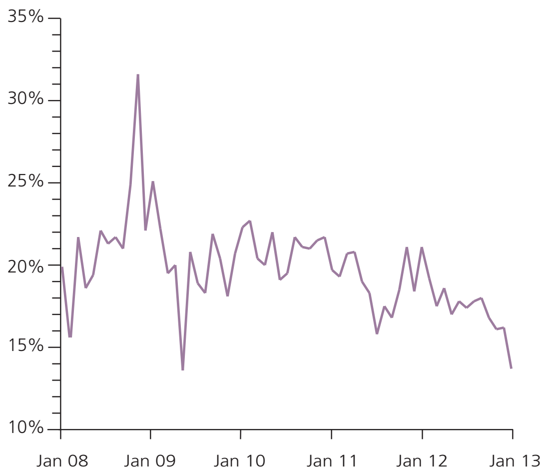
Source: Thomson Reuters Datastream.

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

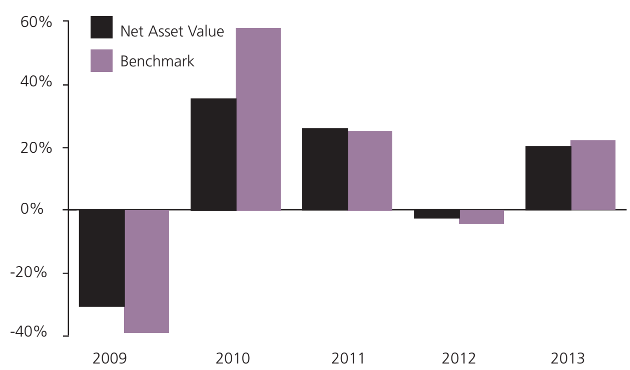
From 31 January 2003 to 31 January 2013
(Figures have been rebased to 100 at 31 January 2003)



Five Year Discount



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



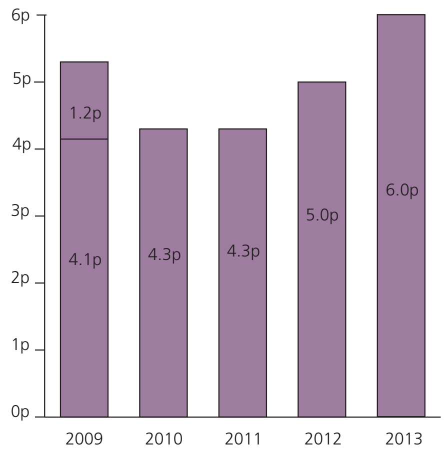
Five Year Historical Record

TO 31 JANUARY	GROSS INCOME £'000	NET REVENUE RETURN AVAILABLE FOR SHAREHOLDERS £'000	DIVIDENDS ON SHARES[1] COST £'000	RATE p	TOTAL SHARE-HOLDERS FUNDS £'000	NET ASSET VALUE PER SHARE p	MID-MARKET PRICE PER SHARE p	ONGOING CHARGES %	PERFORM-ANCE FEE %
2009	3,666	3,560	3,075[2]	5.30[2]	84,348	144.7	107.0	0.93	1.18
2010	2,909	2,477	2,472	4.30	111,281	193.7	150.5	0.86	–
2011	2,985	2,312	2,399	4.30	133,999	242.9	195.0	0.86	–
2012	3,590	2,852	2,676	5.00	126,771	237.6	187.5	0.89	0.31
2013	4,123	3,370	3,193	6.00	152,034	285.7	246.5	0.87	–

(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.

Five Year Dividend History:

Pence per Share

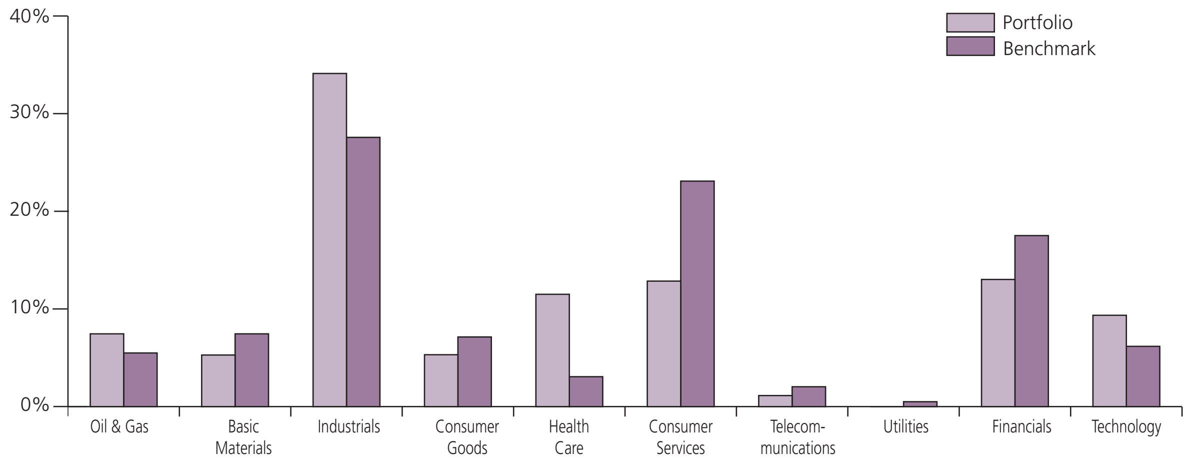


The dividends shown above are those proposed in respect of each year.
2009 includes a special dividend of 1.2p.

Yield

Sector Allocation of Portfolio vs Benchmark

As at 31 January 2013



CHAIRMAN'S STATEMENT

The net asset value (NAV) of your Company rose by 22.4% on a total return basis during its financial year, which ended on 31 January 2013. Whilst this was a satisfactory absolute return for shareholders in a very low interest rate environment, it fell slightly short of the benchmark against which your Board measures the Company's performance, the Numis Smaller Companies Index (excluding Investment Trusts), which returned 25.6%. However, your Company did comfortably out-perform the wider UK stock market, as measured by the FTSE All-Share Index, which rose by a lesser 16.3%.

Over the same period the mid-market price of the Company's shares increased by 31.4%, from 187.5p to 246.5p per share. The discount to NAV at which the Company's shares trade narrowed from 21.1% at the end of the previous financial year to 13.7% at the year end, reflecting improved investor sentiment towards smaller companies in general and your Company in particular.

Dividend

For the year ended 31 January 2013, an interim dividend of 1.6 pence per share was paid on 24 October 2012 to shareholders on the register on 28 September 2012. The Board is proposing a final dividend of 4.4 pence per share payable on 24 May 2013 to shareholders on the register on 26 April 2013. Total dividends for the year to 31 January 2013 therefore amount to 6.0 pence per share, a 20% increase on the previous year. Future dividends will, as always, depend on market conditions and investment performance.

The Future of the Company

On 25 May 2012, the Company announced that on or around the date of its AGM in 2017, the Board would make available a number of options for shareholders to consider. These may include the continuation of the existing Company, a rollover into a similar or other investment vehicle and/or the provision of a cash exit at a price close to NAV. In time, one of the benefits the Board hopes to achieve by this initiative is a permanent narrowing of the discount to NAV at which the shares trade and progress has already been made in this respect as noted above. The Manager took the initiative in proposing this strategy to the Board, which reflects their confidence in being able to retain the loyalty of the shareholders, through good performance, in the intervening period. Further information can be found in the Directors' Report on page 17.

Share Repurchases

During the year ended 31 January 2013, the Company purchased for cancellation a total of 137,000 ordinary shares at a weighted average price of 201.56 pence per share and at an average discount to NAV of 17.79%. The effect has been to buy in 0.26% of the issued share capital and to enhance NAV by approximately 0.1%. No further ordinary shares have been bought back since the year end. The Board believes the ability to buy back a limited number of shares can, in certain circumstances, be useful in reducing the volatility of the Company's share price whilst boosting NAV per share and on this basis will seek to renew this authority once again at the coming AGM.

Annual General Meeting

At this year's AGM the Board will seek shareholder approval to adopt new Articles of Association which have been amended to afford the Company the ability to take advantage of changes in the investment trust taxation rules and to update them generally to reflect current law and best practice. 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 as they themselves intend to do.

Outlook

As you will read in their report that follows, your portfolio managers identify the drivers behind good stock market performance over the last year to be a combination of continued quantitative easing, record low interest rates and accommodative monetary policy measures adopted by the authorities. However, an end to quantitative easing and the prospect of inflation resulting in rising interest rates pose a future threat, though one potentially offset by a greater confidence in the ability of the world economy to deliver growth without external stimulus. The market may well both anticipate such a scenario and regard it positively- albeit as one potentially subject to periodic setbacks.

In such an environment, your portfolio managers' preference for investing in better quality companies may, from time-to-time, work against them as a rising tide lifts all boats. However, your Board remains firmly of the opinion that their strategy is correct and that investing in companies with solid balance sheets and sound business models remains the best long term option.

Ian Barby
Chairman

8 April 2013

PORTFOLIO MANAGERS' REPORT

Richard Smith

Jonathan Brown

Investment Review

In the year under review, the majority of stock markets, particularly those of the developed countries, performed strongly. Most have fully recovered from the sharp setback in mid-2011 caused by the downgrading of US government debt by ratings agency Standard & Poor's as well as fears of debt contagion amongst eurozone countries. A resurgence of eurozone worries took place in the second quarter of 2012, but since then stock markets have trended steadily higher. For the moment at least, economic tensions have eased. In Europe, the pledge to preserve the euro by the European Central Bank's president and the generally supportive role taken by Germany have led to a recovery in the euro and a narrowing of government debt spreads. In the US, the re-election of President Obama is regarded as pro-growth and preferable to a divided Republican opposition. In addition, in spite of the lessons of the 1930's depression, markets appear to have allowed Japan to undertake a substantial competitive devaluation of the yen which is necessary in view of Japan's unsustainably high government debt-to-GDP ratios. Finally, markets have benefited from low interest rates and easy monetary policies.

The UK stock market, as measured by the FTSE All-Share Index, rose 16.3% on a total return basis. Economic growth has been disappointing in spite of a surprising increase in private sector job creation. One of the impediments to growth in the UK was always going to be the large size of the financial sector relative both to GDP and to other countries prior to the financial crisis of 2008. The subsequent fall in banks' profits and the resulting lower sector employment has had a major negative effect on the budget deficit. More importantly, the poor condition of many UK banks has led to a restriction in credit growth which has also held back recovery. Not surprisingly, investors have preferred a selective approach to stock picking. One of the stock market sectors favoured has been UK small companies. Their size, flexibility and, in many cases, their financial strength have led to significant outperformance versus their large cap peers during the last 5 years. In the year to 31 January 2013, the benchmark index, the Numis Smaller Companies Index (ex investment trusts), rose 25.6% on a total return basis.

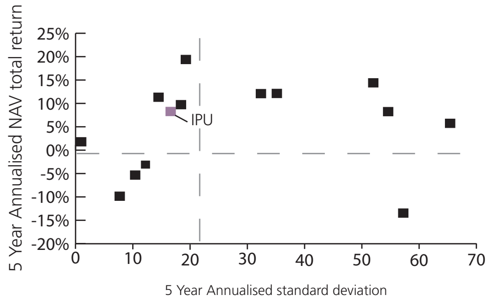
Portfolio Strategy and Review

Against this background, your Company produced an increase in net asset value on a total return basis of 22.4% for the fiscal year. Positive contributions came from the Health Care and Support Services sectors, while the portfolio's exposure to the Mining sector negatively impacted performance.

At the individual stock level, the stand-out performer was **TalkTalk Telecom** (+92%). This provider of broadband services is recovering from a period of poor customer performance. **PayPoint** shares (+51%) also increased in value following better than expected results. The portfolio benefited from overweight positions in the two largest holdings in the portfolio - **Dechra Pharmaceuticals** (+30%) and **Synergy Health** (+29%) - while **Dunelm** (+54%), a retailer of homewares, performed strongly in what proved a difficult year for UK retailers in general. While contributors to the portfolio substantially outweighed detractors, there were disappointments from **Avocet Mining** (-76%) which issued a profits warning due to production problems at its main Inata gold mine in West Africa. Subsequently, the problems facing the company worsened, reserves were reduced and the dividend was omitted. Since the year end, we have sold the holding. **Cape** (-43%), a multi-disciplinary supplier of industrial services, suffered from individual contract problems and a general delay to large energy projects in Australia. A new chief executive has adopted an appropriately cautious approach to forecasts which, in our view, still leaves the shares looking undervalued. **May Gurney Integrated Services** (-39%), a provider of outsourced services to local authorities, fell on news of serious operational issues with two of its environmental contracts.

For many years we have shown the chart below. We are pleased to show your Company remains well positioned compared with the peer group in terms of performance and a lower risk (volatility) profile.

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 53

The following 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 2013

	Total Absolute %
Net asset value total return	22.4
Benchmark total return	25.6
Relative under performance	(3.2)
Analysis of Relative Performance	
Portfolio total return	22.8
Benchmark total return	(25.6)
Portfolio under performance	(2.8)
Net gearing effect	0.4
Management fees	(0.7)
Performance fees	–
Interest payable	–
Other expenses	(0.2)
Effect of ordinary share buy backs	0.1
Total	(3.2)

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

Portfolio under performance 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

In the Portfolio Managers' Report to end January 2012 we introduced the concept of secular bull and bear markets, an alternating cycle of about 15/20 years of significant real returns (bull) followed by a period of disappointing real returns (bear). The logic behind the pattern is that the bullish phase creates excesses in the stock market (high valuations) and in the underlying economy, whilst the bearish phase allows for the correction of these excesses. We concluded that western stock markets had been in a secular bear market since 2000 (we have experienced negative real returns on a capital only basis since then) and that, given the economic backdrop of deleveraging by the private sector and the continuing sharp increase in government debt levels, another downward phase in stock markets was likely before the start of a new secular bull market. In this regard, our concern centres on 2013, a year with no major elections in the US and hence a year of relative freedom for US politicians. Most commentators are expecting Europe to remain mired in its problems and they are nervous about excessive infrastructure spending in China and the need for that economy to become more balanced, with more reliance on domestic consumption. Therefore they are pinning their hopes for global growth on the US economy. Recent US GDP figures lend some support to this premise as, when adjusted for inventory changes, there was reasonable underlying growth taking place. In addition, it appears that the US has made a better effort to clean up its banks and, after sharp falls in house prices, there is some evidence of a turn in its housing market. Taken together with a major improvement in energy self-sufficiency, the picture looks promising until you remember that it is 2013, the year of the "fiscal cliff", "sequestration" and "debt ceilings". There will almost certainly be a larger fiscal drag to come from higher taxes but we also believe there are clear political dangers to be overcome as well.

The difficulty of deficit reduction through harsh austerity measures is all too apparent in certain countries of the eurozone. In the Italian election, voters clearly registered their anger over austerity cuts, much as they did in Greece in May 2012. Meanwhile, the level of debt to GDP for the eurozone area continues to pose a considerable hurdle. We firmly believe that a restructured and smaller eurozone will inevitably happen over time, given the differing economic status of member states.

In the UK, we believe that sterling's fall against the euro and the US dollar will negatively impact the consumer in 2013 largely as a result of the higher cost of energy. The UK consumer had benefited from Personal Protection Insurance payments in 2012 but these payments will run at a lower rate in 2013. Given the coalition's current intention to stick to its austerity programme, we feel the economic outlook for the UK looks weaker than for many other developed countries. Whilst we applaud its resolve, we expect the Government will succumb to the political pressure that will be applied as we get nearer to the elections in 2015.

Elsewhere, the weakness in commodity prices ushers in a more subdued period for emerging countries. During the recent expansion phase, operating costs of many mining companies have escalated sharply leading to a squeeze in profits and returns on capital. As a result many mining companies are now focused on improving their operating ratios, reducing their capital employed and returning surplus funds to shareholders, as well as increasing dividends. This situation is not helped by some evidence to show that China appears to have spent considerably more on infrastructure per capita in comparison with other emerging countries at a similar stage of development. Since China has been a major purchaser of commodities and apparently has sizeable stockpiles, this does not augur well for nearer term prospects. In summary, the outlook for recovery in global economic growth is unclear with the best chances seen to be in the US.

Despite the uncertainties surrounding global economic growth, stock markets have performed surprisingly well. We put that down to easy monetary policies of low interest rates and quantitative easing (QE). In spite of this, and major swings within currencies, inflation is generally moderating. To some extent, this shows how strong the deflationary effects of the financial crisis would have been without QE. As it is QE has created a pool of liquidity which, failing to find a natural home within the real economy, has gravitated towards financial markets. Since the beginning of 2013, stock markets have risen even more strongly and there is evidence of a broadening of investor interest to include lower rated, lower quality stocks and companies at the very small end of the market. We have participated in this trend because of the sizeable difference in rating between these companies and recognised quality growth stocks. However, given our views about economic growth, particularly in the UK, we still think the bulk of the portfolio should remain in quality companies with the scale and financial strength to control their own destiny.

There have been a number of new holdings and we draw your attention to the following: Abcam which produces and distributes antibodies via an on-line catalogue to universities and other research bodies , International Personal Finance, which was spun out of Provident Financial and which provides small personal loans in many Eastern European countries and Mexico, and IG Group, the leader in the provision of spread betting and similar products. In addition the following holdings were purchased after the year end: Crest Nicholson, a quality housebuilder which has recently refloated on the London stock exchange, Catlin Group, a Lloyds Underwriter and Phoenix Group, a specialist insurance company which runs off life insurance companies closed to new business.

Outlook

Since the beginning of 2013, the UK stock market has performed strongly, with the FTSE All-Share Index rising over 9% but still being outperformed by the Numis Smaller Companies Index (ex investment trusts) which has gained over 11%. The upswing that began in 2009 is clearly still intact. The UK stock market is in the middle of the seasonally strong period (November to May) and could still move higher, although there is some evidence of slowing momentum. We believe this rally is the result of QE and growing optimism about the US. If the politicians can do a deal to end sequestration and remove the threat of the debt ceiling, then the equity market, we believe, could extend its gains.

Richard Smith   Jonathan Brown
Portfolio Managers

8 April 2013

INVESTMENTS IN ORDER OF VALUATION

AT 31 JANUARY 2013

Ordinary shares unless stated otherwise

COMPANY	ACTIVITY BY SECTOR	VALUE £'000	% OF PORTFOLIO
Synergy Health	Health Care Equipment & Services	5,910	4.0
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	5,788	4.0
RPC	General Industrials	3,170	2.2
Diploma	Support Services	3,123	2.1
Howden Joinery	Support Services	2,979	2.0
Premier Oil	Oil & Gas Producers	2,803	1.9
Mears	Support Services	2,724	1.9
Bellway	Household Goods & Home Construction	2,537	1.7
Dunelm	General Retailers	2,492	1.7
RPS	Support Services	2,399	1.6
Top Ten Holdings		**33,925**	**23.1**
PayPoint	Support Services	2,358	1.6
Brewin Dolphin	Financial Services	2,352	1.6
Brown (N)	General Retailers	2,344	1.6
Greene King	Travel & Leisure	2,343	1.6
Senior	Aerospace & Defence	2,280	1.6
Micro Focus International	Software & Computer Services	2,150	1.6
RWS AIM	Support Services	2,135	1.5
Jupiter Fund Management	Financial Services	2,128	1.5
Filtrona	Support Services	2,082	1.4
Euromoney Institutional Investor	Media	1,976	1.4
Top Twenty Holdings		**56,073**	**38.5**
Bovis Homes	Household Goods & Home Construction	1,921	1.3
Domino Printing Sciences	Electronic & Electrical Equipment	1,872	1.3
Rentokil Initial	Support Services	1,863	1.3
Elementis	Chemicals	1,798	1.2
Workspace	Real Estate Investment Trusts	1,783	1.2
Carphone Warehouse	General Retailers	1,781	1.2
HomeServe	Support Services	1,770	1.2
AZ Electronic Materials	Chemicals	1,755	1.2
Northgate	Support Services	1,728	1.2
Aveva	Software & Computer Services	1,709	1.2
Top Thirty Holdings		**74,053**	**50.8**
TalkTalk Telecom	Fixed Line Telecommunications	1,659	1.2
IG Group	Financial Services	1,610	1.1
Ultra Electronics	Aerospace & Defence	1,595	1.1
Rotork	Industrial Engineering	1,574	1.1
Victrex	Chemicals	1,564	1.1
EnQuest	Oil & Gas Producers	1,546	1.1
Amerisur Resources AIM	Oil & Gas Producers	1,542	1.1
Beazley	Non-life Insurance	1,507	1.0
Babcock International	Support Services	1,506	1.0
IQE AIM	Technology Hardware & Equipment	1,502	1.0
Top Forty Holdings		**89,658**	**61.6**

COMPANY	ACTIVITY BY SECTOR	VALUE £'000	% OF PORTFOLIO
MITIE	Support Services	1,478	1.0
Fenner	Industrial Engineering	1,451	1.0
MoneySupermarket.com	Media	1,449	1.0
Restaurant Group	Travel & Leisure	1,445	1.0
Berendsen	Support Services	1,432	1.0
BTG	Pharmaceuticals & Biotechnology	1,410	0.9
Hunting	Oil Equipment, Services & Distribution	1,389	0.9
Laird	Technology Hardware & Equipment	1,338	0.9
Anglo Pacific	Mining	1,290	0.9
Consort Medical	Health Care Equipment & Services	1,283	0.9
Top Fifty Holdings		103,623	71.1
H&T AIM	Financial Services	1,278	0.9
Spectris	Electronic & Electrical Equipment	1,232	0.8
Dignity	General Retailers	1,223	0.8
Chemring	Aerospace & Defence	1,213	0.8
CVS AIM	General Retailers	1,204	0.8
EMIS AIM	Software & Computer Services	1,189	0.8
James Halstead AIM	Construction & Materials	1,185	0.8
Microgen	Software & Computer Services	1,173	0.8
Paragon	Financial Services	1,155	0.8
SDL	Software & Computer Services	1,135	0.8
Top Sixty Holdings		115,610	79.2
International Personal Finance	Financial Services	1,117	0.8
Go-Ahead	Travel & Leisure	1,091	0.7
Cranswick	Food Producers	1,075	0.7
Spirax-Sarco Engineering	Industrial Engineering	1,016	0.7
Cape	Oil Equipment, Services & Distribution	989	0.7
LSL Property Services	Real Estate Investment & Services	983	0.7
LondonMetric Property	Real Estate Investment Trusts	961	0.7
Spirent Communications	Technology Hardware & Equipment	947	0.6
Melrose Industries	Electronic & Electrical Equipment	946	0.6
Abcam AIM	Pharmaceuticals & Biotechnology	936	0.6
Top Seventy Holdings		125,671	86.0
Brooks Macdonald AIM	Financial Services	913	0.6
Devro	Food Producers	899	0.6
May Gurney Integrated Services AIM	Support Services	835	0.6
Dixons Retail	General Retailers	824	0.6
Hargreaves Services AIM	Support Services	785	0.5
Faroe Petroleum AIM	Oil & Gas Producers	777	0.5
Barratt Developments	Household Goods & Home Construction	776	0.5
Polar Capital AIM	Financial Services	775	0.5
NCC	Software & Computer Services	764	0.5
Sinclair IS Pharma AIM	Pharmaceuticals & Biotechnology	763	0.5
Top Eighty Holdings		133,782	91.4

INVESTMENTS IN ORDER OF VALUATION
AT 31 JANUARY 2013 *continued*

COMPANY	ACTIVITY BY SECTOR	VALUE £'000	% OF PORTFOLIO
Xaar	Electronic & Electrical Equipment	751	0.5
Innovation	Software & Computer Services	750	0.5
Renishaw	Electronic & Electrical Equipment	746	0.5
Valiant Petroleum AIM	Oil & Gas Producers	743	0.5
Advanced Medical Solutions AIM	Health Care Equipment & Services	727	0.5
Salamander Energy	Oil & Gas Producers	722	0.5
Mountview Estates	Real Estate Investment & Services	721	0.5
Sthree	Support Services	659	0.5
Xchanging	Support Services	649	0.4
Hansard Global	Life Insurance	597	0.4
Top Ninety Holdings		**140,847**	**96.2**
Fidessa	Software & Computer Services	596	0.4
Mulberry AIM	Personal Goods	584	0.4
Abbey Protection AIM	Non-life Insurance	484	0.3
Impax Asset Management AIM	Financial Services	401	0.3
Northbridge Industrial Services AIM	Industrial Engineering	393	0.3
African Barrick Gold	Mining	388	0.3
Trinity Exploration & Production AIM (formerly Bayfield Energy)	Oil & Gas Producers	382	0.3
Craneware AIM	Software & Computer Services	327	0.2
Mood Media AIM	Media	321	0.2
London Mining AIM	Industrial Metals & Mining	319	0.2
Top Hundred Holdings		**145,042**	**99.1**
Novae	Non-life Insurance	308	0.2
Kenmare Resources	Mining	302	0.2
Entertainment One	Media	300	0.2
Avocet Mining	Mining	287	0.2
Active Risk AIM	Software & Computer Services	99	0.1
Berry Starquest Limited - see note 1(i) on page 39	Investment Dealing Subsidiary	–	–
TOTAL INVESTMENTS		**146,338**	**100.0**

AIM Investments quoted on AIM (formerly the Alternative Investment Market)

DIRECTORS

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, Madagascar Oil Limited and Pantheon International Participations plc and chairman of Ecofin Water and Power Opportunities plc.

Richard Brooman*

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

Garth Milne†*

Joined the Board in 2001. He has been involved in investment funds in the City for over 40 years. He was formerly head of the investment funds team at UBS Warburg, having originally set up the team at Laing & Cruickshank. He is chairman of Westhouse (Holdings) plc.

Christopher Fletcher†*

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

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 35 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.

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.

Manager, Company Secretary and Registered Office

Invesco Asset Management Limited
30 Finsbury Square
London EC2A 1AG
☎ 020 7065 4000
Company Secretarial Contact: Kelly Nice

Registered in England and Wales

Number 2129187

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to you from 8.30 am to 6.00 pm Monday to Friday (excluding Bank Holidays). 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.

From outside the UK: +44 20 8639 3399. Lines are open from 9.00 am to 5.30 pm Monday to Friday (excluding Bank Holidays).

Shareholders can also access their holding details via Capita's websites 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 0364.
Calls cost 10p per minute plus network charges.

From outside the UK: +44 20 3367 2691. Lines are open from 8.00 am to 4.30 pm Monday to Friday (excluding Bank Holidays).

Banker and Custodian

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

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Corporate Broker

JP Morgan Cazenove
25 Bank Street
London E14 5JP

Savings Scheme and ISA Administration

For queries relating to both the Invesco Perpetual Investment Trust Savings Scheme and ISA please contact:

International Financial Data Services
IFDS House
St Nicholas Lane
Basildon
Essex SS15 5FS
☎ 0800 028 5544

SHAREHOLDER INFORMATION

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

Savings Plan and ISA

The Company is a member of the Invesco Perpetual Investment Trust Savings Scheme and the Invesco Perpetual Investment Trust ISA. Shares 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 the Company in a straightforward and low cost way.

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to £11,520 in shares of the Company in the 2013/14 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 schemes please contact Invesco Perpetual's Investor Services team free on ☎ 0800 085 8677.

Net Asset Value (NAV) Publication

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

Manager's Website

Information relating to the Company can be found on the Manager's website, 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 Financial Times, Daily Telegraph and The Times.

In addition, share price information can be found using the IPU ticker code.

Internet addresses:

Invesco Perpetual	www.invescoperpetual.co.uk/investmenttrusts
The Association of Investment Companies	www.theaic.co.uk

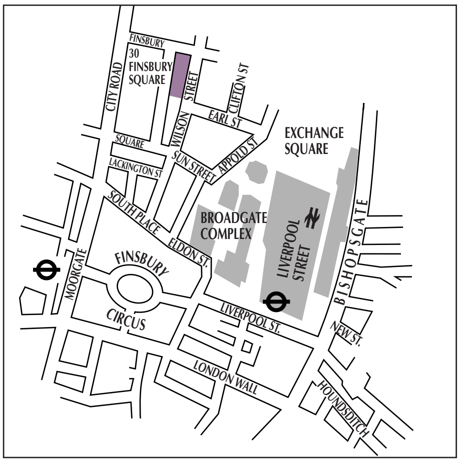
Financial Calendar

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 21 May 2013 at 30 Finsbury Square, London EC2A 1AG



REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2013

The Directors have pleasure in presenting their Report for the year ended 31 January 2013, incorporating the Business Review and Corporate Governance Statement.

Business Review and Model

Business and Status

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 (the Act), registered number 2129187. It is an investment company as defined by s833 of the Act and operates as an investment trust. It was approved as an investment trust under s1158 of the Corporation Tax Act 2010 (CTA) for the year ended 31 January 2012 and has also received upfront approval for the year ended 31 January 2013 and thereafter. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval.

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 and in the Portfolio Managers' Report.

Investment 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.

Investment Policy

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 managers 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 weightings are ultimately determined by stock selection decisions.

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

The Manager may use gearing to take advantage of anticipated market strength or special situations.

Performance

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

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

The ten year record for the NAV and share price performance compared to the Company's index can be found on page 3, together with the five year discount record. The five year record for dividends and ongoing charges is found on page 4. Returns versus volatility can be found on the graph on page 8.

Results and Dividends

In the year ended 31 January 2013 the net asset value total return was +22.4% compared with a total return on the benchmark index of +25.6%. The discount at the year end was 13.7%. The Portfolio Managers' Report analyses the relative performance in a table on page 8.

For the year ended 31 January 2013, an interim dividend of 1.6p per ordinary share was paid to shareholders on 24 October 2012. The proposed final dividend of 4.4p per ordinary share will be proposed to shareholders at the AGM on 21 May 2013 and will be paid on 24 May 2013 to shareholders on the register on 26 April 2013. The revenue return per ordinary share was 6.3p.

Borrowings

The Company currently has an uncommitted bank overdraft facility up to a maximum of 30% of net asset value or £20 million, whichever is the lower.

The Directors have granted authority to the Portfolio Managers to borrow up to a maximum of 30% of net asset value or £25 million, whichever is the lower.

Future Trends

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 Portfolio Managers' Report on pages 7 to 9. Further details as to the risks affecting the Company are set out under 'Principal Risks and Uncertainties'.

Future of the Company

The Board has announced that the Company intends to offer shareholders a choice of options at a fixed date in the future. On or around the Company's Annual General Meeting (AGM) in 2017, the Board will make available options for shareholders which may include one or more of a continuation of their existing investment, a rollover into a similar or other investment vehicle and/or the provision of a cash exit at a price close to net asset value (NAV). This commitment will be reflected in amendments to the Company's Articles, shareholders' agreement to which will be sought at the upcoming AGM, together with consent to other changes that will allow it, for example, to take advantage of recent tax legislation changes for investment trusts that became effective from 6 April 2012.

The Manager recognises that investment sectors go in and out of fashion and they, therefore, proposed this initiative to the Board. However, the Board wish to assure shareholders that the Manager will continue to use their very best endeavours to attempt to achieve above-average performance from a well-diversified portfolio of quality smaller companies and thereby earn the right from shareholders for a continuation of this Company.

In time, one of the benefits the Board hopes to achieve by this initiative is a permanent narrowing in the discount to NAV at which the shares trade. The Board will retain the right to buy back shares on an ad hoc basis.

Principal Risks and Uncertainties

Investment Objective

There can be no guarantee that the Company will achieve its investment objective as stated on page 16.

Market Movements and Portfolio Performance

The majority of the Company's investments are traded on the London Stock Exchange with some proportion of investments 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 Company invests in smaller and medium sized companies, which are generally considered riskier than their larger counterparts and therefore 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.

The portfolio 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 portfolio 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 of the smaller companies available. The portfolio managers remain cognisant at all times of the potential liquidity of the portfolio.

The portfolio 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 portfolio of the investment managers is carefully monitored by the Board, and the continuation of the portfolio managers' mandate is reviewed annually. The Board has established guidelines to ensure that the approved investment policy is pursued by the portfolio managers. The Board and the portfolio 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 19 to the financial statements.

Ordinary Shares

The market value of the shares in the Company may not reflect their underlying net asset value 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. The Board monitors the Company's discount to NAV and undertakes targeted buy backs of the Company's ordinary shares where deemed appropriate.

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. The Company has adopted a policy of charging 50% of base investment management fees and 80% of finance costs to capital. The effect of this policy is that income returns in each year will be higher, and capital returns lower, than they would if such fees were charged 100% to income.

Regulatory Risk

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 could lead to the Company being subject to capital gains tax on the sale of its investments. Other control failures, either by the Manager or any other of the Company's service providers, 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. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Manager's Compliance and Internal Audit Officers produce regular reports for review at the Company's Audit Committee.

Gearing

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

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

The Audit Committee regularly reviews the performance and internal controls of the Manager. The results of which are reported to the Board.

The Manager reviews the performance of all third party providers regularly through formal and informal meetings.

Corporate Governance Statement

Principles and Compliance

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

The Board of Invesco Perpetual UK Smaller Companies Investment Trust plc has considered the principles and recommendations of the 2010 AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Invesco Perpetual UK Smaller Companies Investment Trust plc.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the 2010 UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the 2010 UK Corporate Governance Code, except as set out below.

The 2010 UK Corporate Governance 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 as explained in the 2010 UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of Invesco Perpetual UK Smaller Companies Investment Trust plc, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board

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

The Board considers that the independence of Richard Brooman, Garth Milne, John Spooner and Ian Barby, 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.

Chairman

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

Senior Independent Director/Deputy Chairman

The Deputy Chairman of the Board is Richard Brooman who also fulfils the role of Senior Independent Director. He is available to shareholders if they have concerns 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 13.

Board Responsibilities

The Board has overall responsibility for the Company's affairs. The Directors are equally responsible under United Kingdom law for promoting the success of the Company and for the proper conduct of the Company's affairs. The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company. In addition, the Board is responsible for ensuring that the Company's policies and activities are in the interests of all of the Company's shareholders and that the 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 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, interim management statements, 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 Board takes into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation. The remuneration of Directors is reported on in more detail in the Directors' Remuneration Report on pages 29 and 30. 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

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 and 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 Meetings

All Directors are considered to have a good attendance record at Board and Committee meetings of the Company. The following table sets out the number of Directors' meetings (including Committee meetings) held during the year ended 31 January 2013 and the number of meetings attended by each Director:

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

Non-audit committee members may attend meetings by invitation from the Chairman of the Audit Committee.

Messrs Brooman 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 29 and 30.

Appointment, Re-election and Tenure of 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.

In accordance with the Board's tenure policy set out below, 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 Ian Barby, Richard Brooman, Garth Milne and John Spooner, each having served on the Board for more than 9 years.

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. Christopher Fletcher will not be required to retire and stand for re-election until 2014, having been appointed at the Company's AGM in May 2011.

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.

Nomination Committee

The Nomination Committee currently comprises Messrs Barby, Fletcher and Milne. 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 the Manager's 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, via the Manager's investment trust website and will also be available at the AGM.

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.

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

REPORT OF THE DIRECTORS

continued

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.

Internal Controls and Risk Management

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

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Company's 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 2013 and up to the date of this Annual Financial Report.

The Board reviews financial reports and performance against revenue forecasts, stock market indices and the Company's peer group. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Internal Audit and Compliance Departments of the Manager. 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.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 31. The Auditor's Report appears on pages 32 and 33.

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, including bank overdraft and ongoing expenses from its assets.

Audit Committee

The Audit Committee currently comprises Messrs Brooman, Fletcher and Milne, 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. These terms are updated regularly to ensure best practice and compliance with the AIC Code. They are available for inspection at the AGM, at the registered office of the Company and via Invesco Perpetual's website.

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 Audit Committee is also responsible for reviewing the Manager's whistleblowing arrangements.

The Committee met three times during the 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 reviewed the Auditor's independence, objectivity and effectiveness, the quality of the services of the service providers to the Company and, together with the Manager, reviewed 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 Departments are present. Representatives of Grant Thornton UK LLP, the Company's Auditor, 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 Committee is responsible to the Board for reviewing each aspect of the financial reporting process, the Manager's system of external control, the management of financial risks, the audit process, relationships with the internal auditor. The Company's process for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board.

The audit programme and timetable were agreed with the Auditor in advance of the financial year end. At this stage, matters for audit focus are discussed and approved. These matters are given particular attention during the audit process and, among other matters, are reported on by the Auditor in their report to the Committee. This report is considered by the Committee and discussed with the Auditor 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 sought assurance and has received satisfactory reports on the Manager's internal operations from the Manager's Compliance and Internal Audit Officers. The Committee has reviewed and accepted the Manager's 'whistleblowing' policy under which staff can, in confidence, raise concerns about possible improprieties or irregularities in relation to the Company.

The Committee has reviewed the financial statements for the year ended 31 January 2013 with the Manager and Auditor at the conclusion of the audit process. The issues relating to the financial statements that the Audit Committee considered during the year included, but were not limited to, the objectivity and independence of the external Auditor, the effectiveness of the Manager's internal control and compliance functions, the Company's relationships with third party service providers, the management of financial and operational risk, the appropriateness of the accounting policies adopted and the basis of the performance fee. There were no significant issues arising from the audit and production of the financial statements that needed to be brought to the Board's attention.

The Committee has recommended approval by the Board of an audit fee of £21,500 (2012: £20,000), exclusive of expenses and VAT. The Committee has considered and is satisfied with the objectivity and the independence of the Auditor. Non-audit fees for the year to 31 January 2013 were £6,000 (2012: £6,000) and related to tax compliance and advice. The Committee does not believe that this has impaired the Auditor's independence and objectivity. Individual non-audit services up to £5,000 each require approval in advance of the Chairman of the Audit Committee; amounts in excess of this require the approval of the Audit Committee.

Stewardship

The Board considers that the Company has a responsibility as a shareholder to encourage that high standards of Corporate Governance are maintained in the companies in which it invests. The Company's stewardship functions have been delegated to the Manager. The Manager has adopted a clear and considered policy towards its responsibility to shareholders on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholder value and comply with local recommendations and practices, such as the UK Corporate Governance Code. To achieve this, the Manager 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 improve those standards. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are exercised on an informed and independent basis. A copy of the Manager's Policy on Corporate Governance and stewardship can be found at www.invescoperpetual.co.uk.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial 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 monthly and daily fact sheets. At each AGM, a presentation is made by the Manager following the formal business of the meeting and shareholders have the opportunity to communicate directly with the whole Board. All shareholders are encouraged to attend the AGM.

Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or in writing to the Company Secretary at the address given on page 14.

Shareholders can also visit the Manager's website in order to access copies of annual and half-yearly financial reports, interim management statements, shareholder circulars, 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.

Conflicts of Interest

The Articles of Association of the Company give the Directors authority to approve conflicts and potential conflicts of interest, and safeguards apply. 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. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

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

The Manager

Investment Management Agreement

Invesco Asset Management Limited (IAML) (the Manager) provides investment and administration services to the Company 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.

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

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

On 13 September 2012 the IMA was amended to reflect a change in the name of the benchmark index from the Hoare Govett Smaller Companies Index to the Numis Smaller Companies Index (excluding Investment Trusts).

The Manager's Responsibilities

The Directors have delegated to IAML 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 investment 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 portfolio managers who are members 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.

The Manager's Investment Process and Performance

The Portfolio Managers 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 portfolio 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.

Assessment of the Manager

The Management Engagement Committee has carried out a review following the Company's financial year end on 31 January 2013 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.

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 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 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.

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 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.

The Company is able to supply documents or information to shareholders in electronic form (e.g. by email) or by means of a website. This delivers environmental benefits through reduced use of paper and of the energy required for its production and distribution.

Directors

Directors' Discloseable Interests

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

	8 APRIL 2013	31 JANUARY 2013	31 JANUARY 2012
Ian Barby	25,000	25,000	25,000
Richard Brooman	19,670	19,670	19,670
Christopher Fletcher	10,450	10,450	–
Garth Milne	5,000	5,000	5,000
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.

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, save for Deeds of Indemnity with Directors individually.

Director Indemnification and Insurance

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.

Share Capital

Capital Structure and Repurchases

At 31 January 2013, the Company's issued share capital consisted of 53,209,084 ordinary shares (2012: 53,346,084 ordinary shares) of 20p each. To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders every year, to buy back and to issue shares. During the year, the Company repurchased and cancelled 137,000 ordinary shares of 20p each for a total consideration of £278,000. This represented 0.26% of the issued share capital at the beginning of the year. No further ordinary shares have been repurchased by the Company since the financial year end, and no shares are currently held in treasury.

Restrictions

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

Voting

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

Substantial Holdings in the Company

At 31 March 2013, the Company had been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	HOLDING AS AT 31 MARCH 2013	%	HOLDING AS AT 31 JANUARY 2013	%
1607 Capital Partners	7,543,162	14.1	7,579,164	14.2
Lazard Asset Management	5,586,473	10.5	5,270,338	9.9
Royal London Asset Management	4,758,341	8.9	4,758,341	8.9
West Yorkshire PF	2,982,480	5.6	2,962,896	5.6
Sarasin & Partners	2,860,032	5.3	2,879,462	5.4
Invesco Perpetual	2,270,000	4.2	2,300,000	4.3
Investec Wealth & Investment	1,916,748	3.6	1,827,467	3.4
Legal & General Investment Management	1,820,403	3.4	1,874,631	3.5
Invesco Perpetual ISA	1,752,950	3.2	1,761,249	3.3
Brewin Dolphin, stockbrokers	1,698,083	3.1	1,616,348	3.0

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

Shareholders will find on pages 46 to 49 the notice of the forthcoming AGM of the Company to be held on 21 May 2013. In addition to the ordinary business of the meeting, five resolutions are proposed as special business. These will be proposed as one Ordinary Resolution and four 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.

Ordinary Resolution 9 seeks to renew the Directors' authority to allot up to 5% of the issued ordinary share capital, this being an aggregate nominal amount of £532,090 as at 8 April 2013. This will allow Directors to issue ordinary shares within the prescribed limits should any favourable opportunities arise to the advantage of shareholders.

Special Resolution 10 seeks to renew the authority to disapply pre-emption rights of up to 5% of the Company's issued ordinary share capital. 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. 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 by 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 and will expire at the AGM in 2014 or fifteen months after the passing of the resolution, whichever is the earlier.

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.

Special Resolution 11 seeks the renewal of the authority to purchase up to 14.99% of the Company's issued share capital, this being 7,976,041 of its own ordinary shares as at 8 April 2013. The authority will expire at the AGM in 2014 or fifteen months after the passing of the resolution, if earlier. As companies may 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.

Articles of Association

Special Resolution 12 is to adopt new Articles of Association that have been amended to remove the prohibition on making dividend distributions from capital, following the introduction of new investment trust tax rules, and to update them generally to reflect current law and best practice. Provisions of the Company's Memorandum of Association which are deemed under the Companies Act 2006 to be part of the Company's Articles of Association, but which are no longer required, will also be removed by this resolution. The main changes to the Articles are summarised in an appendix to Notice of Annual General Meeting on pages 50 to 52.

Notice Period for General Meetings

The EU Shareholder Rights Directive increased the notice period for general meetings of companies to 21 days, unless shareholders authorise that the Company's general meetings (other than Annual General Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 13 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.

Independent Auditor

The Audit Committee has considered the independence of the auditor 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 Auditor 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 2013 (2012: none).

Donations

The Company made no charitable or political donations during the year (2012: £nil).

By order of the Board

Invesco Asset Management Limited
Secretary
30 Finsbury Square
London EC2A 1AG
8 April 2013

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 JANUARY 2013

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 Auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The Auditor's opinion is included in their report on pages 32 and 33.

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, although no Director is involved in deciding their own remuneration. The Board seeks advice from the Manager, including comparison to the remuneration of peer companies when considering the level of Directors' fees. This is undertaken periodically and the last increase was effective from 1 August 2010. During the year, the fees paid were as follows:

- Chairman £25,000
- Audit Committee Chairman £21,000
- Directors £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.

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

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Directors. Furthermore, the objective is to ensure that Directors are rewarded for their individual contributions to the success of the Company and take into consideration any committee memberships. It is intended that this policy will continue for the year ending 31 January 2014 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

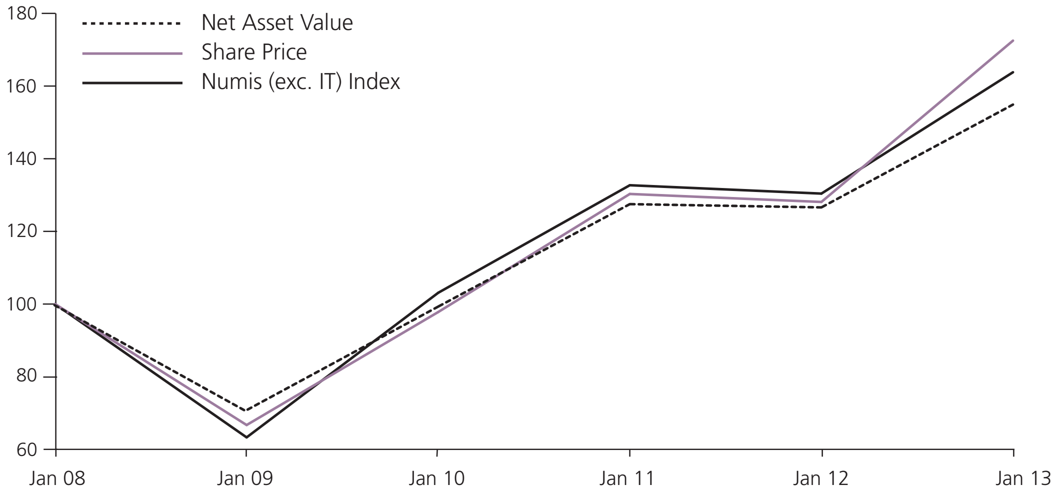
All Directors have letters of appointment which are available for inspection at the registered office of the Company. The terms of the Directors' appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after appointment and at least every three years thereafter.

Your Company's Performance

The graph below plots the total return to ordinary shareholders compared with the total return of the Numis Smaller Companies Index (excluding Investment Trusts) (the benchmark performance index) over the five years to 31 January 2013.

Figures have been rebased to 100 at 31 January 2008.

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:

	2013 £	2012 £
Ian Barby (Chairman)	25,000	25,000
Richard Brooman (Chairman of the Audit Committee)	21,000	21,000
Christopher Fletcher	17,000	17,000
Garth Milne	17,000	17,000
Mark O'Hare (retired 19 May 2011)	–	6,070
John Spooner	17,000	17,000
Total	97,000	103,070

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 8 April 2013.

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, 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;
- this annual financial report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and
- the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board of Directors

Ian Barby
Chairman

8 April 2013

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 Auditor did not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor 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 2013 which comprise 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 Auditor

As explained more fully in the Directors' Responsibility Statement set out on page 31, 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS 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 31, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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

8 April 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY

	NOTES	2013 REVENUE £'000	2013 CAPITAL £'000	2013 TOTAL £'000	2012 REVENUE £'000	2012 CAPITAL £'000	2012 TOTAL £'000
Profits/(losses) on investments at fair value	9	—	25,353	25,353	—	(3,441)	(3,441)
Losses on derivative instruments	10	—	(45)	(45)	—	—	—
Income	2	4,123	—	4,123	3,590	—	3,590
Investment management fees	3	(451)	(451)	(902)	(421)	(812)	(1,233)
Other expenses	4	(290)	(2)	(292)	(309)	(2)	(311)
Profit/(loss) before finance costs and taxation		3,382	24,855	28,237	2,860	(4,255)	(1,395)
Finance costs	5	(7)	(29)	(36)	(3)	(12)	(15)
Profit/(loss) before tax		3,375	24,826	28,201	2,857	(4,267)	(1,410)
Taxation	6	(5)	—	(5)	(5)	—	(5)
Profit/(loss) after tax		3,370	24,826	28,196	2,852	(4,267)	(1,415)
Return per ordinary share							
Basic	7	6.3p	46.7p	53.0p	5.2p	(7.8)p	(2.6)p

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY

	NOTES	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 January 2011		11,032	21,244	2,996	95,030	3,697	133,999
(Loss)/profit for the year		—	—	—	(4,267)	2,852	(1,415)
Shares repurchased and cancelled		(363)	—	363	(3,464)	—	(3,464)
Dividends paid	8	—	—	—	—	(2,349)	(2,349)
At 31 January 2012		10,669	21,244	3,359	87,299	4,200	126,771
Profit for the year		—	—	—	24,826	3,370	28,196
Shares repurchased and cancelled		(27)	—	27	(278)	—	(278)
Dividends paid	8	—	—	—	—	(2,655)	(2,655)
At 31 January 2013		10,642	21,244	3,386	111,847	4,915	152,034

The accompanying notes are an integral part of this statement.

BALANCE SHEET
AS AT 31 JANUARY

	NOTES	2013 £'000	2012 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	146,338	135,045
Current assets			
Other receivables	11	950	1,284
Cash and cash equivalents		7,742	—
		8,692	1,284
Total assets		155,030	136,329
Current liabilities			
Other payables	12	(2,996)	(9,558)
Net assets		152,034	126,771
Issued capital and reserves			
Share capital	13	10,642	10,669
Share premium	14	21,244	21,244
Capital redemption reserve	14	3,386	3,359
Capital reserve	14	111,847	87,299
Revenue reserve	14	4,915	4,200
Total Shareholders' funds		152,034	126,771
Net asset value per ordinary share			
Basic	15	285.7p	237.6p

These financial statements were approved and authorised for issue by the Board of Directors on 8 April 2013.

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

	2013 £'000	2012 £'000
Cash flow from operating activities		
Profit/(loss) before tax	28,201	(1,410)
Taxation	(5)	(5)
Adjustments for:		
Purchases of investments	(33,823)	(41,274)
Sales of investments	50,595	35,419
	16,772	(5,855)
(Profits)/losses on investments	(25,353)	3,441
Finance costs	36	15
Operating cash flows before movements in working capital	19,651	(3,814)
Increase in receivables	(62)	(21)
(Decrease)/increase in payables	(378)	331
Net cash flows from operating activities after tax	19,211	(3,504)
Cash flows from financing activities		
Interest paid	(36)	(15)
Shares repurchased and cancelled	(280)	(3,477)
Equity dividends paid – note 8	(2,655)	(2,349)
Net cash used in financing activities	(2,971)	(5,841)
Net increase/(decrease) in cash and cash equivalents	16,240	(9,345)
Cash, cash equivalents and bank overdraft at the beginning of the year	(8,498)	847
Cash, cash equivalents and bank overdraft at the end of the year	7,742	(8,498)

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 22 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 31 January 2013.

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) *Adoption of New and Revised Standards*

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

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

- IFRS 9: Financial Instruments (effective for accounting periods starting on or after 1 January 2015)
- IFRS 10: Consolidated Financial Statements (effective for accounting periods starting on or after 1 January 2013)
- IFRS 12: Disclosure of Interests in Other Entities (effective for accounting periods starting on or after 1 January 2013)
- IFRS 13: Fair Value Measurement (effective for accounting periods starting on or after 1 January 2013)
- IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures for offsetting financial assets and financial liabilities (effective 1 January 2013)
- IAS 32 Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Amendments to IFRS10, IFRS 12 and IAS 27 (October 2012) – Investment Entities (effective for accounting periods starting on or after 1 January 2014)

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

(b) Foreign Currency and Segmental Reporting

(i) *Functional and presentation currency*

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

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 offsets financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

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

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

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

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

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost, 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 value 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) Hedging and Derivatives

Futures contracts may be entered into for hedging purposes and any profits and losses on the closure or revaluation of positions are included in capital. Where futures contracts are used for investment exposure any net income/expense is included within revenue in the income statement.

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

1. Principal Accounting Policies (continued)

(e) Income

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

(f) Expenses and Finance Costs

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

The investment management fee 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.

(g) Taxation

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

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

(h) Dividends

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

(i) Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Income

	2013 £'000	2012 £'000
Income from listed investments		
UK dividends	3,859	3,416
UK unfranked investment income	76	10
Overseas dividends	188	164
Total income	4,123	3,590

3. Investment Management Fees

	2013			2012		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Base management fee	451	451	902	421	421	842
Performance fee charged to capital	—	—	—	—	391	391
	451	451	902	421	812	1,233

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 2013 £81,000 (2012: £75,000) was accrued in respect of the base management fee and there was no accrual for the performance fee (2012: £391,000).

4. Other Expenses

	2013			2012		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' fees	97	—	97	103	—	103
Auditor's remuneration:						
– for audit of the annual financial statements	22	—	22	20	—	20
– other services relating to taxation compliance	6	—	6	6	—	6
Other expenses	165	2	167	180	2	182
	290	2	292	309	2	311

The Director's Remuneration Report provides further information on Directors' fees. Included within other expenses is £8,300 (2012: £9,000) of employer's National Insurance payable on Directors' fees. As at 31 January 2013, the amounts outstanding on Directors' fees and employer's National Insurance was £8,900 (2012: £8,800).

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

5. Finance Costs

	2013			2012		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest on bank overdraft	7	29	36	3	12	15
	7	29	36	3	12	15

6. Taxation

(a) Current tax charge

	2013 £'000	2012 £'000
Overseas taxation	5	5

6. Taxation (continued)

(b) Reconciliation of current tax charge

	2013 £'000	2012 £'000
Total return on ordinary activities before taxation	28,201	(1,410)
Theoretical tax at UK Corporation Tax rate of 24.3% (2012: 26.3%)	6,861	(371)
Effects of:		
– UK dividends which are not taxable	(939)	(899)
– Overseas dividends which are not taxable	(44)	(41)
– (Gains)/losses on investments which are not taxable	(6,168)	906
– Losses on derivative instruments which are not taxable	11	–
– Expenses in excess of taxable income	278	402
– Disallowable expenses	1	3
– Overseas taxation	5	5
Actual current tax amount	5	5

(c) Factors That May Affect Future Tax Charges

The Company has excess management expenses of £21,676,000 (2012: £20,501,000) that are available to offset future taxable revenue. A deferred tax asset of £4,985,000 (2012: £5,330,000) at 23% (2012: 26.3%) 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

	2013 REVENUE	2013 CAPITAL	2013 TOTAL	2012 REVENUE	2012 CAPITAL	2012 TOTAL
Basic	6.3p	46.7p	53.0p	5.2p	(7.8)p	(2.6)p

Basic total earnings per ordinary share is based on the net total profit for the financial year of £28,196,000 (2012: loss of £1,415,000).

Basic revenue earnings per ordinary share is based on the net revenue profit for the financial year of £3,370,000 (2012: £2,852,000).

Basic capital earnings per ordinary share is based on the net capital profit for the financial year of £24,826,000 (2012: loss of £4,267,000).

All three earnings are based on the weighted average number of shares in issue during the year of 53,217,249 (2012: 54,467,398).

8. Dividends on Ordinary Shares

Dividends paid in the year:

	2013 pence	2013 £'000	2012 pence	2012 £'000
Final paid in respect of previous year	3.40	1,809	2.70	1,489
Interim paid	1.60	852	1.60	867
Return of unclaimed dividends from previous years	–	(6)	–	(7)
	5.00	2,655	4.30	2,349

Dividends payable in respect of the year:

	2013 pence	2013 £'000	2012 pence	2012 £'000
Interim	1.60	852	1.60	867
Final	4.40	2,341	3.40	1,809
	6.00	3,193	5.00	2,676

The final dividend 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

	2013 £'000	2012 £'000
Investments listed on a recognised stock exchange	125,738	116,896
AIM quoted investments	20,600	18,149
	146,338	135,045
Opening valuation	135,045	133,237
Movements in year:		
Purchases at cost	36,139	41,303
Sales – proceeds	(50,199)	(36,054)
– profit on disposal of investments	12,070	6,147
Movement in investment holding gains	13,283	(9,588)
Closing valuation	146,338	135,045
Closing book cost	99,751	101,741
Closing investment holding gains	46,587	33,304
Closing valuation	146,338	135,045
Profit on disposals of investments in year	12,070	6,147
Movement in investment holding gains in year	13,283	(9,588)
Total profits/(losses) in year	25,353	(3,441)

The transaction costs included in gains on investments amount to £226,000 on purchases and £103,000 for sales (2012: £267,000 and £69,000 respectively).

10. Derivative Instruments

	2013 £'000	2012 £'000
Net realised losses on derivative instruments – futures contracts	45	–

There were no opening or closing unrealised gains or losses on derivatives.

11. Other Receivables

	2013 £'000	2012 £'000
Amounts due from brokers	687	1,083
Prepayments and accrued income	263	201
	950	1,284

12. Other Payables

	2013 £'000	2012 £'000
Amounts due to brokers	2,840	524
Bank overdraft	—	8,498
Accruals and deferred income	156	536
	2,996	9,558

13. Share Capital

	2013 NUMBER	2013 £'000	2012 NUMBER	2012 £'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	53,209,084	10,642	53,346,084	10,669

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

	NUMBER	£'000
At 1 February 2012	53,346,084	10,669
Shares repurchased and cancelled	(137,000)	(27)
At 31 January 2013	53,209,084	10,642

Details of the shares repurchases are given in the Report of the Directors on page 26.

14. Reserves

The capital redemption reserve maintains the equity share capital and arises from the nominal value of shares repurchased and cancelled.

The capital redemption reserve, share premium and capital reserves are non-distributable. The revenue reserve is 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 £46,587,000 (2012: £33,304,000).

15. 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 2013 PENCE	NET ASSET VALUE PER SHARE 2012 PENCE	NET ASSETS ATTRIBUTABLE 2013 £'000	NET ASSETS ATTRIBUTABLE 2012 £'000
Ordinary shares				
– Basic	285.7	237.6	152,034	126,771

Net asset value per ordinary share is based on net assets at the year end and on 53,209,084 (2012: 53,346,084) ordinary shares, being the number of ordinary shares in issue at the year end.

16. Subsidiary Undertaking

	NET ASSET VALUE AT 31 JANUARY 2013	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION AND OPERATION	DESCRIPTION OF SHARES HELD	PERCENTAGE HELD
Berry Starquest Limited	£100	Investment dealing	England and Wales	Ordinary shares	100%

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

17. Contingencies, Guarantees and Financial Commitments

There are no contingencies, guarantees or financial commitments of the Company at the year end (2012: £nil).

18. Related Party Transactions and Transactions with the Manager

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.

Fees paid to Directors are disclosed in the Directors Remuneration Report on page 30, with additional disclosure in note 4. Full details of Directors' interests are set out in the Report of the Directors on page 26.

19. Risk Management, Financial Assets and Liabilities

Financial Instruments

The Company's financial instruments comprise its investment portfolio (as shown on pages 10 to 12), cash, overdraft, other receivables and other payables that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

Risk Management Policies and Procedures

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities of the Company as more fully described in the 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 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 component 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 19. The Company may utilise hedging instruments to manage market risk. Gearing is used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

1. 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 up to a maximum of 30% of the net asset value of the Company or £20 million, whichever is the lower; the interest rate is charged at 1% over LIBOR. The Company uses the facility when required at levels approved and monitored by the Board.

At the year end the Company had no overdraft (2012: £8.5 million had been drawndown). Based on the maximum amount that can be drawn down at the year end under the overdraft facility 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 £14.6 million (2012: £13.5 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax would increase by the same amount.

Fair Values of Financial Assets and Financial Liabilities

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

Fair Value Hierarchy Disclosures

Nearly all of the Company's portfolio of investments are in the Level 1 category as defined in IFRS 7 'Financial Instruments: Disclosures'. 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. Level 2 comprised futures of which none were held at year end. At the start of the year, the Company held two Level 3 investments, Minor Planet Systems and the subsidiary. During the year, Minor Planet Systems, which was valued at nil as at 31 January 2012, was written off and only the subsidiary was held in Level 3 at the year end.

Maturity Analysis of Contractual Liability Cash Flows

The contractual liabilities of the Company are shown in note 12 and comprise amounts due to brokers, bank overdrafts and accruals. All are paid under contractual terms. For amounts due to brokers, this will generally be the purchase date of the investment plus three business days.

Capital Management

The Company's capital, or equity, is represented by its net assets which are managed to achieve the Company's investment objective set out on page 16.

The main risks to the Company's investments are shown in the Report of the Directors under the 'Principal Risks and Uncertainties' section on pages 17 to 19. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

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

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by s1159 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility, by the terms imposed by the custodian. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year.

Total equity at 31 January 2013, the composition of which is shown on the balance sheet on page 35, was £152,034,000 (2012: £126,771,000).

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 noon on 21 May 2013 for the following purposes:

Ordinary Business

1. To receive the Report of the Directors and financial statements for the year ended 31 January 2013.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2013.
3. To declare a final dividend as recommended.
4. To re-elect Ian Barby a Director of the Company.
5. To re-elect Richard Brooman a Director of the Company.
6. To re-elect Garth Milne a Director of the Company.
7. To re-elect John Spooner a Director of the Company.
8. To re-appoint the Auditor and authorise the Directors to determine the 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, 12 and 13 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 £532,090, this being 5% of the Company's issued ordinary share capital as at 8 April 2013, 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 £532,090, this being 5% of the Company's issued ordinary share capital as at 8 April 2013 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 7,976,041 as at 8 April 2013;

(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 2014 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 Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association (including those provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are treated as provisions of the Company's Articles of Association).

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

For an explanation of all Special Business please refer to the Report of the Directors on pages 16 to 28.

The main changes to the Articles of Association are summarised in an appendix to this notice on pages 50 to 52.

Dated this 8th April 2013
By order of the Board

Invesco Asset Management Limited
Secretary

The Manager will give a presentation following the Annual General Meeting.
Tea and coffee will be provided.

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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; 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, PXS, PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 12.00 noon on 19 May 2013.
4. A person entered on the Register of Members at close of business on 19 May 2013 ('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 8 April 2013 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 53,209,084 ordinary shares of 20p each carrying one vote each.
12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.invescoperpetual.co.uk/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 2012; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 February 2012 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.

APPENDIX – EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1 The Company's objects

The provisions regulating the operations of the Company were until 1 October 2009 set out in the Company's memorandum and articles of association.

The Companies Act 2006 (CA 2006) significantly reduces the constitutional significance of a company's memorandum. The CA 2006 provides that the memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the CA 2006 the majority of the previous provisions of the memorandum, most notably the objects clause, are deemed to be part of the company's articles of association with effect from 1 October 2009.

Further the CA 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause (together with all other provisions of its memorandum which, by virtue of the CA 2006, are treated as forming part of the Company's articles of association as of 1 October 2009). This will be achieved by the adoption of new articles of association (New Articles) which contain no such provisions other than a statement regarding the limited liability of shareholders.

2 Redeemable shares (Article 5)

Under the Companies Act 1985 (CA 1985), if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The CA 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

3 Authorised share capital and unissued shares (Former Article 9)

The CA 2006 removes the concept of authorised share capital. As with the objects clause (see paragraph 1), the statement of authorised share capital previously contained in a company's memorandum of association is deemed with effect from 1 October 2009 to be a provision of the company's articles of association (and takes effect as setting out the maximum number of shares that may be allotted by the company). The adoption of the New Articles will have the effect of removing this provision.

The directors will still be limited as to the number of shares they can at any time allot because an allotment authority continues to be required under the CA 2006, save in respect of employee share schemes.

4 Suspension of registration of share transfers (Former Article 39)

The Current Articles permit the directors to suspend the registration of transfers for up to 30 days in any year, reflecting a provision of the CA 1985. Under the CA 2006 share transfers must be registered as soon as practicable. The provision which allowed the Company to suspend the registration of transfers has been removed in the New Articles.

5 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Former Articles 54 and 56)

Under the CA 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current articles of association (Current Articles) include these enabling provisions. Under the CA 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for the articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

6 Notice of general meetings (Article 57)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, general meetings cannot be held on shorter notice than the statutory minimum period (which depends on the nature of the meeting and the business to be conducted at it). The New Articles therefore reflect this.

7 Adjournments for lack of quorum (Article 61.2)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles reflect this requirement.

8 Electronic conduct of meetings (Article 62)

Amendments made to the CA 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles have been amended to reflect more closely the relevant provisions.

9 Short notice (Former Article 61)

Official List companies are no longer able to hold general meetings on short notice. The provision relating to the ability of the Company to hold general meetings on short notice has been deleted from the New Articles.

10 Chairman's casting vote (Former Article 67.2)

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the CA 2006.

11 Voting by proxies on a show of hands (Article 69)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes and contain a provision clarifying how the provision of the CA 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

12 Validity of votes by proxies and corporate representatives (Article 72)

Under the CA 2006 as amended by the Shareholders' Rights Regulations, proxies have an obligation to vote in accordance with the instructions given to them by the member appointing them. The New Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with these instructions.

The New Articles also provide that any objection to the qualification of a person voting must be made at the meeting at which the vote objected to is tendered or at the time any poll is taken and that the chairman's decision is final and binding. The New Articles require a member to provide reasonable evidence of his and his proxy's identity and also specify what a member must provide by way of evidence if a proxy is appointed by a person acting in behalf of a member.

13 Timing for submission of proxy appointments (Article 77)

Article 77 has been amended to permit the directors to specify, in a notice of meeting, that in determining the time for delivery of proxy appointments, no account shall be taken of non-working days. This brings the provisions relating to timing for proxy appointments into line with the provisions of Article 126 (see paragraph 17 below) regarding determining which persons may attend and vote at a general meeting.

14 Use of seals (Former Article 99)

Under the CA 1985, a company required authority in its articles to have an official seal for use abroad. Under the CA 2006, such authority is no longer required. Accordingly, the relevant authorisation has been removed in the New Articles.

15 Directors' interests (Articles 94)

The provisions in the Current Articles dealing with directors' conflicts of interest have been amended in line with market practice. Under the New Articles certain conflicts of interest do not need to be authorised, for example an interest as a director of a group company. Generally the nature and extent of any conflict of interest must be disclosed before it can be authorised or

APPENDIX – EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

continued

before it is permitted without being authorised; but the New Articles provide for some situations in which disclosure is not required where knowledge can be presumed and disclosure is unlikely to be necessary. The New Articles also allow the board to exercise voting rights in group companies without restriction e.g. so as to appoint a director to the board of a group company without this counting as a conflict requiring authorisation.

16 Application of sums standing to credit of capital reserve (Article 120.1)

The Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations 2012 removed the requirement that the articles of association of an investment company must prohibit the distribution of capital profits. The New Articles reflect this change and no longer prohibit the distribution of capital profits by way of dividend.

17 Record date for right to attend and vote at meetings (Article 126)

The New Articles include a new provision, not in the Current Articles, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company must specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This reflects a new provision introduced by the Shareholders' Rights Regulations.

18 Change of name (Article 152)

Under the CA 1985, a company could only change its name by special resolution. Under the CA 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name. The directors currently have no intention of using this power.

19 Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the CA 2006 are in the main removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

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 Numis Smaller Companies Index (excluding Investment Trusts). During the year the Extended Hoare Govett Smaller Companies Index was renamed the Numis Smaller Companies Index.

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.

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

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

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

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

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

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.

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

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.

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 $713 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 28 February 2013*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust Limited
A Jersey incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments. The Company is geared by bank debt.

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

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

Invesco Property Income Trust Limited
The Company is a closed-ended investment company with limited liability incorporated in Jersey. The objective is to repay its bank borrowings and other liabilities on or before 28 September 2014 and, having met these obligations, to provide a return for shareholders. The Company holds a diversified portfolio of European commercial properties and is geared by 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.

Perpetual Income and Growth Investment Trust plc
Aims to provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK and fixed interest markets. The Company is geared by a debenture stock and bank debt.

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

1. an increase of the Net Asset Value per share 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 returns for the Company's shareholders from investment in a broad cross-section of small to medium size 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 Countries Asia Pacific (ex Japan) Index, measured in sterling. The Company is geared by bank debt.

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio
Aims to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide. The portfolio may be geared by bank debt.

Investing for Total Returns

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

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

Investing in Multiple Asset Classes

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

A choice of four investment policies and objectives, each intended to generate attractive risk-adjusted returns from segregated portfolios, with the ability to switch between them, four times a year, free from capital gains tax liability. Dividends paid quarterly, apart from Balanced Risk which aims for total return.

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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