Perpetual Income and Growth Investment Trust plc

Annual Financial Report
Year Ended 31 March 2017

Investment Objective

Perpetual Income and Growth Investment Trust plc (the 'Company') is an investment trust whose investment objective is to provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity market.

Highlights

	2017	2016
Total return[1]:		
Net asset value – debt at market value	+9.6%	0.0%
Share price	+4.2%	–2.9%
FTSE All-Share Index	+22.0%	–3.9%
Dividend:		
– excluding special dividend	+4.3%	+4.1%
– including special dividend	–5.7%	+4.9%

(1) Source: Thomson Reuters Datastream.

Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing its funds, according to a specified investment objective and policy (set out on page 9), with the aim of spreading investment risk and generating a return for shareholders. The Company uses borrowing for additional investment with the aim of enhancing returns to shareholders.

Responsibility for the strategy and governance of the Company rests with the Board and committees, as set out on page 18. The Company has contracted with an external investment manager, Invesco Fund Managers Limited (the 'Manager'), to manage its investments and for the Company's general administration. Other administrative functions are contracted to external service providers. The Company has a Board of non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment objective and policy are adhered to. The Company has no employees.

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

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If you have any queries about Perpetual Income and Growth Investment Trust plc, please contact the Invesco Perpetual Client Services Team on:

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Front Cover: Slate, Metamorphic Rock, Slate Quarry.

The Company is a member of aic The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Total return[1] (all income reinvested)

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Net asset value[1] (NAV) – debt at market value	9.6%	21.4%	87.1%	122.2%
Share price	4.2%	11.4%	68.7%	120.7%
FTSE All-Share Index[2]	22.0%	24.9%	58.7%	73.7%

Source: Thomson Reuters Datastream.

	YEAR ENDED 31 MARCH 2017	YEAR ENDED 31 MARCH 2016
Shareholders' funds		
Net assets (£'000)	1,012,965	960,350
NAV[1] per ordinary share – debt at market value	416.2p	395.6p
Share price and discount		
Share price	375.8p	375.6p
Discount[1] to NAV – debt at market value	9.7%	5.1%
Gearing[1]		
Gross gearing	15.5%	16.0%
Net gearing	15.5%	16.0%
Return per ordinary share		
Revenue	14.65p	15.12p
Capital	22.43p	(14.24p)
Total	37.08p	0.88p
Dividend per ordinary share		
First interim	3.00p	2.90p
Second interim	3.00p	2.90p
Third interim	3.00p	2.90p
Fourth interim	4.35p	4.10p
Total interim dividends	13.35p	12.80p
Increase in total interim dividends	+4.3%	+4.1%
Special dividend	0.70p	2.10p
Total including special	14.05p	14.90p
Decrease/increase in dividend (including special)	–5.7%	+4.9%
Ongoing charges[1]		
Excluding performance fee	0.65%	0.64%
Performance fee only	—	0.42%

Note: (1) Defined in the Glossary of Terms on page 63.
(2) The benchmark index of the Company.

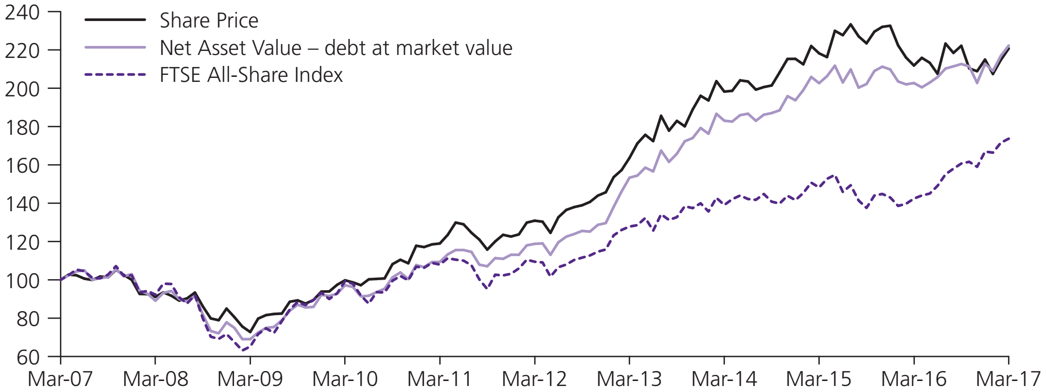
Historical Record – Last Ten Years

TO 31 MARCH	PER ORDINARY SHARE REVENUE RETURN[1] p	DIVIDEND[2] p	SPECIAL DIVIDEND p	TOTAL ASSETS LESS CURRENT LIABILITIES £'m	NET ASSET VALUE PER ORDINARY SHARE[3] p	SHARE PRICE p
2008	8.00	7.80	–	532	239.6	222.5
2009	9.20	8.50	0.84[4]	409	178.3	171.0
2010	9.47	8.80	–	517	230.9	217.9
2011	9.85	9.35	–	575	255.3	252.8
2012	10.86	10.40	–	610	266.8	267.7
2013	12.54	11.20	–	773	331.5	322.0
2014	13.79	11.80	1.90[5]	896	383.1	377.5
2015	14.34	12.30	1.90[5]	1,038	409.1	400.9
2016	15.12	12.80	2.10[5]	1,020	395.6	375.6
2017	**14.65**	**13.35**	**0.70[5]**	**1,072**	**416.2**	**375.8**

Notes: 1. Where dilution occurred, the diluted figure is shown. Otherwise the basic figure is shown.
2. Excludes special dividends.
3. With debt at market value.
4. This special dividend arose from recovery of VAT on management fees.
5. This special dividend arose from special dividends received in the year.

Net Asset Value and Share Price Performance vs Index (Total Return)

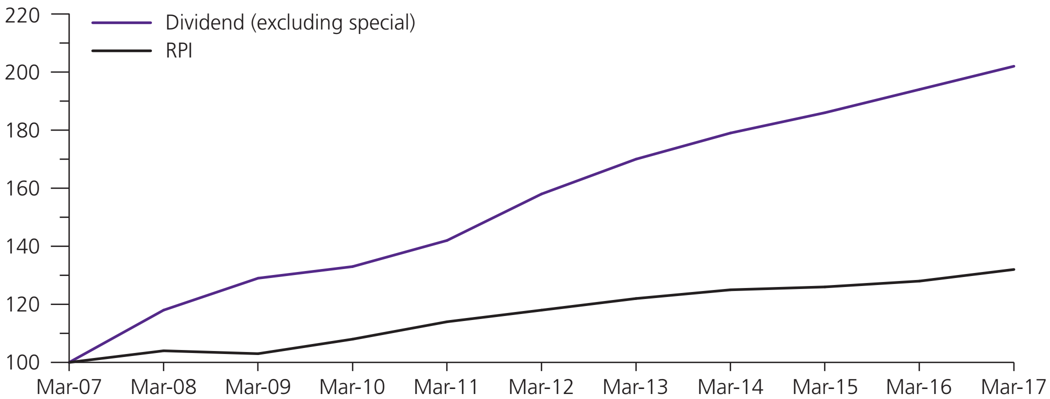
For the ten years to 31 March 2017 and figures rebased to 100 at 31 March 2007.



Source: Thomson Reuters Datastream.

Ten Year Dividends vs Retail Price Index (RPI)

Figures have been rebased to 100 at 31 March 2007

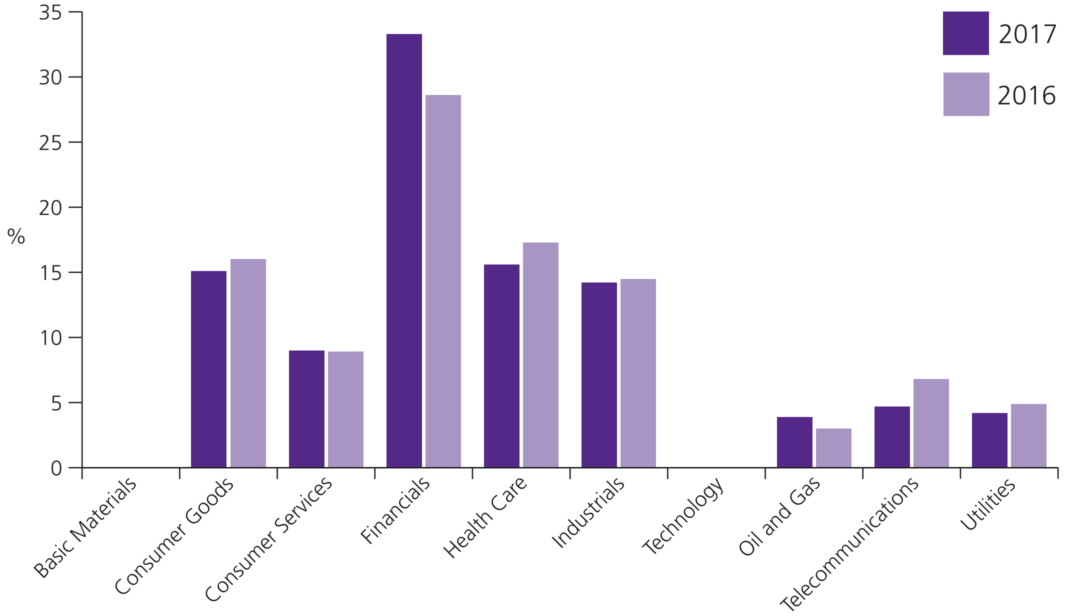


FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

continued

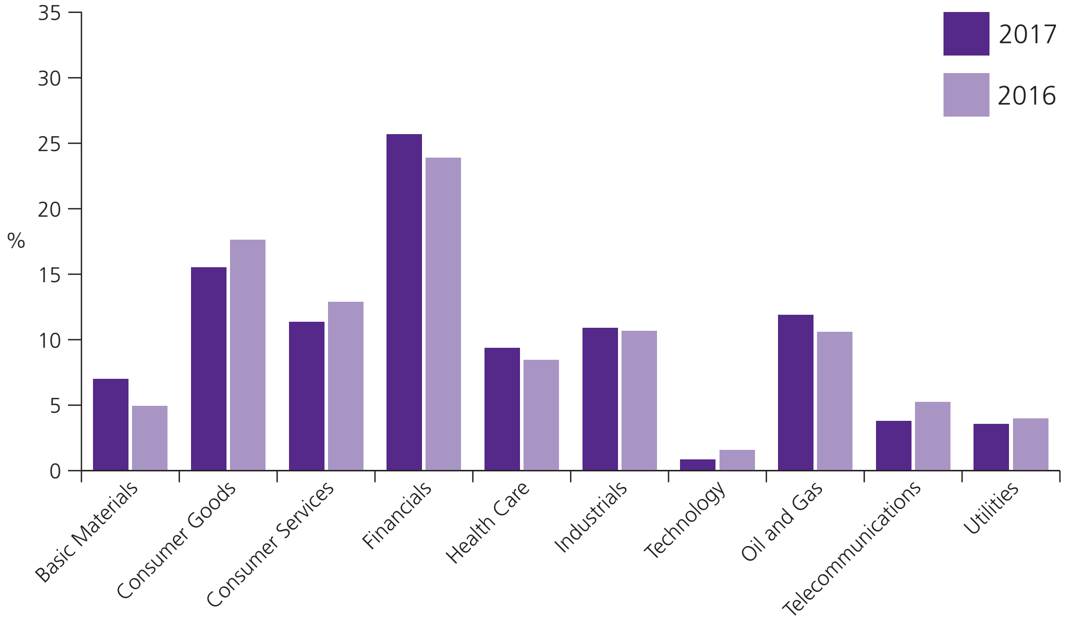
Allocation of Portfolio by Industry

As at 31 March



Allocation of Benchmark by Industry

As at 31 March



CHAIRMAN'S STATEMENT

Performance

For the year ended 31 March 2017, the Company's net asset value total return was 9.6%. Although this is satisfying in absolute terms, it is less so when compared with the 22.0% return posted by the FTSE All-Share Index, the Company's benchmark. Also, the discount of the share price to the underlying net asset value widened during the year, from 5.1% to 9.7%, reducing the share price total return to 4.2%.

The longer term performance continues to be strong with five and ten year total returns on net assets of 87.1% and 122.2%, respectively, compared with 58.7% and 73.7% for the benchmark.

The shortfall in the relative return for the year derived mainly from a combination of holding few resources stocks, which performed strongly in the first half of the year, the downgrading by the market of domestically focused companies following the Brexit vote and certain stock specific issues amongst portfolio holdings. Your portfolio manager, Mark Barnett, provides further detail on the performance of the portfolio during the year and sets out his strategy and outlook for the coming year in his report on pages 7 to 8.

Your Board continues to support Mark's long term conviction approach, which has stood the Company in good stead over the years. This approach means the portfolio is not closely aligned to the benchmark and can result in short term under-performance, as well as the more familiar over-performance, relative to the index from time to time.

Discount

During the period under review, the Board has been well aware of the Company's discount level and that it has widened beyond its usual narrow range. I have discussed this issue with my fellow Directors and the Company's corporate broker. We believed the discount to be largely a result of the Company's relative performance against the wider market over the last year rather than anything fundamental and, therefore, the Board decided against buying back any shares. We remain of the same belief that performance will drive demand for the shares and narrow the discount in due time. Meanwhile, we continue to monitor its level closely.

Dividend

For the year ended 31 March 2017, three interim dividends of 3p each were paid to shareholders in September and December 2016, and March 2017. The Board has declared a fourth interim dividend of 4.35p per share for the year, to be paid on 30 June 2017 to shareholders on the register on 9 June 2017. This gives a total dividend (excluding specials) for the year of 13.35p per share, representing an increase of 4.3% on the previous year and extends again the Company's record of year-on-year ordinary dividend increases since 1999.

Continuing the policy of recent years to pass on to shareholders special dividends received the Board has also declared a special dividend of 0.7p per share, also to be paid on 30 June 2017 to shareholders on the register on 9 June 2017. This is less than last year and reflects the lower level of special dividends received – special dividends are, by their nature, non-recurring and this fall is not unexpected. It is also why we choose to pass on these dividends separately from the ordinary dividend payments.

Borrowing and Gearing

The Board's policy is to permit gearing up to a maximum of 25% of total net assets and the Board allows the portfolio manager some discretion up to that level. Borrowings are provided by £60 million of 4.37% senior secured notes redeemable in 2029 and a bank overdraft facility of £140 million. The Board believes that these arrangements provide the portfolio manager with a good balance of fixed and flexible borrowing capacity. The gearing level ranged between 14.0% and 19.4% during the year and ended the year at 15.5% (2016:16.0%).

Management Arrangements

I am pleased to report that, being mindful of the need for the Company to be competitive in the wider marketplace and responsive to that market and to shareholders, your Board has negotiated the removal of the performance related fee and an adjustment to the calculation of the base management fee. From 1 April 2017 the Manager will no longer be entitled to a performance related fee and the management fee, which continues to be based on funds under management, will be

CHAIRMAN'S STATEMENT continued

0.15% per quarter up to £900 million, previously £500 million, and 0.10% per quarter above that level. Mark Barnett continues to be the Company's portfolio manager and we are confident that the changes to the management fee arrangements, allied to the stock picking skills exhibited by Mark since 1999, should help to ensure that the Company remains an attractive investment in the future.

The Board

Having served as your Chairman for the last ten years, the time is right for me to step down from the Board at the conclusion of our Annual General Meeting. I am delighted that Richard Laing has agreed to succeed me as Chairman of the Board and the Management Engagement Committee. Richard has excelled in his role as Chairman of the Audit Committee, and Victoria Cochrane, who joined the Board in 2015, has agreed to succeed him as the new Chairman of the Audit Committee.

The Board has a formal succession plan in place and regularly reviews its composition to ensure there continues to be an appropriate balance of skills, knowledge, experience, diversity and independence. The Miles Partnership have been engaged to find a new non-executive director following my departure.

I would like to thank Mark Barnett and the team at Invesco Perpetual for achieving excellent performance on your behalf during my time as Chairman of your Board, and long may it continue.

Annual General Meeting (AGM)

Shareholders' attention is drawn to the special business in the Notice of AGM which includes the annual renewal of powers to issue and buy back shares as well as allow application of the minimum notice required for general meetings (other than the annual general meeting) by the Companies Act 2006. An additional ordinary resolution has also been added this year to provide shareholders with an opportunity to vote on the Company's dividend policy. This is in response to concerns raised by certain voting agencies that the dividend timetable precludes a vote on a final dividend. Further information on all resolutions can be found in the Directors' Report on pages 29 and 30.

The Directors have carefully considered all the resolutions proposed in the Notice of the AGM (as set out on pages 57 to 60) and, in their opinion, consider them all to be in the interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution.

In response to requests from shareholders last year, this year the Company's AGM will be held at Invesco Perpetual's West End office, 1st Floor, 43-45 Portman Square, London W1H 6LY at 11.00am on 11 July 2017. I hope this will allow more shareholders to attend. The Directors and the portfolio manager, Mark Barnett, will be available at the meeting to answer shareholders' questions.

Bill Alexander
Chairman

31 May 2017

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

PORTFOLIO MANAGER'S REPORT

Market Review

The UK stock market rose strongly over the Company's financial year to 31 March 2017. This was driven initially by rising commodity prices and a continued absence of inflationary pressures globally and then, following the EU referendum, by the sharp fall in the value of sterling. August 2016 also marked a low point in 10 year government bond yields, as investors' conviction that the US Federal Reserve was intent on tightening monetary policy increased in light of the persistence of positive US economic momentum and job creation. The UK equity market rose in response to this economic outlook, a trend which accelerated following the election of Donald Trump as US President. The Brexit vote and the consequent rise in the US dollar against sterling brought a significant divergence in sector performance with a rotation towards industries perceived as benefiting from a stronger global economic outlook.

Portfolio Review

The Company's net asset value, including reinvested dividends, delivered a return of 9.6% over the year under review, compared with one of 22.0% (total return) by the FTSE All-Share Index, the Company's benchmark index.

The Company's performance was held back by not holding any mining sector stocks, HSBC or Royal Dutch Shell, which all performed particularly strongly. The absence of mining stocks benefited the portfolio's performance over the previous two years, but the recovery across the sector in the past year meant that the portfolio missed out on one of the major positive trends of the past twelve months. Control of supply has improved following the shock of the 2011-2015 downturn, but demand growth in China remains under pressure and the sector, to my mind, now looks vulnerable to a fall in the prices of certain key commodities.

The holdings in the tobacco sector again delivered a strongly positive contribution to performance – despite a lack of enthusiasm for "bond proxies" (companies offering low stable growth, steady dividends and low volatility) that prevailed for much of the period. The sector was boosted by corporate transaction activity, with a proposed merger of two of the portfolio's largest holdings. Reynolds American accepted a cash and shares offer from British American Tobacco, creating a combined entity which is well positioned to exploit next generation products, particularly the US e-cigarette market. The deal is expected to be concluded in the third quarter of 2017.

AstraZeneca also performed strongly over the period, boosted by its US dollar exposure. Its chief executive Pascal Soriot characterised 2017 as a potential "inflection point" for the company's return to long-term growth, with the upcoming launch of several "life-changing" medicines for cancer, respiratory and metabolic diseases built on the "solid foundations of a science-led pipeline". The European pharmaceutical sector as a whole did not perform well in 2016, as the market focused increasingly on the risks associated with new product trials, the overall pricing environment in the US and the challenge of replacing mature drug portfolios. My view on the long term outlook has not changed; the de-rating of the sector suggests that major companies which succeed in bringing genuinely innovative drugs to market could see a meaningful boost to their prices and the performance of the portfolio's holdings in the sector.

Other significant positive contributions to portfolio performance came from the holdings in BP, Compass, G4S, Homeserve, RELX and Rentokil Initial.

The portfolio's holdings in companies particularly exposed to the fall in sterling and perceived challenges to the UK economy performed poorly in the aftermath of the referendum. The stock market was also inclined to de-rate companies which warned of lower profits. Notable amongst these was the holding in Capita, which fell sharply in value as it downgraded full-year earnings forecasts, blaming a range of issues including delayed client decision-making since the EU referendum. The company later confirmed the departure of its chief executive and expects 2017 to be a "transitional year" for the business, as it completes a number of disposals, embeds internal structural changes, and re-positions for a return to growth in 2018. The projected disposal of Capita Asset Services should reduce balance sheet concerns and allow the business to focus on its fundamentally strong outsourcing business.

STRATEGIC REPORT
PORTFOLIO MANAGER'S REPORT continued

The holdings in the travel sector, easyJet and Thomas Cook, warned of the negative impact of weaker sterling and were additionally impacted over the period by concerns over terrorist activity and by air traffic control strikes. The share prices of both companies rallied in the first quarter of 2017, as they confirmed more positive trading updates than had been feared by the market and on the back of some renewed sterling strength.

BT detracted from performance. Its shares suffered a sharp sell-off after an update on accounting irregularities in its Italian division, further exacerbated by a profit warning from the company that highlighted a more challenged outlook for UK public services contracts. Further, issues with Ofcom over its Openreach subsidiary and concerns over its pension fund deficit have distracted investors from the company's strengths – notably the growth potential of its mobile business following the acquisition of EE and its consistent cash flow.

The portfolio's new holding in Next also did not perform well, following a disappointing Christmas trading update. However, towards the end of the period, its share price rose as it narrowed its profit guidance range for 2017 – underlining the recovery potential in the shares following their de-rating of the past year.

As reported at the half-year, the share price of Circassia fell sharply on news that its cat allergy drug had failed to meet the primary end point of phase 3 trials. While this was very disappointing and surprising news – the drug had performed well in phase 2 trials – it is noteworthy that Circassia retains significant cash on its balance sheet and that, over the past year, the company has also made significant diversification into respiratory drugs, devices and technologies. Confirming this, Circassia saw its share price rise in March as it confirmed a new strategic collaboration with AstraZeneca in combating respiratory disease.

Other domestically focused holdings to deliver negative share price performance included Derwent London, N. Brown, Game Digital, Secure Trust Bank and TalkTalk Telecom.

In terms of portfolio activity during the year, new investments were made in Aviva, Hadrians Wall, Next and Secure Trust Bank. The holdings in Reckitt Benckiser and Smith & Nephew were sold.

Outlook

The steady rise in the UK stock market over the last twelve months has created an environment where the valuation and, in consequence, the index level are vulnerable to disappointment; there is a sense of complacency in several areas. The main driver of improved earnings growth has been a combination of a recovery in commodity prices and a collapse in sterling – in the absence of a continuation in these trends the underlying earnings growth of the market remains lacklustre. It is plausible to envisage an environment which is more positive towards sterling, given the pessimism the market has priced in over the last 12 months, and that factor alone may be sufficient to restrain further gains, particularly in the FTSE 100 index. In addition, the change in the US interest rate environment may act as a headwind for the time being, although given the continued low inflation outlook it is unlikely that the US Federal Reserve will raise rates in big steps or more than four times this year.

The overall political backdrop remains the other major influence on equity markets. There are elections in many major economies, including the UK again, accompanied by a heightened threat from geopolitics which may yet prove disruptive for business confidence. For the foreseeable future it appears likely that the economic backdrop will remain more predictable than the political one.

In conclusion, it is expected that the stock market may struggle to make significant overall progress. The portfolio is well positioned, invested in a diversified range of companies which have the scope to increase in value, driven either by sustainable dividend growth or from companies that can improve or transform their financial prospects regardless of the wider economic environment. In addition, a number of holdings that have temporarily fallen out of favour have significant recovery potential.

Mark Barnett
Portfolio Manager
31 May 2017

BUSINESS REVIEW

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

The business model the Company has adopted to achieve its investment objective has been to contract investment management and administration to appropriate external service providers, which are overseen by the Board. The principal service provider is Invesco Fund Managers Limited (the 'Manager'). Invesco Asset Management Limited, an associate company of the Manager, manages the Company's investments and acts as Company Secretary under delegated authority from the Manager.

The Manager provides company secretarial, marketing and general administration services including accounting and manages the portfolio in accordance with the Board's strategy. Mark Barnett is the portfolio manager responsible for the day-to-day management of the portfolio. His associate Martin Walker was appointed as his deputy for this portfolio in November 2016.

The Company also has contractual arrangements with third parties to act as registrar, corporate broker and depositary. The depositary is BNY Mellon Trust & Depositary (UK) Limited. The depositary has delegated safekeeping of the Company's investments to The Bank of New York Mellon (London Branch).

Investment Objective

The Company's investment objective is to provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity market.

Investment Policy

The Company invests mainly in UK equities and equity-related securities of UK-listed companies. The Manager seeks to identify and invest mainly in companies that offer a combination of good capital growth prospects with the ability to increase dividends over time. Market exposure may also be gained through the limited use of derivatives, the purpose of which would be to achieve changes to the portfolio's economic exposure. However, the Company will not enter into derivative transactions for speculative purposes.

The Manager manages the portfolio to reflect its convictions and best ideas. The Manager does not set out to manage the risk characteristics of the portfolio relative to the FTSE All-Share Index ('benchmark index') and the investment process may result in potentially very significant over or underweight positions in individual sectors versus the benchmark index. If a security is not considered to be a good investment, then the Company will not own it, irrespective of its weight in the benchmark index.

The Manager controls the stock-specific risk of individual securities by ensuring that the portfolio is always appropriately diversified. In-depth and continual analysis of the fundamentals of investee companies allows the Manager to assess the financial risks associated with any particular security.

The Directors believe that the use of borrowings can enhance returns to shareholders and the Company will use borrowings in pursuing its investment objective.

The Company may hedge exposure to changes in foreign currency rates in respect of its overseas investments, at the Manager's discretion.

Investment Limits

The Board has prescribed investment limits forming part of the Investment Policy, the most significant of which follow:

- not more than 12% of gross assets in any single investment;
- not more than 15% of gross assets in other listed investment companies;
- not more than 20% of gross assets in non-UK listed securities;
- not more than 10% of gross assets in fixed interest securities;

STRATEGIC REPORT

– derivatives (including warrants) may be used for investment purposes to increase the Company's market exposure by up to 5% of gross assets. Derivatives may also be used to hedge the portfolio's market exposure; and
– borrowings may be used to raise exposure to securities up to a maximum of 25% of net assets where it is considered appropriate.

Each limit is measured at the time of investment or borrowing.

Borrowing

Borrowing policy is under the control of the Board. The maximum limit is 25% of total net assets (measured at the time new borrowings are incurred) for investment in companies where there are stock-specific opportunities. The use of borrowing is not an expression of confidence in the performance of the overall UK stock market, but rather an endorsement of the potential for selected securities. In this respect both the Board and the Manager are content that the flexibility which the overdraft facility provides offers the most appropriate means of gearing, supplementing the longer-term borrowings of the Company.

In addition to the overdraft facility, the Company has in issue £60 million par value of fixed rate 15 year senior secured notes (Notes) with an interest rate of 4.37%. Further detail on the Notes is contained in note 12 on page 49.

Performance

The Board reviews performance by reference to Key Performance Indicators (KPIs). The five main KPIs are as follows:

Asset Performance

On a total return basis, the Company's one, three, five and ten year record for its NAV and share price compared to the benchmark index is shown on page 2. For the year to 31 March 2017, the Company's NAV underperformed the benchmark index by 12.4%.

In reviewing the performance of the assets of the Company, the Board monitors the NAV performance in relation to the FTSE All-Share Index. However, the Manager's aim is to achieve absolute return through a genuinely active investment management approach. It is not the investment management team's philosophy to regard the FTSE All-Share Index as a benchmark for portfolio construction for the Company. This approach can therefore result in a portfolio that is from time to time substantially different from the FTSE All-Share Index but has historically achieved significant outperformance of that index.

Peer Group Performance

There were 22 investment trusts in the UK Equity Income sector at 31 March 2017. This sector, however, is quite diverse in its investment policies and structures. The Board monitors the performance of the Company in relation to both this sector as a whole and to those companies within it which the Board consider to be its peer group.

As at 31 March 2017, of those companies ranked within the UK Equity Income sector, the Company was ranked 20th over one year, 16th over three and 6th over five years by NAV performance (source: JP Morgan Cazenove).

Dividends and Dividend Policy

The Company's dividend policy is that the Directors shall seek to provide ordinary shareholders with real growth in dividends over the medium to longer term. In so doing the Directors aim to distribute, by way of dividend, substantially all of the Company's net income after expenses and taxation whilst also retaining a prudent level of reserves. Dividends are paid on a regular quarterly basis in September, December, March and June in respect of each accounting year. The timing of these regular quarterly payments means that shareholders do not have an opportunity to vote on a final dividend. Recognising the importance of shareholder engagement, and although not required by any regulation, shareholders are being given an opportunity to vote on this policy at the forthcoming AGM.

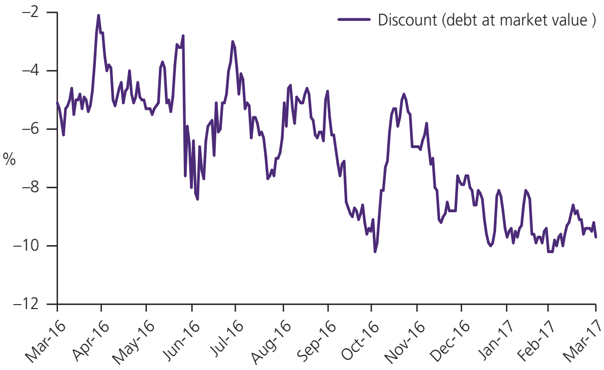
The Board has declared ordinary dividends of 13.35p per share in respect of the year under review, compared with 12.8p per share in respect of the prior year, an increase of 4.3%. A special dividend of 0.7p per share has also been declared (2016: 2.1p). The Retail Price Index increased 3.1% in the year.

The individual dividends declared for the year are shown below, on page 2 and in note 8 to the financial statements.

The Manager aims to maximise total return from the portfolio. The Manager believes in strong earnings growth and in the importance of dividends to total return. However, whilst income is a prime objective, dividend yields do not constrain investment decisions.

Premium/Discount

The Board monitors the premium/discount at which the Company's ordinary shares trade and how this compares to other investment trusts in the peer group. During the year the shares traded in the discount range of 2.1% to 10.2% and ended the year at a 9.7% discount. This is shown in the adjacent graph which plots the discount over the year. As at 31 March 2017, the average discount of the 22 investment trusts in the UK Equity Income sector was 4.8% (2016: 4.5% (source: JPMorgan Cazenove).



The Board and the Manager closely monitor movements in the Company's share price and dealings in the Company's shares. In order to address any significant overhang or shortage of ordinary shares in the market the Board asks shareholders to approve resolutions each year which allow for the repurchase of ordinary shares (for cancellation or to be held as treasury shares) and also their issuance. This may assist in the management of any discount. No shares were issued or bought back in the past year.

The Company has not previously held any shares in treasury. However, should the Board consider it to be in shareholders' interests to do so, then it is the Board's policy to sell shares held as treasury shares on terms that are in the best interests of shareholders as a whole.

Ongoing Charges

The expenses of managing the Company are reviewed by the Board at every meeting. The Board aims to minimise the ongoing charges figure which provides a guide to the effect on performance of all annual operating costs of the Company. The ongoing charges figure for the year was 0.65% (2016: 0.64%) based on management fees (excluding the performance fee which is described on pages 26 and 27) and other expenses of £6,267,000 (2016: £6,305,000).

Results and Dividends

On 31 March 2017, the share price and the net asset value (debt at market value) per ordinary share were 375.8p and 416.2p respectively. The respective comparable figures at 31 March 2016 were 375.6p and 395.6p.

For the year ended 31 March 2017, three interim dividends of 3p each per share were paid on 30 September 2016, 28 December 2016 and 31 March 2017 respectively. A fourth interim dividend of 4.35p per share has been declared for payment on 30 June 2017 to shareholders on the register on 9 June, giving total interim dividends for the year of 13.35p (2016: 12.8p). As discussed in the Chairman's Statement, a special dividend of 0.7p per share has also been declared and will be paid at the same time as the fourth interim dividend. The aggregate dividend paid for the year is 14.05p (2016: 14.9p).

Financial Position and Borrowings

The Company's balance sheet on page 41 shows the assets and liabilities at the year end. Details of the £60 million senior secured notes are shown in note 12, and details of the Company's overdraft facility are shown in note 11.

Outlook, including the Future of the Company

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Manager's Report in this Strategic Report. Further

STRATEGIC REPORT
BUSINESS REVIEW continued

details of the principal risks affecting the Company are set out under 'Principal Risks and Uncertainties' below.

Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates and has carried out a robust assessment of the principal risks facing the Company. The following sets out a description of those risks and how they are being managed or mitigated.

Economic Risk

Economic risk arises from uncertainty about the future prices of the Company's investments. The majority of the Company's investments are listed on regulated stock exchanges and will be subject to market fluctuations, both upward and downward, arising from external factors including general economic conditions and government policies. Such factors are outside the control of the Board and the Manager and may give rise to high levels of volatility in the prices of the investments held.

Investment Risk

There can be no guarantee that the Company will meet its investment objective and therefore there is also a risk of underperformance against the Company's benchmark index. The Manager provides the Board with management information, including performance data, and shareholder analysis.

Poor performance of individual portfolio investments is mitigated as the Board has established guidelines to ensure that the Investment Policy of the Company is pursued by the portfolio manager and that the portfolio of investments is appropriately diversified. Any proposed divergence from these guidelines is referred to the Board and the guidelines themselves are reviewed at every Board meeting. The day-to-day management of the portfolio is the responsibility of the portfolio manager who, with his team, undertakes continual analysis of the fundamentals of all holdings. The performance of the portfolio manager is carefully monitored by the Board culminating in the annual review of the management contract.

A fuller discussion of the economic and market conditions facing the Company and the current and future performance of the portfolio are included in the Portfolio Manager's Report on pages 7 and 8. Past performance of the Company is not necessarily indicative of future performance.

Financial Risk

The financial risks faced by the Company include market price risk (including currency risk, interest rate risk and other price risk), liquidity risk and credit risk, which includes counterparty and custodial risk. Details of these risks and how they are managed are disclosed in note 16 to the financial statements on pages 51 to 54.

Gearing Risk

Whilst the use of borrowings by the Company should enhance total shareholder return when the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect when the underlying return is falling. Whilst the portfolio manager has full discretion on when and how he should use borrowings to gear returns, the Board reviews regularly the level of gearing and the extent of available borrowings.

Share Discount Risk

The Company's shares may trade at a wide discount to their underlying net asset value. The Board and the Manager maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying NAV and the Board has taken the powers, which it seeks to renew each year, for both share repurchase and issuance to help the management of this process.

Operational Risk

The Board regularly reviews the system of financial and non-financial internal controls operated by the Company, the Manager and other external service providers. These include controls designed to safeguard the Company's assets and to ensure that proper accounting records are maintained. Details of how the Board monitors the services provided by the Manager and other suppliers are explained further in the internal controls and risk management section in the audit committee report on page 21. The depositary also monitors the Company's stock, cash, borrowings and investment restrictions throughout the year and issues an annual report to the Directors.

Regulatory Risk

The Company is subject to various laws and regulations by virtue of its status as a public limited company registered under Section 833 of the Companies Act 2006, its status as an investment trust, and its listing on the Official List of the UK Listing Authority.

Loss of investment trust status for tax purposes could lead to the Company being subject to tax on the realised capital profits on the sale of its investments. A serious breach of other regulatory rules could lead to suspension from the Official List, a fine or qualified audit report. Other control failures, either by the Manager or any other of the Company's service providers, could result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations. The Manager reviews compliance with tax and other financial regulatory requirements on a daily basis and reports to the Board on a regular basis on all regulatory aspects.

Other Risks

The risk that the portfolio manager, Mark Barnett, may become incapacitated or otherwise be unavailable is mitigated by support available from his designated deputy for this portfolio, Martin Walker, and the wider Invesco Perpetual UK Equities team.

Viability Statement

The Company, as an investment trust, is a collective investment vehicle designed and managed for the long term. The Company's investment objective is to provide shareholders with capital growth and real growth in dividends over the medium to longer term. The Directors take a long term view in their stewardship of the Company, as does the portfolio manager in his management of the portfolio. The Company is required by its Articles to have a continuation vote every five years, the next instance being in 2021. The Directors have no reason to believe that shareholders will not vote, again, for the continuation of the Company at that time. The Company typically holds shares for at least five years, and this period is substantially less than the outstanding term of the Company's Notes, which will require repayment in 2029. Consequently, the Directors consider that the appropriate term for the purpose of this viability statement is five years.

In their assessment of the Company's viability, the Directors considered the principal risks to which it is exposed, as set out on pages 12 and 13, together with mitigating factors. Their assessment also considered the following: the Company's investment objective and strategy; the investment capabilities of the portfolio manager; the business model of the Company, which has effectively been stress tested over the years through various difficult market cycles; the current outlook for the UK economy and equity markets; demand for the Company's shares and their discount or premium; the Company's borrowing structure; the liquidity of the portfolio; and the Company's future income and annual operating costs. Consideration of the borrowing structure included the amount the NAV could fall without triggering the repayment of the Notes and /or the bank overdraft and the amount of debt cover – which at the year end was more than seven times the amount of these aggregate liabilities.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

Board Diversity

The Board's policy on diversity is that the Board seeks to ensure that its structure, size and composition, including the balance of skills, knowledge, diversity (including gender) and experience of Directors, is sufficient for the effective direction and control of the Company. The Board has not set any measurable targets or quotas in respect of this policy. The Board comprises six non-executive directors, one of whom is a woman. This constitutes 16.6% female Board representation. Summary biographical details of the Directors are set out on page 17. The Company has no employees.

Social and Environmental Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. The Manager considers various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Manager does not necessarily decide to make or not to make an

STRATEGIC REPORT
BUSINESS REVIEW continued

investment on environmental and social grounds. The Manager applies the United Nations Principles for Responsible Investment.

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not within the scope of the Modern Slavery Act 2015.

This Strategic Report was approved by the Board of Directors on 31 May 2017

Invesco Asset Management Limited
Company Secretary

INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2017

Ordinary shares listed in the UK unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
Reynolds American – *US common stock*	Tobacco	73,350	6.3
British American Tobacco	Tobacco	60,306	5.2
BP	Oil & Gas Producers	45,435	3.9
Imperial Brands	Tobacco	42,507	3.6
BAE Systems	Aerospace & Defence	42,452	3.6
AstraZeneca	Pharmaceuticals & Biotechnology	41,211	3.5
Provident Financial	Financial Services	36,148	3.1
Legal & General	Life Insurance	33,060	2.8
Roche – *Swiss common stock*	Pharmaceuticals & Biotechnology	32,928	2.8
BT	Fixed Line Telecommunications	31,598	2.7
Top ten holdings		438,995	37.5
RELX	Media	27,263	2.3
Rentokil Initial	Support Services	26,044	2.2
NewRiver REIT	Real Estate Investment Trusts	24,508	2.1
London Stock Exchange	Financial Services	23,730	2.0
Novartis – Swiss common stock	Pharmaceuticals & Biotechnology	22,856	2.0
Compass	Travel & Leisure	22,828	2.0
Hiscox	Non-life Insurance	22,461	2.0
Babcock International	Support Services	22,227	1.9
Beazley	Nonlife Insurance	22,158	1.9
G4S	Support Services	21,366	1.8
Top twenty holdings		674,436	57.7
BTG	Pharmaceuticals & Biotechnology	20,544	1.8
SSE	Electricity	19,154	1.6
Aviva	Life Insurance	18,824	1.6
Bunzl	Support Services	18,514	1.6
Shaftesbury	Real Estate Investment Trusts	18,445	1.6
Derwent London	Real Estate Investment Trusts	17,376	1.5
BCA Marketplace	Financial Services	16,685	1.4
Capita	Support Services	16,291	1.4
easyJet	Travel & Leisure	16,004	1.4
Next	General Retailers	15,611	1.4
Top thirty holdings		851,884	73.0
Drax	Electricity	15,390	1.3
HomeServe	Support Services	15,086	1.3
Sherborne Investors Guernsey B – *A shares*	Financial Services	14,430	1.3
Oxford Sciences Innovation[UQ]	Financial Services	13,875	1.2
Centrica	Gas, Water & Multiutilities	13,859	1.2
Thomas Cook	Travel & Leisure	13,528	1.2
KCOM	Fixed Line Telecommunications	13,179	1.1
Lancashire	Non-life Insurance	12,277	1.1
Harworth	Real Estate Investment & Services	11,343	1.0
Touchstone Innovations (formerly Imperial Innovations)	Financial Services	10,544	0.9
Top forty holdings		985,395	84.6

INVESTMENTS IN ORDER OF VALUATION

continued

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
Real Estate Investors	Real Estate Investment Trusts	10,419	0.9
P2P Global Investments	Equity Investment Instruments	10,416	0.9
TalkTalk Telecom	Fixed Line Telecommunications	10,378	0.9
Secure Trust Bank	Banks	9,407	0.8
SciFluor Life Sciences[UQ] – *US Series A convertible preferred*	Pharmaceuticals & Biotechnology	9,333	0.8
IP Group	Financial Services	9,078	0.8
Vectura	Pharmaceuticals & Biotechnology	9,010	0.8
Horizon Discovery	Pharmaceuticals & Biotechnology	8,292	0.7
CLS	Real Estate Investment & Services	8,125	0.7
Macau Property Opportunities Fund	Real Estate Investment & Services	7,731	0.7
Top fifty holdings		1,077,584	92.6
Motif Bio	Pharmaceuticals & Biotechnology	4,099	
– *ADR[2]*		3,133	0.7
– *ADR[2] warrants – 9 Nov 2021*		352	
Hadrians Wall Secured Investments	Equity Investment Instruments	7,245	0.6
Chesnara	Life Insurance	7,108	0.6
N Brown	General Retailers	6,968	0.6
Diurnal	Pharmaceuticals & Biotechnology	6,606	0.6
PureTech Health	Pharmaceuticals & Biotechnology	5,700	0.5
Marwyn Value Investors	Equity Investment Instruments	5,466	0.5
infirst Healthcare[UQ] – *D shares*	Pharmaceuticals & Biotechnology	3,960	0.4
– *preference shares*		1,263	
Circassia Pharmaceuticals	Pharmaceuticals & Biotechnology	4,897	0.4
Doric Nimrod Air Three – *preference shares*	Equity Investment Instruments	4,862	0.4
Top sixty holdings		1,139,243	97.9
Doric Nimrod Air Two – *preference shares*	Equity Investment Instruments	4,644	0.4
VPC Speciality Lending Investments	Financial Services	3,569	0.3
MayAir	Industrial Engineering	3,233	0.3
Silence Therapeutics	Pharmaceuticals & Biotechnology	2,958	0.3
GAME Digital	General Retailers	2,947	0.2
Realm Therapeutics (formerly PuriCore)	Health Care Equipment & Services	2,701	0.2
Funding Circle SME	Equity Investment Instruments	2,101	0.2
Damille Investments II	Equity Investment Instruments	1,559	0.1
Lombard Medical – *US common stock*	Health Care Equipment & Services	1,175	0.1
Napo Pharmaceuticals[UQ] – *US common stock*	Pharmaceuticals & Biotechnology	281	—
Top seventy holdings		1,164,411	100.0
HaloSource	Chemicals	230	—
Nimrod Sea Assets	Equity Investment Instruments	206	—
XTL Biopharmaceuticals – ADR[2]	Pharmaceuticals & Biotechnology	41	—
Mirada	Media	2	—
Total Equity Investments (74)		**1,164,890**	**100.0**
Other Investments			
Barclays Bank – Nuclear Power Notes 28 Feb 2019 (NR)[3]	Electricity	13	—
Total Investments (75)		**1,164,903**	**100.0**

Notes: (1) UQ is unquoted investment.
(2) American Depositary Receipt.
(3) NR is non-rated (by both Moody and S&P).

DIRECTORS

Bill Alexander CBE, †* (Chairman of the Board and of the Management Engagement Committee)
Bill Alexander was appointed to the Board on 28 March 2006 and as Chairman on 19 July 2007. He was previously non-executive Chairman of Wigborough Ltd, Chairman of Xansa plc and Chief Executive of RWE Thames Water plc, and also held non-executive appointments at RMC plc, GB Airways Ltd and Laporte plc. Bill is a Chartered Engineer and a Fellow of the Royal Academy of Engineering. (FREng).

Vivian Bazalgette †* (Senior Independent Director)
Vivian Bazalgette was appointed to the Board on 21 May 2007. He is non-executive Chairman of Fidelity European Values plc and a non-executive Director of Brunner Investment Trust plc. He is also an adviser to BAE Systems Pension Fund and a Trustee of St. Christopher's Hospice. He previously held the position of Chief Investment Officer of M&G between 1996 and 2000 and, following the takeover of M&G by Prudential, was Chief Investment Officer of Prudential M&G from 2000 to 2002. He holds an MA in English from Cambridge University.

Victoria Cochrane †*
Victoria Cochrane was appointed to the Board on 28 October 2015. She is also a non-executive director of Euroclear Bank SA/NV and of HM Courts & Tribunals Service. She is a former member of the Global Executive Board of Ernst & Young, where she was responsible for risk worldwide. She stood down from her executive career in 2013, having been a Partner in the firm for 20 years. Prior to the global role, she spent two years as a Member of the UK Executive, responsible for risk, and was Managing Partner for Risk and General Counsel before that. Victoria is a qualified solicitor and spent more than 10 years as a litigator.

Alan Giles †*
Alan Giles was appointed to the Board on 6 November 2015. He was Senior Independent Director and Chairman of the remuneration committee of Rentokil Initial until 10 May 2017, when he retired from that position. He is Senior Independent Director and Chairman of the remuneration committee of the Competition and Markets Authority, Chairman of the Advisory Board at the Oxford Institute of Retail Management and an Associate Fellow at Said Business School, University of Oxford as well as Honorary visiting professor at Cass Business School. He was formerly Chairman of Fat Face Group Limited, Chief Executive of HMV Group Plc, Managing Director of Waterstones, and an executive director of WH Smith Plc. He previously held non-executive directorships at The Office of Fair Trading, Somerfield Plc and Wilson Bowden Plc.

Richard Laing †* (Chairman of the Audit Committee)
Richard Laing was appointed to the Board on 20 November 2012. He was previously Chief Executive of CDC Group plc, formerly the Commonwealth Development Corporation, from 2004 to 2011, having joined the organisation in 2000 as Finance Director. Prior to CDC, he spent 15 years at De La Rue, latterly as the Group Finance Director. He previously worked in international agribusiness, at PricewaterhouseCoopers and Marks & Spencer. He has had a number of non-executive positions across a range of sectors. His current appointments include: Chairman of 3i Infrastructure plc and Miro Forestry Ltd, which operates in West Africa; non-executive director of JPMorgan Emerging Markets Investment Trust plc; and a trustee of Plan UK, the international children's charity. He obtained an MA from Cambridge University in Engineering and is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

Bob Yerbury
Bob Yerbury was appointed to the Board on 4 December 2008. His investment career spans over 40 years, having led the North American team at Invesco Perpetual for 14 years, becoming Chief Investment Officer in 1997 and Chief Executive Officer in 2004. He handed over his CEO and CIO responsibilities in September 2008 and June 2010 respectively, continuing as a Senior Managing Director of Invesco Ltd until his retirement on 27 March 2013. He holds an MA in Mathematics from Cambridge University and qualified as an Actuary at Equity & Law Life Assurance Society. He is a Fellow of the Institute of Actuaries (FIA).

All Directors are non-executive.

All Directors are considered independent except for Bob Yerbury, as he was employed by Invesco Perpetual until 27 March 2013.

†Member of the Audit Committee.

*Member of the Management Engagement Committee.

THE COMPANY'S CORPORATE GOVERNANCE FRAMEWORK

The Board and Committees

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management to the Manager and administration to the Manager and other external service providers.

The Board

Six non-executive directors

Chairman – Bill Alexander

Key objectives:

– to set strategy, values and standards;
– to provide leadership within a framework of prudent effective controls which enable risk to be assessed and managed; and
– to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

(page 24)

Chairman –
Bill Alexander

Other members:

– Vivian Bazalgette
– Victoria Cochrane
– Alan Giles
– Richard Laing

Key objective:

– to review regularly the management contract and the performance of the Manager.

Audit Committee

(page 20)

Chairman –
Richard Laing

Other members:

– Bill Alexander
– Vivian Bazalgette
– Victoria Cochrane
– Alan Giles

Key objectives:

– to oversee the control environment and financial reporting; and
– to review other service providers, including the auditor.

Nominations Committee Function

(page 24)

The Board as a whole performs this function

Key objectives:

– to review regularly the Board's structure and composition; and
– to make recommendations for any changes or new appointments.

Remuneration Committee Function

(page 24)

The Board as a whole performs this function

Key objective:

– to set the remuneration policy of the Company.

The Portfolio Manager

The portfolio manager, Mark Barnett, is based in Henley-on-Thames. Mark is Head of UK Equities and the team's most experienced fund manager, specialising in UK equity income investing. In this role, Mark is responsible for the management of a number of UK equity portfolios, which comprise both open and closed ended vehicles.

Mark joined Perpetual in 1996 and has been the investment manager of Perpetual Income and Growth Investment Trust since 1999. Mark started his investment career in 1992 at Mercury Asset Management. He graduated in French and Politics from Reading University in 1992 and has passed the associated examinations of the Association for Investment Management and Research (AIMR).

Martin Walker has been appointed deputy portfolio manager for this Company. He a member of Mark Barnett's UK Equities team and is responsible for the management of a number of UK equity portfolios. He began his investment career in 1997 after previous experience as an investment analyst with BWD Rensburg. Martin joined Invesco in 1999 and has managed UK equity portfolios since 2003. Martin holds a BA in Financial Economics from Liverpool University and has also attained the Securities Institute Diploma.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

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

The Directors have considered the principles and recommendations of the latest AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except the provisions relating to:

– the role of the chief executive;

– executive directors' remuneration;

– the need for an internal audit function; and

– the evaluation of the Board of FTSE 350 companies being externally facilitated at least every three years.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers the first three of these provisions are not relevant to the position of Perpetual Income and Growth Investment Trust plc, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. As to the fourth, the evaluation of the Board this year was conducted internally for the third successive year, as explained on page 25. The next evaluation will be externally facilitated.

Information on how the Company has applied the principles of the AIC Code and the UK Code follows:

The composition and operation of the Board and its committees are summarised on page 18, and pages 20 and 21 in respect of the Audit Committee.

The Company's approach to internal control and risk management is summarised on page 21.

The contractual arrangements with, and assessment of, the Manager are summarised on pages 26 and 27.

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

The most substantial shareholders in the Company are listed on page 29.

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

There are no agreements between the Company and its Directors concerning compensation for loss of office.

Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares, which are sought annually, require shareholders' approval.

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The Audit Committee is chaired by Richard Laing. The other members during the year were Bill Alexander, Vivian Bazalgette, Victoria Cochrane and Alan Giles.

The Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference of the Audit Committee, including its role and authority, are compliant with the Association of Investment Companies Code of Corporate Governance.

Audit Committee Duties

The Committee's main duties include:

- review throughout the year of the Company's risk matrix and risk control summary and the effectiveness of internal control, together with consideration of the Manager's and external service providers control reports and review of the depositary's annual report;
- consideration of the scope of work undertaken by the Manager's internal audit and compliance departments, and the results therefrom; also review of the effectiveness of the Manager's internal audit;
- review of the Manager's whistleblowing arrangements by which staff can, in confidence, raise concerns about possible improprieties or irregularities in relation to the Company;
- review of the half year results and the annual financial statements including: compliance with relevant statute and listing requirements; the appropriateness of accounting policies; any financial judgements and key assumptions; disclosures in relation to internal controls and risk management, going concern and the long-term viability of the Company; and advising the Board, at its request, on whether the annual report is fair, balanced and understandable;
- review of the performance fee calculation;
- consideration of the nature and scope of the external audit, items for audit focus and discussion of the audit findings;
- consideration of the auditor's independence and objectivity and the effectiveness of the audit process; and
- making recommendations to the Board in respect of the auditor's appointment, reappointment and removal and for the terms of their audit engagement, as well as any recommendation of non-audit services.

Representatives of the auditor attended a Committee meeting to present their audit plan, and another at which the draft annual financial report was reviewed. They were also given the opportunity to speak to Committee members without the presence of representatives of the Manager.

The Committee met three times in the year in the performance of its duties. It has direct access to the auditor and representatives of the Manager, including the Manager's Compliance and Internal Audit personnel, who attended two Committee meetings, one meeting being prior to approval and signature of the annual financial report. The Committee reviewed reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company and the systems of internal controls in place. The Committee also has direct access to the depositary which provided a report to the Committee at the meeting at which the year end accounts were discussed.

Accounting Matters and Significant Areas of Focus

For the year end, the accounting matters that were identified for specific consideration by the Committee follow:

SIGNIFICANT AREA	HOW ADDRESSED
Accuracy of the portfolio valuation, with emphasis on investments that are not listed, or are listed but not regularly traded.	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine a fair value, as set out in the accounting polices, and all such valuations are reviewed by the Manager's pricing committee and the Committee.

SIGNIFICANT AREA	HOW ADDRESSED
Proof of existence of investments.	The Manager and the depositary confirmed that the accounting records correctly recorded all investee holdings and that these had been agreed to custodian records.
Correct calculation of the performance fee.	The year end performance fee calculation is prepared and reviewed by the Manager and reviewed in depth by the Committee with reference to the investment management agreement.
Recognition of income.	The recognition of income is undertaken in accordance with accounting policy note 1(f) on page 43. The Committee satisfied itself that adequate systems were in place for the complete and proper recording of income, including the analysis of special dividends received.

These matters were discussed with the Manager and the auditor in pre year end audit planning, and were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor at the conclusion of the audit process.

The Audit Committee advised the Board that, following a thorough review of the 2017 annual financial report, the report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

This year's audit of the Company's annual financial report was the second performed by Ernst & Young LLP since they were appointed following a tender process in 2015.

The Committee evaluated the performance and effectiveness of the external auditor for the year under review. This included a review of the audit planning, execution and reporting, the quality of the audit work and the auditor's independence. All results were satisfactory.

The provision of non-audit services is considered by the Committee on a case-by-case basis, and consideration is given as to whether the skills and experience of the auditor make them a suitable supplier of such services and to ensure that there is no resultant threat to the objectivity and independence of the audit. No such fees arose during the year. Non-audit services up to £5,000 do not require advance approval by the Audit Committee; amounts in excess of this require the approval of the Audit Committee.

Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Internal Controls and Risk Management

The Committee has established an ongoing process for identifying, evaluating and managing the major risks faced by the Company and this forms the basis of the Board's robust assessment of the risks to which the Company is exposed. Risks are reviewed by means of the Company's risk matrix and its risk control summary (RCS) which sets out mitigating controls and the information flow to the Committee and Directors. The principal risks of the Company, as set out in the Strategic Report on pages 12 and 13 are mapped to the RCS for completeness. These risks encompass those arising in relation to the Company's operations that are, of necessity as an externally managed investment trust, contracted to external service providers. These external service providers comprise the Manager – to whom responsibility both for the Company's portfolio and for the provision of company secretarial and administrative services are delegated – accounts administrator, custodian, registrar and corporate broker.

Systems are in operation to safeguard the Company's assets, to maintain proper accounting records and to ensure that financial information is reliable. The Committee has received and considered, together with representatives of the Manager, reports by independent external accountants in relation

AUDIT COMMITTEE REPORT
continued

to the operational systems of financial and non-financial internal controls of the Manager, accounts administrator, custodian and registrar and has concluded that they should operate effectively. On a formal and regular basis the Committee reviews the performance of these service providers in relation to agreed service standards, and any issues and concerns are dealt with promptly and reported to the Board. The Committee also reviewed an annual report from the depositary which monitors the Company's stock, cash, borrowings and published investment limits throughout the year. None of these reviews identified any issues of significance during the year. Additionally, the depositary and the auditor have direct access to the Chairman or Audit Committee Chairman about any concerns; no issues arose in the year that caused the depositary to use this access.

Internal Audit

Due to the nature of the Company, being an externally managed investment company with no executive employees, and in view of the Manager having an internal audit function, the Company does not have its own internal audit function.

As explained in the Chairman's Statement, I will become the Chairman of the Company at the conclusion of the AGM. The Chairmanship of this committee will be taken on by Victoria Cochrane and I wish her well in her new role.

I will be present at the AGM and will be available at that meeting or thereafter to answer questions relating to the annual financial report. I look forward to seeing shareholders there.

Richard Laing
Chairman of the Audit Committee

31 May 2017

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

Business and Status

The Company was incorporated in England and Wales on 2 February 1996 as a public limited company, registered number 3156676. It is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within the meaning of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs have approved the Company's status as an investment trust and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain such approval.

Life of the Company

The Company's Articles of Association require that every five years the Directors will propose an ordinary resolution to approve the continuation of the Company as an investment trust. The next such resolution will be proposed at the 2021 AGM, the last having been passed in 2016.

Performance and Dividends

Details of the Company's performance and proposed dividend are shown in the Strategic Report on pages 10 and 11.

The Board

The Company has a Board of six non-executive Directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. Details of the Board's responsibilities and the number of meetings it holds are set out on the following pages. Certain aspects of the Company's affairs are dealt with by the Directors sitting as the Audit Committee (see pages 20 and 21) and the Management Engagement Committee (see page 24).

Each committee has written terms of reference which are available for inspection at the registered office of the Company, at the Company's correspondence address (see page 62), on the Company's section of the Manager's website and will be available at the AGM.

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities. For information on the Directors' remuneration, please refer to the Directors' Remuneration Report on pages 31 and 32.

Five of the six Directors are considered independent. Bob Yerbury was a Senior Managing Director of Invesco Limited and a Director of Invesco Asset Management Limited until his retirement on 27 March 2013. In accordance with the AIC Code, as an employee of the Manager within the last five years, he is not considered independent. The Directors have a range of investment, commercial and professional experience relevant to their positions as Directors as can be seen from the biographical details on page 17.

Chairman

The Chairman of the Board is Bill Alexander, a non-executive and independent Director who has no conflicting relationships. Mr Alexander will retire at the conclusion of the forthcoming AGM and will be succeeded by Richard Laing, who is also a non-executive and independent Director who has no conflicting relationships.

Senior Independent Director

The Senior Independent Director (SID) is Vivian Bazalgette. The SID provides a sounding board for the Chairman, serves as an intermediary for the other Directors if necessary and provides a channel of communication for shareholders where contact through the Chairman or Company Secretary have failed to resolve the issue or where that channel of communication is inappropriate.

Board Responsibilities

The Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long-term, the need to foster the Company's business relationships with its Manager and advisers, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between stakeholders of the Company.

DIRECTORS' REPORT
continued

In order to promote the success of the Company, the Board directs and supervises its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for the Board has been established. The schedule is reviewed annually to ensure compliance with the latest regulatory requirements, best practice and the AIC Code and is available for inspection at the registered office of the Company, at the Company's correspondence address (see page 62), on the Company's section of the Manager's website (*www.invescoperpetual.co.uk/pigit*) and will be available at the AGM.

The main responsibilities of the Board include: setting policies and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting and dividend policies, managing the capital structure, setting long-term objectives and strategy, assessing risk, reviewing investment performance, approving loans and borrowing, approving recommendations presented by the Company's respective Committees, mitigating risks and the ongoing assessment of the Manager. The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares, through the details given in the annual and half-yearly financial reports, fact sheets and regulatory information service announcements including daily NAV disclosures.

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 or accepting bribery for and on behalf of the Company.

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

There is an agreed procedure for the Directors, 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.

Remuneration

The Board as a whole operates as a Remuneration Committee, including determining the Company's remuneration policy. 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 and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' Remuneration Report on pages 31 to 33.

Nominations

The Board as a whole operates as a Nominations Committee. This includes regularly reviewing the composition of the Board and its committees and evaluating whether they have the appropriate balance of skills, experience, independence, diversity and knowledge of the Company, and identifying suitable candidates when required. The appointment, re-election and tenure of Directors is explained on page 25.

The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 20 to 22, which is included in this Directors' Report by reference.

The Management Engagement Committee (MEC)

The MEC comprises Bill Alexander, Vivian Bazalgette, Victoria Cochrane, Alan Giles and Richard Laing, all of whom are independent Directors. The Chairman of the MEC is Bill Alexander. On his retirement at the conclusion of the forthcoming AGM, he will be succeeded by Richard Laing. The MEC has written terms of reference which clearly define its responsibilities and duties. The terms of reference are reviewed at least annually to ensure compliance with the latest regulatory requirements, best practice and the AIC Code.

The MEC meets at least annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager and Company Secretary. The MEC's assessment of the Manager can be found on page 27.

Appointment, Re-election and Tenure of Directors

The Directors are responsible for reviewing the size, structure and skills of the Board and for considering any necessary changes or new appointments. The Board has a formal, rigorous and transparent procedure for the selection and appointment of Directors. In this regard, the Board adheres to the diversity policy set out on page 13.

The Board also considers the ability of any new director to devote sufficient time to the Company to carry out his or her duties effectively.

The Board may consider using an executive search consultancy or open advertising when seeking new candidates for appointment, or they may alternatively decide that candidates found from sources within the Company and through its advisers are of a sufficiently high quality. Accordingly, the Board has engaged the Miles Partnership, an independent consultancy, to assist in the recruitment of a new director in 2017.

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.

No Director has a formal 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, at the Company's correspondence address (see page 62), on the Company's section of the Manager's website (*www.invescoperpetual.co.uk/pigit*) and will be available at the AGM.

A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders. This is subject to the Director's re-election by shareholders. In accordance with the UK Code of Corporate Governance, at every AGM all Directors retire and, subject to any directors not seeking re-election, offer themselves for re-election. Bill Alexander is retiring from the Board at the conclusion of the forthcoming AGM and consequently is not seeking re-election. The Board has considered the continued appointment of Vivian Bazalgette in light of him having served on the Board for over nine years, and has concluded that he continues to be effective in the discharge of his duties and responsibilities to the Board. Notwithstanding his length of service, the Board consider that he remains independent, a view which has been demonstrated by his actions on behalf of the Company and his other business interests.

The Board confirms that the performance of the Directors continues to be effective and each Director demonstrates commitment to the role. The Board therefore recommends to shareholders their support for resolutions 2 to 6 relating to the re-election of Directors.

Board, Committees and Directors' Performance Appraisal

The Board, Committees and Directors undertake a formal performance evaluation process annually. The Board's policy is that, in accordance with the UK Code, this evaluation should be externally facilitated every third year. The last externally facilitated evaluation was conducted by Trust Associates Limited in 2014 and the evaluations in 2015 and 2016 were conducted internally using questionnaires. The results of each of these were satisfactory.

In view of the continuing Board refreshment process the Board resolved to defer the externally facilitated evaluation that was due to be conducted in 2017 to 2018. Accordingly the 2017 evaluation was conducted internally using questionnaires. The findings confirmed that the Directors individually, the Board as a whole and its committees continued to function efficiently, that the composition of the Board is appropriately aligned to the Company's activities, that the Directors are able to effectively discharge their responsibilities to the Company and its members and that the majority of the Directors are independent.

Attendance at Board and Committee Meetings

The Board meets on a regular basis at least five times each year. The following table sets out the number of scheduled meetings held during the year and the number of meetings attended by each Director or member of each Committee. In addition, Directors also attended several ad-hoc meetings between scheduled meetings.

DIRECTORS' REPORT
continued

	BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS
Number of meetings:	5	3	2
Meetings attended:			
Bill Alexander	5	3	2
Vivian Bazalgette	5	3	2
Victoria Cochrane	5	3	2
Alan Giles	5	3	2
Richard Laing	5	3	2
Bob Yerbury	5	n/a	2*

*Mr Yerbury is not a member of the Management Engagement Committee but attended by invitation.

Corporate Governance

The Corporate Governance Statement set out on page 19 is included in this Directors' Report by reference.

Directors

Directors' Remuneration and Disclosable Interests

The Directors' Remuneration Report on pages 31 to 33 provides information on the remuneration and interests of the Directors.

No Director was a party to, or had interests in, any contract or arrangement with the Company during the year or at the year end other than in respect of indemnification and insurance as set out below.

Conflicts of Interest

A Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or has the potential to conflict, with the Company's interests.

The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply when Directors decide whether to do so. First, only Directors who have no interest in the matter being considered are able to take the relevant decision, and second, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors can impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors are obliged to declare any potential conflicts of interest to the Company and these are recorded in the Company's register of potential conflicts. This is reviewed regularly by the Board.

Directors' Indemnification and Insurance

The Company maintains a Directors' and Officers' liability insurance policy.

A Deed of Indemnity has been executed by the Company under the terms of which, to the extent permitted by law and the Company's Articles of Association, the Company will indemnify the Directors against liabilities incurred in connection with their office as Directors of the Company and fund reasonable expenditure incurred by them in defending proceedings brought against them in connection with their position as Directors of the Company. The indemnity does not apply in certain circumstances, including to the extent that the costs are recoverable under the Directors' and Officers' liability insurance policy maintained by the Company or from any other insurance maintained by the Director.

The Manager

Investment Management Agreement and Management Fees

Invesco Fund Managers Limited acts as Manager and provides administration services to the Company under an Investment Management Agreement (IMA) dated 22 July 2014 and three supplemental agreements. The IMA is terminable by either party giving not less than six months' notice.

For the year under review the agreement provided for the Manager to receive a quarterly management fee based on the Company's funds under management at each quarter end of 0.15% to £500 million and 0.10% in excess of £500 million, together with a performance-related fee that is payable to the Manager annually in arrears if the Company's performance exceeds that of the FTSE All-Share Index, including any brought forward underperformance. This performance-related fee is equal to 10% of the value of any outperformance, but may not exceed 0.5% of the value of the Company's funds under management at the balance sheet date, before deduction of the current year's performance fee.

The management fee for the year to 31 March 2017 was £5,595,000 (2016: £5,565,000). No performance-related fee was payable for the year (2016: £4,040,000).

Pursuant to a third supplemental agreement dated 25 May 2017, with effect from 1 April 2017 the Manager will no longer be entitled to a performance-related fee and the management fee, which continues to be based on funds under management, will be 0.15% per quarter up to and including £900 million and 0.10% per quarter above that level.

The Manager's Responsibilities

The Manager is generally responsible for the day-to-day investment management activities of the Company, seeking and evaluating investment opportunities and analysing the results of investee companies. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated Investment Policy as determined from time to time by the Board and approved by shareholders. The Manager also advises on currency and borrowings.

The Manager provides full company secretarial and administration services ensuring that the Company complies with all legal, regulatory and corporate governance requirements and attending on the Directors at Board meetings and shareholders' meetings. The Manager also maintains records of the Company's investment transactions and portfolio and all monetary transactions, from which the Manager prepares annual and half-yearly financial statements on behalf of the Company and various statistical reports and information throughout the year.

Assessment of the Manager

The performance of the Manager in the roles of investment manager, company secretary and administrator is subject to continual review by the Board and an annual review of the management contract is undertaken by the Management Engagement Committee.

The Board has formally reviewed the Manager's performance for the year ended 31 March 2017 and, taking into account the long-term performance of the portfolio, the other services provided by the Manager and the risk and corporate governance environment in which the Company operates, the Board considers that the continuation of the management contract is in the best interests of shareholders as a whole.

Company Secretary

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

Stewardship

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of corporate governance are maintained in the companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are exercised on an informed and independent basis.

The Company's stewardship functions have been delegated to the Manager. The Manager has adopted a clear and considered policy towards its responsibility as a shareholder on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value and comply with local recommendations

DIRECTORS' REPORT
continued

and practices, such as the UK Corporate Governance Code. A copy of the Manager's Stewardship Policy, which is updated annually, 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 annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the publication of monthly factsheets and the NAV of the Company's ordinary shares, which is published daily via the London Stock Exchange and on the Company's section of the Manager's website at *www.invescoperpetual.co.uk/pigit*.

A presentation is made by the Manager following the main business of the AGM each year. Shareholders have the opportunity to communicate directly with the Directors at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the annual financial report and the notice of the AGM be issued to shareholders so as to provide twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card, via the Manager's website or in writing to the Company Secretary at the address given on page 62. At other times the Company responds to queries from shareholders on a range of issues.

There is a clear channel of communication between the Board and the Company's shareholders via the Company Secretary. The Company Secretary has no express authority to respond to enquiries addressed to the Board and all communication, other than junk mail, is redirected to the Chairman or SID as appropriate.

There is a regular dialogue with individual major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to develop a balanced understanding of their issues and concerns. General presentations to both institutional shareholders and analysts follow the publication of the annual financial results. All meetings between the Manager and major shareholders are reported to the Board.

Shareholders can visit the Company's section of the Manager's website in order to access copies of annual and half-yearly financial reports, pre-investment information, shareholder circulars, factsheets, Stock Exchange announcements, schedule of matters reserved for the Board, terms of reference of Board Committees, Directors' letters of appointment, the Company's share price and any proxy voting results.

Disclosures Required by Listing Rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. None of the prescribed information is applicable to the Company in the year under review.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the balance sheet for the same reasons as set out in the Viability Statement on page 13. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet funding commitments; the ability of the Company to meet all of its liabilities (including the £60 million senior secured notes, repayable in May 2029) and ongoing expenses from its assets; revenue forecasts; and future dividend payments.

Individual Savings Account (ISA)

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

Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Share Capital

Capital Structure

As at 31 March 2017, the Company's share capital consisted of 240,432,350 ordinary shares of 10p each. No shares were issued or bought back during the year or up to the date of this report.

Restrictions

There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to said securities, no agreements between holders regarding their transfer known to the Company, no restrictions on the distribution of dividends and the repayment of capital, and no agreements to which the Company is a party that might affect its control following a successful takeover bid.

Voting

At a general meeting of the Company every ordinary shareholder present in person or by proxy has one vote on a show of hands and on a poll one vote for each ordinary share held. The notice of general meeting specifies deadlines for exercising voting rights.

Repurchase Powers

The power to repurchase up to 36,040,809 (14.99%) of shares in issue granted at the last annual general meeting has not been utilised. A resolution to renew this authority will be put to shareholders at the forthcoming annual general meeting.

Substantial Shareholders

The Company was aware of the following holdings of 3% and over of the Company's ordinary share capital:

	AS AT 30 APRIL 2017		AS AT 31 MARCH 2017		AS AT 31 MARCH 2016	
	HOLDING	%	HOLDING	%	HOLDING	%
The Share Centre*	35,344,971	14.7	450,021	0.2	471,319	0.2
Hargreaves Lansdown	22,682,809	9.4	22,069,083	9.2	20,182,105	8.4
Brewin Dolphin	14,189,668	5.9	14,131,628	5.9	13,208,605	5.5
Rathbones	12,734,249	5.3	12,653,469	5.3	12,142,751	5.1
Charles Stanley	12,046,559	5.0	12,127,432	5.0	12,377,514	5.2
Alliance Trust Savings	11,432,879	4.8	11,489,314	4.8	10,643,312	4.4
Investec Wealth & Investment	10,548,208	4.4	10,498,160	4.4	9,631,692	4.0
Invesco Perpetual Savings Scheme and ISA*	—	—	37,174,650	15.5	49,635,889	20.6

*Invesco Perpetual's investment trust savings scheme and ISA products were transferred to The Share Centre with effect from 13 April 2017.

Annual General Meeting (AGM)

The following summarises the business of the forthcoming AGM of the Company, which is to be held at 1st Floor, 43-45 Portman Square, London W1H 6LY at 11.00am on 11 July 2017. Refreshments will be provided. The Notice of the AGM and related notes can be found on pages 57 to 60.

Ordinary Business:

Resolution 1 is for members to receive this Annual Financial Report, including the financial statements and Auditor's Report.

Resolutions 2 to 6 are to re-elect all of the Directors except for Bill Alexander, who will retire from the Board at the conclusion of the AGM. Biographical details of all of the Directors are set out on page 17.

Resolution 7 is to approve the Company's dividend policy, which is set out on page 10. This resolution, which is advisory, is being proposed to answer concerns raised by certain voting agencies that shareholders would not otherwise have the opportunity to vote on dividends since all are declared as interim dividends in order for them to be paid according to the established quarterly

DIRECTORS' REPORT
continued

timeframe.

Resolution 8 is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration are set out on pages 31 to 33 of this Annual Financial Report.

Resolution 9 and 10 are to approve the reappointment of Ernst & Young LLP as the Company's auditor and to authorise the Audit Committee to fix their remuneration.

Special Business:

Three resolutions are being proposed in relation to share issuance and buybacks, which are all to renew authorities previously granted. These will, if passed, expire at the AGM in 2018, or 15 months after the resolution is passed if that is earlier. The first of these will be proposed as an ordinary resolution, so will be passed if more than 50% of the votes cast are in favour. The other two will be proposed as special resolutions, which means at least 75% of the votes cast must be in favour for them to pass. These authorities provide the Board with flexibility to deal with share overhangs or shortages in the market.

Resolution 11 (ordinary) is to renew the Directors' authority to allot shares subject to pre-emption, which means that they must be first offered to all existing shareholders, such as by means of a rights issue, up to an aggregate nominal value of £2,404,323 (10% of the Company's issued share capital at 30 May 2017).

Resolution 12 (special) is to renew the Directors' authority to disapply pre-emption rights on shares issued for cash up to an aggregate nominal value of £2,404,323 (10% of the Company's issued share capital at 30 May 2017). This will allow shares to be issued to new shareholders without them first having to be offered to existing shareholders, thus broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV so the interests of existing shareholders are not diluted.

Resolution 13 (special) is to renew the authority for the Company to purchase its own shares up to 14.99% of the Company's issued share capital as at the date of the AGM, subject to the restrictions referred to in the notice of the AGM (equivalent to 36,040,809 shares at 30 May 2017), either to be cancelled or, alternatively, to be held as treasury shares with a view to their resale, if appropriate, or later cancellation. Any resale of treasury shares will be on terms that are in the best interests of shareholders.

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

The Directors have carefully considered all resolutions proposed in the Notice of AGM (set out on pages 57 to 60) and, in their opinion, consider them to be in the best interests of shareholders as a whole.

The Directors therefore recommend that shareholders vote in favour of all the resolutions.

By order of the Board
Invesco Asset Management Limited
Company Secretary

31 May 2017

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The Directors present this Remuneration Report which has been prepared under the requirements of Schedule 8 to the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 and in accordance with the Listing Rules of the Financial Conduct Authority. An ordinary resolution for approval of the Annual Statement and Report on Remuneration (advisory) will be put to shareholders at the Annual General Meeting.

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 35 to 39.

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered.

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the AGM on 10 July 2015 and became effective on that date.

Fees for directors are determined by the Board within the limit stated in the Company's Articles of Association (Articles). The Articles limit the aggregate fees to £200,000 per annum, and any change to this limit would require shareholder approval by special resolution.

The directors' Remuneration Policy is that the remuneration of directors should be fair and reasonable in relation to that of other investment trusts and to the time commitment and responsibilities of directors; and be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board but not be more than necessary for the purpose. The remuneration of directors must also take into consideration any committee memberships and chairmanship duties.

Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in the performance of their duties. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors are not entitled to exit payments or any compensation for loss of office. Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company.

Notwithstanding the above, the Company's Articles also provide that additional discretionary payments can be made for services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director.

The level of directors' remuneration is reviewed annually, although such review will not automatically result in any changes. Any director undertaking more than one role will receive only the higher of the fees due for the roles they hold.

The Board may amend the remuneration paid to directors within the parameters of the Directors' Remuneration Policy.

This Directors' Remuneration Policy will apply to any new directors, who will be paid the appropriate fee based on the directors' fees level in place at the date of appointment.

The Board consider, where raised, shareholders' views on directors' remuneration.

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

Annual Statement on Directors' Remuneration

During the year to 31 March 2017, the Directors were paid fees at the following rates: Chairman, £37,500; Audit Committee Chairman, £31,250; Senior Independent Director, £29,000; and the other Directors, £25,000. Directors' remuneration received in the current year and prior year are set out over the page.

The Director's fees have not changed since 1 April 2014 and after a review during the year the Board concluded that the current level of remuneration continued to be appropriate. No discretionary payments were made in the year, or the previous year.

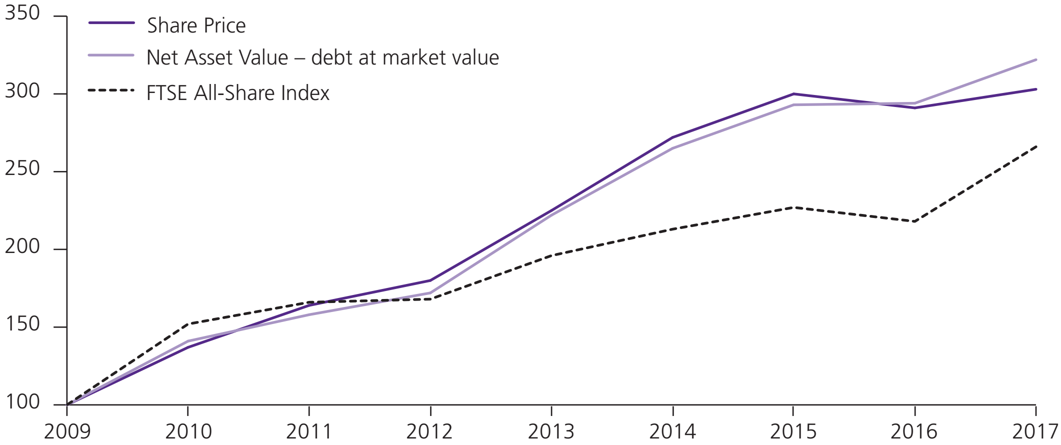
DIRECTORS' REMUNERATION REPORT
continued

Report on Remuneration for the Year Ended 31 March 2017

The Company's Performance

The graph below plots, in annual increments, the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share Index over the eight years to 31 March 2017. This index is the benchmark adopted by the Company for comparison purposes.

Figures have been rebased to 100 at 31 March 2009.



Single Total Figure of Remuneration for the year (Audited)

The single total figure of remuneration for each Director is detailed below, together with the prior year comparative:

	2017 FEES £	2017 TAXABLE BENEFITS[1] £	2017 TOTAL £	2016 FEES £	2016 TAXABLE BENEFITS[1] £	2016 TOTAL £
Bill Alexander (Chairman of the Board)	37,500	—	37,500	37,500	—	37,500
Vivian Bazalgette (Senior Independent Director)[2]	29,000	—	29,000	27,900	—	27,900
Victoria Cochrane (appointed 28 October 2015)	25,000	—	25,000	10,700	—	10,700
Alan Giles (appointed 6 November 2015)	25,000	—	25,000	10,050	—	10,050
Richard Laing (Chairman of the Audit Committee)	31,250	121	31,371	31,250	273	31,523
Bob Yerbury	25,000	—	25,000	25,000	—	25,000
Sir Martyn Arbib (retired 1 October 2015)	—	—	—	12,550	—	12,550
Antony Hardy (retired 10 July 2015)	—	—	—	8,050	—	8,050
Total	172,750	121	172,871	163,000	273	163,273

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

(2) Vivian Bazalgette became the Senior Independent Director on 10 July 2015.

Directors' Shareholdings and Share Interests (Audited)

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

ORDINARY SHARES	2017 ORDINARY SHARES	2016 ORDINARY SHARES
Bill Alexander	10,000	10,000
Vivian Bazalgette	10,000	10,000
Victoria Cochrane	10,000	10,000
Alan Giles	10,000	10,000
Richard Laing	10,000	10,000
Bob Yerbury	10,000	10,000

Save as aforesaid, no Director had any interests, beneficial or otherwise, in the ordinary shares or debenture stock of the Company during the year. No changes to these holdings have been notified since the year end. No connected person interests have been notified.

Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set.

Relative Importance of Spend on Pay

The Company has no employees. The following table compares the remuneration paid to the non-executive Directors with aggregate distributions to shareholders in respect of the year to 31 March 2017 and the prior year:

	2017 £'000	2016 £'000	CHANGE £'000
Aggregate Directors' Remuneration	173	163	+10
Aggregate Shareholder Distributions	33,781	35,767	–1,986*

*As shown in note 8 to the financial statements on page 47, total ordinary dividends paid in the year increased by £1,380,000, but this was offset by a reduction of £3,366,000 in the special dividend due to a fall in special dividends received.

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 12 July 2016 a resolution approving the Annual Statement and Report on Directors' Remuneration was passed by show of hands. The proxy votes registered (including votes at the Chairman's discretion) were as follows:

	VOTES FOR	%	VOTES AGAINST	%	VOTES WITHHELD
Annual Statement and Report on Remuneration	52,197,966	99.75	128,612	0.25	69,014

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 31 May 2017.

Bill Alexander
Chairman

Signed on behalf of the Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the Annual Financial Report

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with UK Accounting Standards, including FRS 102 '*The Financial Reporting Standard applicable in the UK and Republic of Ireland*'.

Under company law, the Directors must not approve the accounts 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 UK Accounting Standards 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 which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 taken as a whole; and
- this annual financial report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the annual financial report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board of Directors

Bill Alexander
Chairman
31 May 2017

Electronic Publication

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PERPETUAL INCOME AND GROWTH INVESTMENT TRUST PLC

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Perpetual Income and Growth Investment Trust plc's (the 'Company') affairs as at 31 March 2017 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of the Company for the year ended 31 March 2017 which comprise:

Income Statement for the year ended 31 March 2017
Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2017
Balance Sheet as at 31 March 2017
Related notes 1 to 21 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Statement of Directors' Responsibilities set out on page 34, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual financial report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

INDEPENDENT AUDITOR'S REPORT

continued

Risk	Our response to the risk:
Income recognition (2017: £39.6 million and 2016: £40.2 million) *Refer to the Audit Committee Report (pages 20 to 22); Principal Accounting Policies (pages 42 to 44); and Note 2 of the Financial Statements (page 44)* We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders. We identified incomplete or inaccurate income recognition as a risk through failure to recognise proper income entitlements or apply appropriate accounting treatment.	• Gained an understanding of the Invesco Fund Managers Limited ("the Manager") and Bank of New York Mellon's ("BNYM") systems and controls in this area and ascertained whether we could rely on them. • Agreed a sample of dividends received from the accounting records to an independent pricing source and to the bank statements. • Agreed a sample of dividends paid by investee companies from an independent pricing source to the accounting records. • Agreed 100% of accrued dividends to an independent pricing source and confirmed the accuracy of the calculation of accrued income. • Performed a review of special dividends received. We evaluated the appropriateness of the accounting treatment (i.e. the classification between capital and income) with reference to the rationale put forward by the companies declaring the special dividend.

Key observations communicated to the Audit Committee

Having gained an understanding and evaluated the Manager's and BNYM's systems and controls in this area we adopted a controls based approach for our audit of income recognition.

We noted no issues in agreeing a sample of dividend income from equity securities to and from the independent source and to the bank statements.

We noted no issues in agreeing the accrued dividends to an independent source.

We noted that the Company received £2.0 million (2016: £5.1 million) of special dividends during the year of which £1.7 million (2016: £5.1 million) have been classified as a revenue return and £0.3 million (2016: £ nil) have been classified as a capital return. We considered this treatment to be consistent with the underlying commercial substance behind the special dividend payment.

Risk	Our response to the risk:
Valuation of and entitlement to investments (2017: £1,164.9 million and 2016: £1,117.6 million) *Refer to the Audit Committee Report (pages 20 to 22); Principal Accounting Policies (pages 42 to 44); and Note 9 of the Financial Statements (pages 47 and 48)* The valuation of the portfolio of investments is comprised of listed investments in equity securities of £1,136.2 million (2016: £1,090.1 million) and unquoted investments of £28.7 million (2016: £27.5 million). The valuation of assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	• Gained an understanding of the Manager's and BNYM's systems and controls in this area and ascertained whether we could rely on them. • Agreed 100% of the quoted investment valuations and exchange rates to an independent source. • Reviewed pricing exception reports and investigated any discrepancies. • For all unquoted investments we discussed the valuation methodology with the Manager, considered the appropriateness of the valuation techniques used and agreed the valuations to independent third party valuation reports, with the exception of Oxford Sciences Innovation. For Oxford Sciences Innovation we agreed the valuation to the amount per the private placing programme. • Ensured the unquoted valuations are performed in accordance with the Company's accounting policies as set out in note 1(c) (v) to the financial statements. • Obtained independent confirmations of all investments held from the custodian and depositary and performed a three way reconciliation of the investments held by the Company to the records of the custodian and depositary.

Key observations communicated to the Audit Committee

For all listed investments we noted no material differences in the fair value of the investments and identified no exceptions or discrepancies.

We note that, with the exception of the investment in Oxford Sciences Innovation, all unquoted investments were valued with reference to an independent third party valuation report. We obtained a copy of these valuation reports together with the minutes of meetings of the Invesco Pricing Committee, considered the appropriateness of the assumptions contained within these valuation reports and agreed the valuation inputs to source documentation. In addition we made enquiries of representatives of the Invesco Pricing Committee in relation to the valuation process and whether they were aware of any events having occurred post year end that could impact on the valuation of the unquoted investments. We also discussed the valuation of the unquoted investments with the Audit Committee.

With respect to Oxford Sciences Innovation, we note that the valuation of this investment is based on the price of a recent transaction. Based on our review of the underlying documentation for the valuation of this investment we had no matters to report to the Audit Committee.

We confirmed that the valuation techniques were in accordance with the Company's accounting policies as set out in Note 1(c)(v) to the Financial Statements.

We confirmed that all investments held by the Company agreed to the Independent confirmations received from the custodian and depositary and that no discrepancies arose when performing a three way reconciliation of the investment held.

Based on the work performed we gain sufficient satisfactory assurance over the valuation of and title to the investment portfolio.

Risk	Our response to the risk:
Management fee (2017: £5.6 million and 2016: £5.6 million) Performance fee **(2017: £nil and 2016: £4.0m)** *Refer to the Audit Committee Report (pages 20 to 22); Principal Accounting Policies (pages 42 to 44); and Note 3 of the Financial Statements (page 45)* The performance fee is payable annually in arrears to the Manager, if the Company's performance exceeds the FTSE All-Share Index and to the extent that it exceeds any brought forward under performance from previous years. There is a risk that management and performance fees are not calculated correctly or the methodology is open to misinterpretation.	• Recalculated the management and performance fee and ensured the calculations were in line with the Investment Management Agreement. • Validated all key external inputs used in the calculations to third party source data. • Agreed all management fees paid to invoices and subsequent bank payments, confirming the accuracy of the year end liabilities. • Confirmed that there was no year-end liability in respect of the performance fee.

Key observations communicated to the Audit Committee

There were no areas of interpretation in respect of the management and performance fee calculation methodologies which required further discussion with the Manager or the Audit Committee.

We were satisfied that there was no performance fee payable on the grounds that the Company's Net Asset Value total return had underperformed the FTSE All-Share Index total return during the year.

Based on the work performed we have no matters to report to the Audit Committee.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £10.1 million (2016: £9.6 million), which is 1% of net assets.We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level.It is set at an amount to reduce to an appropriately low level the probability that the aggregate of

INDEPENDENT AUDITOR'S REPORT

continued

uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 50%) of our planning materiality, namely £7.6 million (2016: £4.8 million).We have set performance materiality at this percentage due the fact that this is no longer a first year audit.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £1.8 million (2016: £1.8 million) for the revenue column of the Income statement, being 5% of the Return on ordinary activities before taxation.

Reporting threshold

Reporting threshold is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £506,000 (2016: £480,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Company.Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, changes in the business environment, the organisation of the Company and effectiveness of company-wide controls, and other factors such as recent Service Organisation Control ('SOC') reporting when assessing the level of work to be performed.

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
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual financial report is fair, balanced and understandable and whether the annual financial report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We have nothing material to add or draw attention to in relation to:

(a) the Directors' confirmation in the annual financial report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

(b) the disclosures in the annual financial report that describe those risks and explain how they are being managed or mitigated;

(c) the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and

(d) the Directors' explanation in the annual financial report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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.

We have no exceptions to report.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern, set out on page 28, and longer-term viability, set out on page 13; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Sarah Williams *(Senior statutory auditor)*
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 May 2017

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2017 REVENUE £'000	2017 CAPITAL £'000	2017 TOTAL £'000	2016 REVENUE £'000	2016 CAPITAL £'000	2016 TOTAL £'000
Gains/(losses) on investments at fair value	9	—	60,170	60,170	—	(23,335)	(23,335)
Foreign exchange (losses)/gains		—	(7)	(7)	—	33	33
Income	2	39,321	318	39,639	40,246	—	40,246
Investment management fees	3	(1,679)	(3,916)	(5,595)	(1,670)	(7,935)	(9,605)
Other expenses	4	(671)	(1)	(672)	(739)	(1)	(740)
Net return before finance costs and taxation		36,971	56,564	93,535	37,837	(31,238)	6,599
Finance costs	5	(1,120)	(2,615)	(3,735)	(1,184)	(2,762)	(3,946)
Return on ordinary activities before taxation		35,851	53,949	89,800	36,653	(34,000)	2,653
Tax on ordinary activities	6	(639)	—	(639)	(554)	—	(554)
Return on ordinary activities after taxation for the financial year		35,212	53,949	89,161	36,099	(34,000)	2,099
Return per ordinary share:							
Basic	7	14.65p	22.43p	37.08p	15.12p	(14.24)p	0.88p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The return on ordinary activities after taxation is the total comprehensive income and therefore no statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes 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 No operations were acquired or discontinued in the year.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 March 2015	23,687	251,166	672,346	31,228	978,427
Net return on ordinary activities	—	—	(34,000)	36,099	2,099
Dividends paid – note 8	—	—	—	(34,599)	(34,599)
Net proceeds from issue of new shares	356	14,067	—	—	14,423
At 31 March 2016	24,043	265,233	638,346	32,728	960,350
Net return on ordinary activities	—	—	53,949	35,212	89,161
Dividends paid – note 8	—	—	—	(36,546)	(36,546)
At 31 March 2017	24,043	265,233	692,295	31,394	1,012,965

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

BALANCE SHEET
AS AT 31 MARCH

	NOTES	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value	9	1,164,903	1,117,576
Current assets			
Debtors	10	7,930	3,785
Creditors: amounts falling due within one year	11	(100,385)	(101,570)
Net current liabilities		(92,455)	(97,785)
Total assets less current liabilities		1,072,448	1,019,791
Creditors: amounts falling due after more than one year	12	(59,483)	(59,441)
Net assets		1,012,965	960,350
Capital and reserves			
Share capital	13	24,043	24,043
Share premium	14	265,233	265,233
Capital reserve	14	692,295	638,346
Revenue reserve	14	31,394	32,728
Shareholders' funds		1,012,965	960,350
Net asset value per ordinary share – basic			
– debt at par	15	421.3p	399.4p
– debt at market value	15	416.2p	395.6p

These financial statements were approved and authorised for issue by the Board of Directors on 31 May 2017.

Bill Alexander
Chairman
Signed on behalf of the Board of Directors

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

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Accounting policies describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year and the preceding year, unless otherwise stated.

(a) Basis of Preparation

Accounting Standards applied

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) and with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts*, issued by the Association of Investment Companies in November 2014, and updated in January 2017. The financial statements are issued on a going concern basis.

As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all investments are highly liquid and are carried at market value, and where a statement of changes in equity (in these financial statements it is called the Reconciliation of Movements in Shareholders' Funds) is provided.

(b) Foreign Currency and Segmental Reporting

(i) *Functional and presentational currency*

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

(ii) *Transactions and balances*

Transactions in foreign currencies, whether of a revenue or capital nature, are translated to sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to sterling at the rates of exchange ruling at the balance sheet date. Any gains or losses, whether realised or unrealised, are taken to the capital reserve or to the revenue reserve, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

(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 quoted mainly on the UK or other regulated stock exchanges.

(c) Financial Instruments

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

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

(ii) *Derecognition of financial assets*

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

(iii) *Derecognition of financial liabilities*

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

(iv) *Trade date accounting*

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

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

Financial assets

The Company's investments are classified as held at fair value through profit or loss.

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 income statement, and are subsequently valued at fair value.

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. For investments that are not actively traded or where active stock exchange quoted bid prices are not available, fair value is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Where there is no active market, unlisted/illiquid 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, using valuation techniques such as earnings multiples, recent arm's length transactions and net assets.

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) Cash and Cash Equivalents

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents, including money market funds. Investments are regarded as cash equivalents if they meet all of the following criteria: highly liquid investments held in the Company's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond.

(e) Hedging and Derivatives

Forward currency contracts entered into for hedging purposes are valued at the appropriate forward exchange rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are included in capital reserves.

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 reserves.

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.

(f) Income

Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as income or capital in the income statement.

Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies (continued)

(g) Expenses and Finance Costs

Expenses are recognised on an accruals basis and finance costs are recognised using the effective interest method in the income statement.

The investment management fee and finance costs are allocated 70% to capital and 30% to revenue. This is in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the portfolio.

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

Investment transaction costs are recognised in capital in the income statement. All other expenses are allocated to revenue in the income statement.

(h) Taxation

The liability for corporation tax is based on net revenue for the year excluding non-taxable dividends. The tax charge is allocated between the revenue and capital account on the marginal basis whereby revenue expenses are matched first against taxable income in the revenue account.

Deferred taxation is recognised in respect of all timing 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 or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred taxation assets are recognised where, in the opinion of the Directors, it is more likely than not that these amounts will be realised in future periods.

A deferred tax asset has not been recognised in respect of surplus management expenses and losses on loan relationships, as the Company is unlikely to have sufficient future taxable revenue to offset against these.

(i) Dividends

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

2. Income

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

	2017 £'000	2016 £'000
Income from investments		
UK dividends – ordinary	30,344	27,127
UK dividends – special	1,719	3,495
Overseas dividends – ordinary	6,167	6,332
Overseas dividends – special	—	1,609
Scrip dividends	—	1,002
Unfranked investment income	889	632
	39,119	40,197
Other income		
Underwriting commission	4	49
Other	198	—
Total income	39,321	40,246

Special dividends of £318,000 have been recognised in capital (2016: £nil).

3. Investment Management Fees

This note shows the fees due to the Manager. These are made up of the management fee calculated and paid quarterly and any performance fee.

	2017			2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee (i)	1,679	3,916	5,595	1,670	3,895	5,565
Performance-related management fee (ii)	—	—	—	—	4,040	4,040
	1,679	3,916	5,595	1,670	7,935	9,605

Details of the Investment Management Agreement can be found on pages 26 and 27.

(i) At 31 March 2017 £1,420,000 (2016: £1,368,000) was due for payment in respect of the investment management fee.

(ii) For the year ended 31 March 2017, a performance-related fee would have been payable to the Manager had the Company's performance exceeded the FTSE All-Share Index to the extent that it exceeded any brought forward underperformance. No performance-related fee was accrued at the year end (2016: £4,040,000).

4. Expenses

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

	2017			2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' remuneration (i)	173	—	173	163	—	163
Fees payable to the Company's auditor for:						
– audit of the financial statements (ii)	27	—	27	27	—	27
Other expenses (iii)	471	1	472	549	1	550
	671	1	672	739	1	740

(i) Further information on Directors' remuneration is provided in the Directors' Remuneration Report.

(ii) Fees payable to the Company auditor are shown excluding VAT which is included in other expenses.

(iii) Included within other expenses is £13,000 (2016: £11,000) of employer's National Insurance paid on Directors' remuneration. As at 31 March 2017, the amount outstanding on Directors' remuneration and employer's National Insurance was £15,000 (2016: £18,000). Other expenses charged to capital arise from custodian transaction charges.

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Finance costs

Finance costs arise on any borrowing the Company has, being in this case the £60 million notes and the overdraft facility.

	2017			2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest payable on borrowings repayable as follows:						
Bank overdraft repayable within 1 year, not by instalments	321	749	1,070	385	896	1,281
Notes repayable after 5 years, not by instalments	799	1,866	2,665	799	1,866	2,665
	1,120	2,615	3,735	1,184	2,762	3,946

Loan notes are amortised on an effective interest basis.

6. Taxation

As an investment trust the Company pays no tax on capital gains. The Company also suffers no tax on income arising on UK and certain overseas dividends, mainly EU ones. As a result, the Company's tax charge arises solely from irrecoverable tax on overseas dividends. Lastly, this note clarifies the basis for the Company having no deferred tax asset or liability.

(a) Tax Charge

	2017			2016		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	639	—	639	554	—	554

(b) Reconciliation of Tax Charge

	2017 £'000	2016 £'000
Return on ordinary activities before taxation	89,800	2,653
Theoretical tax at UK Corporation Tax rate of 20% (2016: 20%)	17,960	530
Effects of:		
– non-taxable gains on investments	(12,034)	4,667
– non-taxable gains on foreign exchange movements	1	(7)
– non-taxable UK dividends	(5,724)	(5,137)
– non-taxable UK special dividends	(344)	(699)
– non-taxable scrip dividends	—	(200)
– non-taxable overseas dividends	(1,296)	(1,266)
– non-taxable overseas special dividends	—	(322)
– expenses in excess of taxable income	1,437	2,434
– irrecoverable overseas tax suffered	639	554
	639	554

(c) Factors That May Affect Future Tax Changes

The Company has excess management expenses and loan relationship deficits of £172,042,000 (2016: £164,858,000) that are available to offset future taxable revenue. A deferred tax asset, measured at the prospective rate of corporation tax of 17%, of £29,247,000 (2016: 18%, £29,674,000) 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.

7. Return per Ordinary Share

Return per share is the amount of gain generated for the financial year divided by the weighted average number of ordinary shares in issue.

	2017		2016	
	PENCE	£'000	PENCE	£'000
Returns after taxation:				
– revenue	14.65	35,212	15.12	36,099
– capital	22.43	53,949	(14.24)	(34,000)
– total	37.08	89,161	0.88	2,099
		NUMBER		NUMBER
Weighted average number of ordinary shares in issue during the year:		240,432,350		238,793,640

8. Dividends on Ordinary Shares

Dividends represent the return of income to shareholders. The Company pays four interim dividends a year.

Dividends on equity shares paid in the year:

	2017		2016	
	PENCE	£'000	PENCE	£'000
Fourth interim in respect of previous year	4.10	9,858	3.90	9,238
First interim paid	3.00	7,213	2.90	6,940
Second interim paid	3.00	7,213	2.90	6,947
Third interim paid	3.00	7,213	2.90	6,973
	13.10	31,497	12.60	30,098
Special dividend paid in respect of previous year	2.10	5,049	1.90	4,501
	15.20	36,546	14.50	34,599

Dividends on equity shares payable in respect of the year:

	2017		2016	
	PENCE	£'000	PENCE	£'000
First interim paid September	3.00	7,213	2.90	6,940
Second interim paid December	3.00	7,213	2.90	6,947
Third interim paid March	3.00	7,213	2.90	6,973
Fourth interim payable June	4.35	10,459	4.10	9,858
Total interim dividends	13.35	32,098	12.80	30,718
Special dividend payable June	0.70	1,683	2.10	5,049
	14.05	33,781	14.90	35,767

9. Investments at Fair Value

The portfolio comprises investments which are listed, i.e. traded on a regulated stock exchange, and a small proportion of investments which are valued by the Directors as they are unlisted or not regularly traded.

Gains and losses are either:

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

NOTES TO THE FINANCIAL STATEMENTS

continued

9. Investments at Fair Value (continued)

(a) Investments

	2017 £'000	2016 £'000
Investments listed on a recognised stock exchange	1,136,191	1,090,088
Unlisted investments	28,712	27,488
Total investments	1,164,903	1,117,576
Opening valuation	1,117,576	1,128,511
Movements in year:		
Purchases at cost	135,608	191,566
Sales – proceeds	(148,451)	(179,166)
– net realised profits on sales	61,172	43,672
Movement in investment holding gains	(1,002)	(67,007)
Closing valuation	1,164,903	1,117,576
Closing book cost	(913,612)	(865,283)
Closing investment holding gains	251,291	252,293
Net realised gains based on historical cost	61,172	43,672
Movement in investment holding gains	(1,002)	(67,007)
Gains/(losses) on investments	60,170	(23,335)

(b) Transaction Costs

The transaction costs included in gains on investments consisted of £633,000 (2016: £805,000) on purchases and £238,000 (2016: £250,000) on sales.

(c) Significant holdings

At 31 March 2017 the Company had holdings of 3% or more of the following investments:

NAME OF UNDERTAKING	COUNTRY OF INCORPORATION	INSTRUMENT	% HELD
Napo Pharmaceuticals[UQ]	United States	US common stock	21.7%
Realm Therapeutics (Formerly PuriCore)	England and Wales	Ordinary shares	16.8%
Nimrod Sea Assets	Guernsey	Ordinary shares	9.9%
Diurnal	England and Wales	Ordinary shares	9.9%
Real Estate Investors	England and Wales	Ordinary shares	9.5%
MayAir	Jersey	Ordinary shares	9.4%
SciFluor Life Sciences[UQ]	United States	"A" convertible preferred shares	9.3%
Hadrian's Wall Secured Investments	Guernsey	Ordinary shares	8.7%
Motif Bio	England and Wales	Ordinary shares	8.5%
		American Depositary Receipt	6.7%
Lombard Medical	Cayman Islands	US common stock	6.8%
infirst Healthcare[UQ]	England and Wales	"D" shares	6.7%
Damille Investments II	England and Wales	Ordinary shares	5.9%
Macau Property Opportunities Fund	Guernsey	Ordinary shares	5.6%
Marwyn Value Investors	Cayman Islands	Ordinary shares	5.1%
Horizon Discovery	England and Wales	Ordinary shares	4.9%
Silence Therapeutics	England and Wales	Ordinary shares	4.8%
GAME Digital	England and Wales	Ordinary shares	3.8%
Harworth	England and Wales	Ordinary shares	3.7%
NewRiver REIT	England and Wales	Ordinary shares	3.1%
Sherborne Investors Guernsey B	Guernsey	"A" shares	3.1%
HaloSource	England and Wales	Ordinary shares	3.0%

UQ: unquoted investment.

10. Debtors

Debtors are amounts which are due to the Company, such as monies due from brokers for investments sold and income which has been earned (accrued) but not yet received.

	2017 £'000	2016 £'000
Amounts due from brokers	4,460	—
Tax recoverable	931	1,185
Prepayments and accrued income	2,539	2,600
	7,930	3,785

11. Creditors: amounts falling due within one year

Creditors are amounts which must be paid by the Company and are split between those due within 12 months of the balance sheet date (as shown in this note) and those due after that time (as shown in the next note).

	2017 £'000	2016 £'000
Bank overdraft	97,609	93,942
Amounts due to brokers	189	1,022
Performance-related fee	—	4,040
Accruals	2,587	2,566
	100,385	101,570

The Company has an uncommitted bank overdraft facility based on the lower of 25% of the net asset value of the Company and £140 million (2016: £140 million). Interest is payable at 0.7% over LIBOR. The covenant under the facility requires total assets not to fall below £620 million (2016: £620 million). The facility was renewed on 28 May 2017 on the same terms.

12. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
4.37% senior secured notes 2029	60,000	60,000
Unamortised issue costs	(517)	(559)
	59,483	59,441

The senior secured notes (Notes) of £60 million were issued on 8 May 2014 and are secured by a floating charge over all the Company's assets and are redeemable at par on 8 May 2029. The Notes have a fixed interest rate of 4.37% per annum payable biannually on 8 May and 8 November. Issue costs are amortised over the life of the Notes using the effective interest method.

The Notes are secured by a first floating charge over the Company's assets. Under the Notes Purchase Agreement, the net asset value (NAV) of the Company must not fall below £350 million and the Company must ensure that the ratio of gross borrowings (measured at par) to the NAV must not, at any time, exceed 50%.

NOTES TO THE FINANCIAL STATEMENTS

continued

13. Share Capital

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

	2017 NUMBER	2017 £'000	2016 NUMBER	2016 £'000
Allotted 10p ordinary shares:				
Brought forward	240,432,350	24,043	236,874,251	23,687
Issue of new shares	—	—	3,558,099	356
Carried forward	240,432,350	24,043	240,432,350	24,043

No shares have been issued or brought back subsequent to the year end.

The Directors' Report on page 29 sets out the share capital structure, restrictions and voting rights.

14. Reserves

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

The share premium comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 10 pence and any applicable issue costs. The share premium is non-distributable.

Capital investment gains and losses are shown in note 9(a), and form part of the capital reserve. The revenue reserve shows the net revenue retained after payment of any dividends. The capital and revenue reserves are distributable by way of dividend.

15. Net Asset Value

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

The following shows the shareholders' funds and net asset value (NAV) in pence per share, together with a reconciliation of NAV with debt at par to NAV with debt at market value. The difference in the NAVs arises solely from the valuation of the 4.37% senior secured loan notes 2029 (Notes). The number of shares in issue at the year end is shown in note 13.

	2017 SHAREHOLDERS' FUNDS £'000	2017 NAV PER SHARE PENCE	2016 SHAREHOLDERS' FUNDS £'000	2016 NAV PER SHARE PENCE
NAV – debt at par	1,012,965	421.3	960,350	399.4
Notes – debt at par, after amortised costs (note 12)	59,483	24.7	59,441	24.7
– debt at market value (note 17)	(71,675)	(29.8)	(68,710)	(28.5)
NAV – debt at market value	1,000,773	416.2	951,081	395.6

Only the basic NAV is shown. There is no dilution in this or the previous year.

16. Risk Management and Financial Instruments

Financial instruments comprise the Company's investment portfolio, derivative financial instruments (if the Company had any), as well as any cash, borrowings, other receivables and other payables. This note sets out risks arising from these in terms of the Company's exposure and sensitivity, and any mitigation that the Manager or Board can take.

The Company's strategy for managing investment risk is determined with regard to the Company's Investment Policy, as shown on page 9. The management of market risk is part of the investment management process. The Company's portfolio is managed in accordance with the internal controls and risk management systems as described in the sections thereon in the Corporate Governance Statement (page 19) and in the Audit Committee Report (page 20). The overall disposition of the Company's assets is reviewed by the Board on a regular basis.

The Company's financial instruments comprise its investment portfolio (as shown on pages 15 and 16) cash, borrowings (including overdraft and notes), debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. For the purpose of this note 'cash' should be taken to comprise cash and cash equivalents. 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.

The principal risks that an investment company faces in its portfolio management activities are set out below:

Market risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

Currency risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;

Interest rate risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and

Other price risk – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

Liquidity risk – arising from any difficulty in meeting obligations associated with financial liabilities.

Credit risk – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

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 Business Review.

As an investment trust the Company invests in equities and other investments for the long term so as to meet its investment objective and policies. 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. The risks applicable to the Company and the policies the Company used to manage these risks for the two years under review follow.

16.1 ***Market Risk***

The Company's Manager assesses the Company's direct 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. No other derivative or hedging instruments are utilised to manage market risk. Gearing is used to enhance returns, but this also increases the Company's exposure to market risk and volatility.

NOTES TO THE FINANCIAL STATEMENTS

continued

16. Risk Management and Financial Instruments (continued)

16.1 *Market Risk (continued)*

16.1.1 *Currency risk*

The majority of the Company's assets, liabilities and income are denominated in sterling. There is some exposure to US dollars and Swiss francs.

Management of the currency risk

The Manager monitors the Company's direct exposure to foreign currencies on a daily basis and reports to the board on a regular basis.

Forward currency contracts can be used to reduce the Company's exposure to anticipated future changes in exchange rates which are used also to achieve the portfolio characteristics that assist the Company in meeting its investment objective and policies. All contracts are limited to currencies and amounts commensurate with the asset denominated in those currencies. During the year, no forward currency contracts were used by the Company (2016: none).

Income denominated in foreign currencies is converted to sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Currency exposure

The fair values of the Company's monetary items that have currency exposure at 31 March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	31 MARCH 2017		31 MARCH 2016	
	US DOLLAR £'000	SWISS FRANC £'000	US DOLLAR £'000	SWISS FRANC £'000
Foreign currency exposure on net monetary items	5,045	767	444	715
Investments at fair value through profit or loss that are equities	87,871	55,784	79,379	49,616
Total net foreign currency exposure	92,916	56,551	79,823	50,331

The above may not be representative of the exposure to risk during the year, because the levels of foreign currency exposure may change significantly throughout the year.

Currency sensitivity

The following table illustrates the sensitivity of the return after taxation for the year using exchange rates for sterling to US dollars and Swiss francs. It is based on the Company's monetary foreign currency financial instruments held at each balance sheet date and takes account of any forward foreign exchange contracts, if used, that offset the effects of changes in currency exchange rates.

The possible change in exchange rates of ±6.3% (2016: ±3.4%) for US dollars and ±5.1% (2016: ±2.8%) for Swiss francs has been determined based on market volatility in the year, using the standard deviation of sterling's fluctuation to the applicable foreign currency against the mean.

If sterling had strengthened, this would have had the following effect:

	31 MARCH 2017		31 MARCH 2016	
	US DOLLAR £'000	SWISS FRANC £'000	US DOLLAR £'000	SWISS FRANC £'000
Income statement – profit/(loss) after taxation				
Revenue return	(125)	(126)	(63)	(61)
Capital return	(5,821)	(2,845)	(2,714)	(1,409)
Total return after taxation for the year	(5,946)	(2,971)	(2,777)	(1,470)

If sterling had weakened against the currencies above, the effect would have been the exact opposite.

In the opinion of the Directors, the above sensitivity analysis is not representative of the year as a whole, since the level of exposure may change frequently as part of the currency risk management process of the Company.

16.1.2 ***Interest rate risk***

Interest rate movements may 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. At the year end the Company had an uncommitted bank overdraft facility based on the lower of 25% of the net assets of the Company and £140 million (2016: same). The Company uses the facility when required at levels approved and monitored by the Board. The Company also has in issue £60 million 4.37% senior secured notes 2029 (Notes).

At the year end drawings on the Company's overdraft were £97,609,000 (2016: £93,942,000) and the Notes had an amortised cost of £59,483,000 (2016: £59,441,000). At the maximum overdraft of £140 million, the effect of a ±1% in the interest rate would result in a decrease/increase to the Company's income statement of £1.4 million (2016: £1.4 million).

At the previous and current year ends the Company had no investment in, and thus exposure to, any debt securities.

16.1.3 ***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 equity investments, but it is the business of the Manager to manage the portfolio to achieve the best return for an acceptable level of risk.

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. 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 rose or fell by 10% at the balance sheet date, the return after tax for the year would increase or decrease by £116.5 million (2016: £111.8 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

continued

16. Risk Management and Financial Instruments (continued)

16.2 *Liquidity risk*

Liquidity risk is minimised as the majority of the Company's investments are readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the £140 million bank overdraft facility provides for additional funding flexibility.

2017	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Bank overdraft	97,609	—	—	97,609
Accruals (excluding amount accrued on Notes)	1,553	—	—	1,553
Notes	—	—	60,000	60,000
Interest on Notes	1,311	1,311	30,153	32,775
	100,473	1,311	90,153	191,937

2016	THREE MONTHS OR LESS £'000	MORE THAN THREE MONTHS BUT LESS THAN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Bank overdraft	93,942	—	—	93,942
Accruals and performance-related fee (excluding amount accrued on Notes)	6,594	—	—	6,594
Notes	—	—	60,000	60,000
Interest on Notes	1,311	1,311	32,775	35,397
	101,847	1,311	92,775	195,933

16.3 *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. This 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. However, with the support of the depositary's restitution obligation the risk of outright credit loss on the investment portfolio is remote. 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 deposit taker, with only approved deposit takers being used. This limit is at the discretion of the Board and is reviewed on a regular basis.

17. Fair Value

The values of the financial assets and financial liabilities are carried in the balance sheet at their fair value (investments), or the balance sheet amount is a reasonable approximation of fair value (amounts due from brokers, dividends receivable, accrued income, amounts due to brokers, accruals, cash and any drawings on the bank facility) or at amortised cost (Notes).

Fair Value Hierarchy Disclosures

Nearly all of the Company's portfolio of investments are in the Level 1 category as defined in FRS 102 as amended for fair value hierarchy disclosures (March 2016). The three levels set out in this follow.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

Categorisation within the hierarchy is 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.

2017	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments – equities	1,136,178	—	—	1,136,178
Other securities	—	13	—	13
Unquoted investments	—	—	28,712	28,712
Total for financial assets	1,136,178	13	28,712	1,164,903

2016	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments – equities	1,090,061	—	—	1,090,061
Other securities	—	27	—	27
Unquoted investments	—	—	27,488	27,488
Total for financial assets	1,090,061	27	27,488	1,117,576

The book cost and market value (fair value) of the senior secured loan notes based on a comparable quoted debt security at the balance sheet date follows:

	2017		2016	
	BOOK VALUE £'000	FAIR VALUE £'000	BOOK VALUE £'000	FAIR VALUE £'000
4.37% senior secured loan notes 2029	60,000	71,675	60,000	68,710
Unamortised issue costs	(517)	—	(559)	—
	59,483	71,675	59,441	68,710

18. Capital Management

The Company's total capital employed at 31 March 2017 was £1,170,057,000 (2016: £1,113,733,000) comprising borrowings of £157,092,000 (2016: £153,383,000) and equity share capital and other reserves of £1,012,965,000 (2016: £960,350,000).

The Company's total capital employed is managed to achieve the Company's investment objective and policy as set out on pages 9 and 10, including that borrowings may be used to raise equity exposure up to a maximum of 25% of net assets. At the balance sheet date, gross gearing was 15.5% (2016: 16.0%) and equalled net gearing. The Company's policies and processes for managing capital are unchanged from the preceding year.

The main risks to the Company's investments are shown in the Directors' Report under the 'Principal Risks and Uncertainties' section on pages 12 and 13. 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 also determines dividend payments. The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by Section 1159 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 lender. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year. Current year borrowings comprise a bank overdraft and senior secured notes, details of which are given in notes 11 and 12.

NOTES TO THE FINANCIAL STATEMENTS

continued

19. Contingencies, Guarantees and Financial Commitments

Any liabilities the Company is committed to honour and which are dependent on future circumstances or events occurring would be disclosed in this note if any existed.

There were no contingencies, guarantees or financial commitments outstanding at the balance sheet date.

20. Related Party Transactions and Transaction with the Manager

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. Under accounting standards, the Manager is not a related party.

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remunerations and interests have been disclosed on pages 31 to 33 with additional disclosure in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on pages 26 and 27 and note 3.

21. Post Balance Sheet Event

Any significant events that occurred after the balance sheet date but before the signing of the balance sheet will be shown here.

There are no significant post balance sheet events requiring disclosure.

THIS DOCUMENT 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 Perpetual Income and Growth 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 Perpetual Income and Growth Investment Trust plc will be held at 1st Floor, 43-45 Portman Square, London W1H 6LY at 11.00am on 11 July 2017 for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following resolutions all of which will be proposed as ordinary resolutions:

1. To receive the Annual Financial Report for the year ended 31 March 2017.
2. To re-elect Vivian Bazalgette a Director of the Company.
3. To re-elect Victoria Cochrane a Director of the Company.
4. To re-elect Alan Giles a Director of the Company.
5. To re-elect Richard Laing a Director of the Company.
6. To re-elect Bob Yerbury a Director of the Company.
7. To approve the Company's dividend policy as set out on page 10 of the 2017 annual financial report.
8. To approve the Annual Statement and Report on Remuneration for the year ended 31 March 2017.
9. To re-appoint Ernst & Young LLP as auditor.
10. To authorise the Audit Committee to determine the auditor's remuneration.

Biographies of Directors seeking re-election are shown on page 17 of the annual financial report.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 11 will be proposed an Ordinary Resolutions and resolutions 12, 13 and 14 will be proposed as Special Resolutions:

11. 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 relevant securities (as defined in that section) up to an aggregate nominal amount (within the meaning of Sections 551(3) and (6) of the Act) of £2,404,323, this being 10% of the Company's issued ordinary share capital as at 30 May 2017, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

12. THAT:

    the Directors be and they 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 12 set out above or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

    (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject

NOTICE OF ANNUAL GENERAL MEETING

continued

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 £2,404,323, this being 10% of the Company's issued ordinary share capital as at 30 May 2017

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this power shall allow the Company to make offers or agreements before the expiry 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.

13. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of its issued ordinary shares of 10p 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 on 11 July 2017, being the date of the AGM (equivalent to 36,040,809 shares at 30 May 2017);

(ii) the minimum price which may be paid for a Share shall be 10p;

(iii) the maximum price which may be paid for a Share must not be more than the higher of: (a) 5 per cent. above the average of the mid-market values of the Shares for the five business days before the purchase is made; or (b) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time;

(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 next AGM of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution unless the authority is renewed at any other general meeting prior to such time;

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

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

14. THAT:

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

The resolutions are explained further in the Directors' Report on pages 29 and 30.

Dated this 31st May 2017

By order of the Board

Invesco Asset Management Limited
Company Secretary

Notes:

1. A form of appointment of proxy accompanies this annual financial report.

   A shareholder 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 shareholder of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:

   - via Capita Asset Services website *www.signalshares.com*; or
   - in hard copy form by post, by courier or by hand to the Company's Registrars, Capita Asset Services, The Registry, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   and in each case to be received by the Company not less than 48 hours before the time of the AGM.

   The 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 shareholder from attending and voting at the AGM.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo'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. 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 CRESTCo 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 person entered on the Register of Shareholders at close of business on 9 July 2017 is entitled to attend and vote at the AGM pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Shareholders after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the AGM. If the AGM 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 Shareholders 48 hours before the time fixed for the adjourned meeting.

4. The Register of Directors' Interests, the schedule of matters for the Board, the terms of reference of the Board committees 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.

5. A copy of the Company's Articles of Association is available for inspection at the Registered Office of the Company during normal business hours until the close of the AGM and will also be available at the AGM for at least 15 minutes prior to and during the meeting.

6. 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.

NOTICE OF ANNUAL GENERAL MEETING

continued

7. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
8. Any shareholder 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.
9. You may not use any electronic address (any address or number for the purposes of sending or receiving documents or information by electronic means) 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.
10. As at 30 May 2017 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 240,432,350 ordinary shares of 10p carrying one vote each. Therefore, the total voting rights in the Company as at that date are 240,432,350.
11. A copy of this notice (contained within the 2017 annual financial report), and other information required by Section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/pigit*.
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006 (the 'Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's annual accounts and reports (including the Independent Auditor's Report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 April 2016; or (ii) any circumstance connected with the auditor of the Company appointed for the financial year beginning on 1 April 2016 ceasing to hold office since the previous meeting at which annual financial reports were laid in accordance with Section 437 of the Act (in each case) that the shareholders propose to raise at the relevant AGM. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

SHAREHOLDER INFORMATION

Subscription Shares

Base cost for the calculation of taxation on capital gains

Trading in the subscription shares issued by the Company to qualifying shareholders commenced on 31 May 2005. Further to the details outlined in the prospectus, for the purposes of UK taxation, the issue of subscription shares is treated as a reorganisation of the Company's share capital. Whereas such reorganisations do not trigger a chargeable disposal for the purposes of capital gains, they do require shareholders to reallocate the base costs of their ordinary shares between ordinary shares and subscription shares acquired under the bonus issue.

At the close of business on 31 May 2005, the middle market prices of the Company's ordinary shares and subscription shares were as follows:

Ordinary Shares	190.25p
Subscription Shares	34.50p

Accordingly, an individual investor who, on 27 May 2005, held ten ordinary shares (or a multiple thereof) would have received a bonus issue of one subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 98.22% to the ten ordinary shares and 1.78% to the subscription shares.

If you need tax advice, you should contact a qualified tax professional.

The shares of Perpetual Income and Growth Investment Trust plc (the 'Company') are quoted on the London Stock Exchange.

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. It is published daily in the newspapers detailed below.

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 on the London Stock Exchange website using the PLI ticker code, on the websites of most share dealing platforms, and on the Company's section of the Manager's website at www.invescoperpetual.co.uk/pigit

Manager's Website

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

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

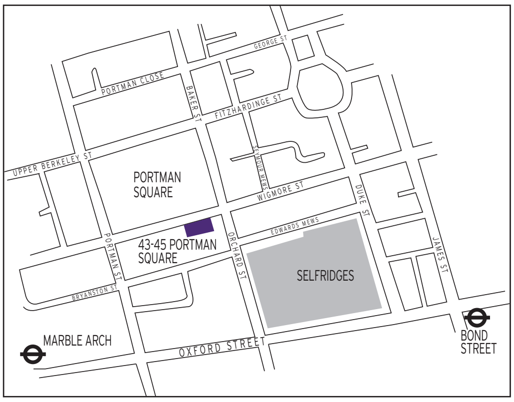
Financial Calendar

The Company publishes information according to the following calendar:

Announcements	
Annual Financial Report	June
Half-yearly Financial Report	November
Annual General Meeting	July
Year End	31 March
Ordinary Share Dividend Timetable	
1st interim payable	September
2nd interim payable	December
3rd interim payable	March
4th interim payable	June
Senior Secured Notes	
Interest payable on 4.37% Notes 2029	May/November

Location of Annual General Meeting (AGM)

The AGM will be held at 1st Floor, 43-45 Portman Square, London W1H 6LY at 11.00am on 11 July 2017.



ADVISERS AND PRINCIPAL SERVICE PROVIDERS

All of the following were in place throughout the year.

Manager

Invesco Fund Managers Limited.

Company Secretary

Invesco Asset Management Limited.

Company Secretarial contact: Paul Griggs

Correspondence Address

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

Registered Office

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

Company Number

Registered in England and Wales
Number 03156676

Invesco Perpetual Client Services

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

Corporate Broker

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Auditor

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

Depositary

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

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

If you hold your shares direct and not through a platform or other nominee and have queries relating to your shareholding, you should contact the Registrar on:
☎ 0871 664 0300.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

Shareholders can also access their holding details via Capita's website:
www.signalshares.com.

Capita Asset Services 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
☎ 0371 664 0445.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

The Association of Investment Companies

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

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 FTSE All-Share Index.

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

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 a company is ungeared. A negative percentage indicates that the company is not fully invested.

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

Gross Gearing
This reflects the amount of gross borrowings in use by 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 and UK government bonds. It is based on net borrowings as a percentage of shareholders' funds.

Leverage
Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure.

Market Capitalisation
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 (NAV) is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The NAV per share is calculated by dividing the NAV by the number of ordinary shares in issue. For accounting purposes assets are valued at fair (usually market) value and liabilities are valued at their par (repayment) value. An alternative, the NAV – debt at market value which is used in this report values long term liabilities at their market, or a comparable equivalent, value.

Ongoing Charges
This is calculated in accordance with guidance issued by the AIC as follows: 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 market value) reported in the period.

Total Return
The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Performance comparisons can then be made between companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (i.e. share price total return) or in the Company's assets (i.e. NAV total return).

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURE

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

The Company falls within the definition of an Alternative Investment Fund (AIF) under the Directive and, as such, is required to have (or be) an authorised AIFM. Invesco Fund Managers Limited (IFML) was authorised as an AIFM, and appointed by the Company as such, with effect from 22 July 2014.

Amongst other things, regulations implementing AIFMD require certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invescoperpetual.co.uk/pigit) in a downloadable document entitled 'AIFMD Investor Information'. There have been no material changes to this information in the year to 31 March 2017 or up to the date of this report. A non-material change to the wording of the Company's objective, to delete "and fixed interest", was disclosed in the Company's 2016 half-yearly financial report. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

In addition, the Directive requires information in relation to the Company's leverage (both 'gross' and 'commitment' – see Glossary on page 63) and the remuneration of the Company's AIFM (IFML) to be made available to investors.

Accordingly:

– the leverage calculated for the Company at its year end was 115.2% for both gross and commitment (2016: both 114.5%). The limits the AIFM has set for the Company remain unchanged at 250% and 200%, respectively;

– the AIFM remuneration policy is available from the Company's company secretary, on request (see contact details on page 62); and

– the AIFM remuneration paid for the year to 31 December 2016 is set out below.

AIFM Remuneration

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

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

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

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

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

The Manager of Perpetual Income and Growth Investment Trust plc is Invesco Fund Managers Limited.

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

Invesco is one of the largest independent global investment management firms, with assets under management in excess of US$841 billion*.

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

** Assets under management as at 30 April 2017.*

INVESTMENT COMPANIES MANAGED BY INVESCO PERPETUAL

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

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

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

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

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

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

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

Perpetual Income and Growth Investment Trust plc
Aims to generate capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity market. The Company has secured loan stock in issue and, in addition, may use bank borrowings.

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

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

The Company has a debenture stock in issue and, in addition, may use bank borrowings.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc
Aims to achieve long-term total returns for the Company's shareholders primarily by investment in a broad cross-section of small to medium sized UK quoted companies. The Company may use bank borrowings.

Investing Internationally

Invesco Asia Trust plc
Aims to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian securities. The Company aims to achieve growth in its net asset value in excess of the MSCI AC Asia ex Japan Index, total return, in sterling terms. The Company may use bank borrowings.

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

Investing for Total Returns

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

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

Investing in Multiple Asset Classes

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

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

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

NOTES

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