Perpetual Income and Growth Investment Trust plc

Annual Financial Report Year Ended 31 March 2010

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Annual Financial Report

Year Ended 31 March 2010

If you have any queries about Perpetual Income and Growth Investment Trust plc, or any of the other specialist funds managed by Invesco Perpetual please contact Investor Services on

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Front Cover: Slate, Metamorphic Rock, Slate Quarry

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Investment Objective

Perpetual Income and Growth Investment Trust plc's ('the Company') investment objective is to generate capital growth with a higher than average income from investment mainly in the UK equity market. It is intended that the Company will provide real dividend growth over the medium term.

Full details of the Investment Policy (incorporating the investment objective) can be found on pages 15 and 16.

Share Capital and Gearing

At the year end, the Company's share capital consisted of 210,051,017 ordinary shares. During the year 38,492 ordinary shares were issued following the exercise of subscription shares and 1,607,905 ordinary shares were issued for cash. Gearing is provided by a £30,000,000 6.125% Debenture 2014 and maximum bank borrowings of £75 million.

ISA Eligibility

The ordinary shares and subscription shares of the Company are eligible for investment via an ISA.

Glossary of Terms

There is a glossary of terms on page 58 which defines some of the more technical references used in the report.

The Company is a member of

aic
The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

The Benchmark Index of the Company is the FTSE All-Share Index.

	AT 31 MARCH 2010	AT 31 MARCH 2009	% CHANGE
Total return (all income reinvested):			
Diluted net assets[(1)(2)]			+31.0
Benchmark[(1)(2)]			+52.3
Diluted net asset value per ordinary share[(1)]:			
– after charging second interim and special dividends (capital NAV)	231.2p	176.0p	+31.4
– as balance sheet	231.2p	182.0p	+27.0
Shareholders' funds (£'000)[(1)]	487,727	379,256	+28.6
Mid-market price per:			
– ordinary share	217.9p	171.0p	+27.4
– subscription share	31.5p	27.5p	+14.5
Discount[(1)] per ordinary share	5.8%	6.0%	
Capital return			
Benchmark[(1)(2)]			+46.7
Return per ordinary share:			
Diluted revenue return	8.8p	9.2p	
Diluted capital return	51.3p	(57.3)p	
Diluted total return	60.1p	(48.1)p	
Dividend per ordinary share:			
First interim dividend	3.40p	3.30p	
Second interim dividend	5.40p	5.20p	
Total	8.80p	8.50p	+3.5
Special dividend	—	0.84p	
Total dividend	8.80p	9.34p	
Total Expense Ratio[(1)]			
– excluding performance fee	1.1%	1.0%	
– including performance fee	1.1%	1.2%	
Gearing[(1)]			
Actual gearing	120	117	
Asset gearing	120	116	

Notes: 1 Defined in the Glossary of Terms.
2 Source: Thomson Datastream and Fundamental Data.

Historical Record – Last Ten Years

The table below has been restated for new UK accounting standards with effect from 2005 onwards.

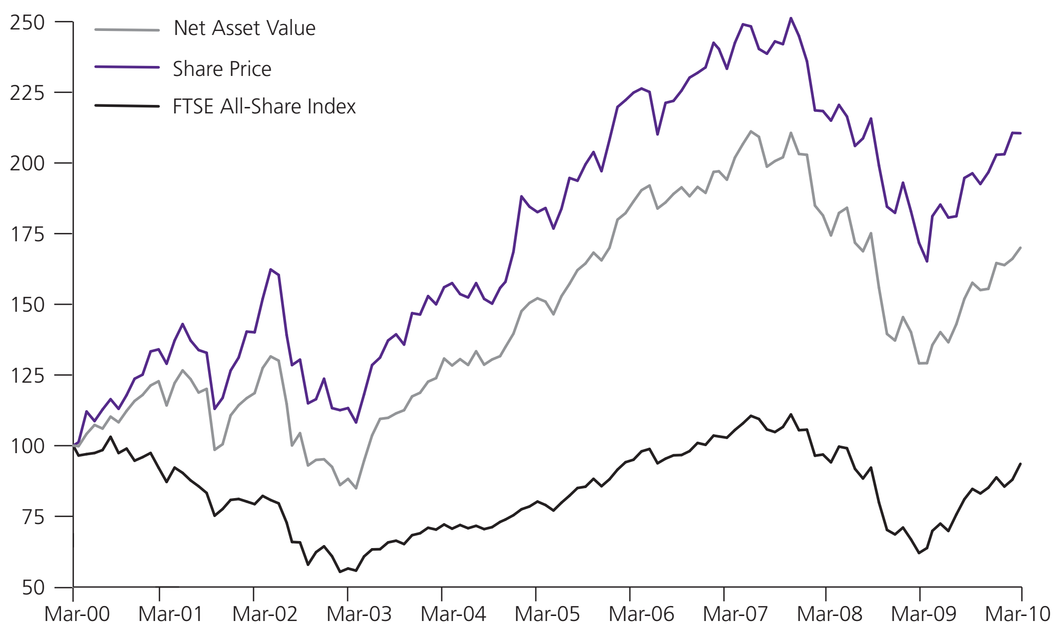
TO 31 MARCH	GROSS REVENUE INCOME £'000	NET REVENUE AVAILABLE FOR ORDINARY SHARES £'000	DIVIDENDS ON ORDINARY SHARES COST £'000	DIVIDENDS ON ORDINARY SHARES RATE p	TOTAL ASSETS LESS CURRENT LIABILITIES £'000	NET ASSET VALUE PER ORDINARY SHARE[2] p	MID-MARKET PRICE PER ORDINARY SHARE p
2001	10,682	8,762	8,212	4.65	306,031	156.6	133.5
2002	10,735	8,683	8,602	4.85	337,397	173.6	157.3
2003	10,635	8,827	8,977	5.00	237,293	115.5	112.0
2004	12,120	10,072	9,566	5.25	348,439	174.8	163.0
2005	13,945	11,178	10,497	5.65	416,743	208.4	197.8
2006	16,025	12,517	11,548	6.00	535,746	262.9	234.3
2007	19,729	15,443	13,653	6.60	606,360	278.8	251.0
2008	22,482	18,017	16,164	7.80	531,508	242.2	222.5
2009	22,717	20,627	19,441	9.34[1]	408,960	182.0	171.0
2010	**22,731**	**19,836**	**18,485**	**8.80**	**517,479**	**231.2**	**217.9**

[1]Includes special dividend of 0.84p per share.
[2]NAV is diluted where the subscription shares are dilutive, otherwise basic NAV shown.

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

From 31 March 2000 to 31 March 2010

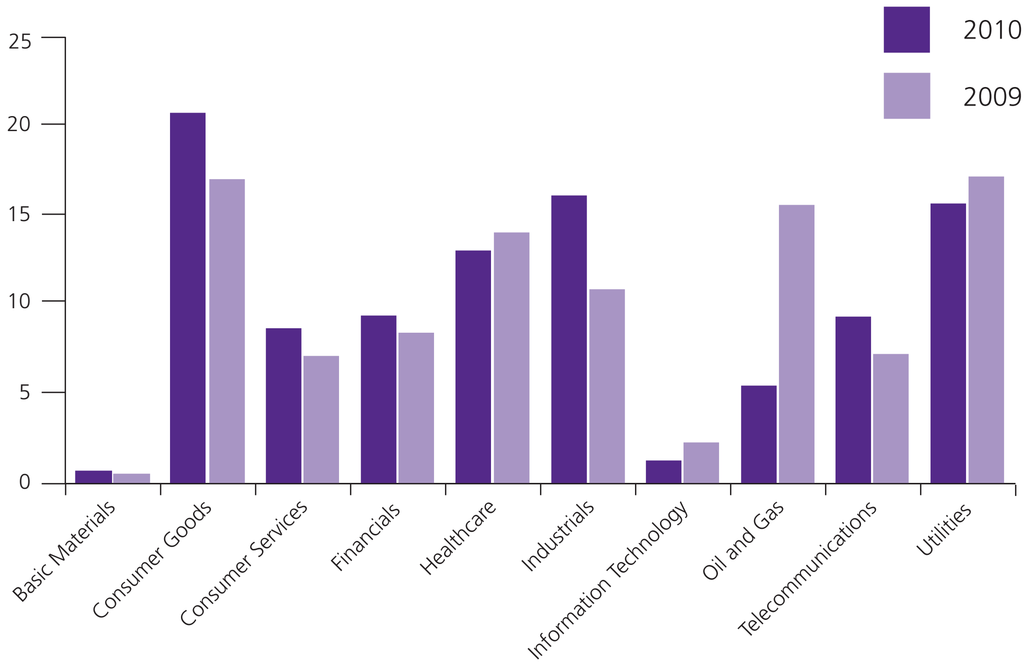
Figures have been rebased to 100 at 31 March 2000.



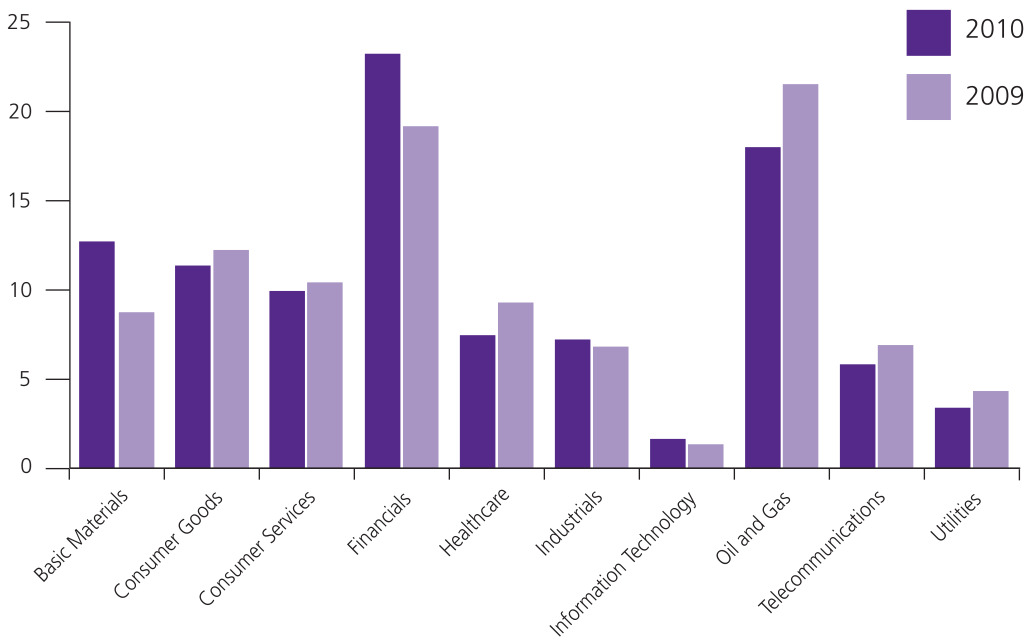
Sector Analysis

As at 31 March

Allocation of Portfolio by Sector



Allocation of Benchmark by Sector



CHAIRMAN'S STATEMENT

Performance

Over the 12 months from 1 April 2009 to 31 March 2010, the Company's shares produced a total return of 31.0% to shareholders, while the total return of the Company's benchmark for performance measuring purposes, the FTSE All-Share Index, was 52.3%. (All these figures are with income reinvested.) On 31 March 2010, the discount of the share price relative to net asset value (debt at par) was 5.8%. Further details can be found in the Investment Manager's Report, which can be found on page 8.

Dividend

For the year ended 31 March 2010, two interim dividends were paid. An increased first interim dividend of 3.4p (2009: 3.3p) was paid to shareholders on 11 December 2009 and the second interim of 5.4p (2009: 5.2p) was paid on 31 March 2010, giving total dividends paid for the year of 8.8p (2009: 8.5p, excluding a special dividend of 0.84p paid in respect of the recovery of VAT on management fees). The Board's aim is for the Company to maintain its policy of real dividend growth over the medium term.

With effect from the financial year commencing on 1 April 2010, the Board intends to increase the frequency at which the Company pays dividends from twice yearly to quarterly. It is therefore the aim of the Directors to pay quarterly dividends in September, December, March and June of each calendar year, with the first quarterly dividend to be paid in September 2010 in respect of the period 1 April 2010 to 30 June 2010.

Proposed Issue of B Shares

On 14 May 2010, the Board announced a proposal to raise additional capital for the Company by way of an issue of B shares. These new shares would carry exactly the same rights as existing ordinary shares save for the payment of distributions; when ordinary shareholders receive their dividends, B shareholders would receive a capital distribution of the same amount.

In consultation with its advisers, the Board decided to postpone this issue and released an announcement to the London Stock Exchange on 3 June 2010 to that effect. The Board believed that the uncertain market conditions prevailing at that time were not conducive to raising new money from existing shareholders and potential new investors.

However, the Board, its advisers and Manager all believe that, given the right conditions, a B share issue would be popular with investors and benefit existing shareholders. At shareholder meetings held on 9 June 2010, resolutions enabling an issue of B shares to proceed were adopted by overwhelming majority. This will allow the Company to issue B shares at relatively short notice in the future if conditions permit and existing shareholders and potential new investors have shown their support for such an issue. Subsequent to the year end, the Company has made a provision of £100,000 against its share of the costs incurred up to the date of postponement. If a decision to proceed is taken by the Board and it is successful, there will be no additional costs to existing shareholders.

Gearing

Actual gearing of the Company was 20% at the year end (2009:17%). The Board's policy is to allow gearing up to a level of 25%.

Subscription Share Exercise

During the year under review, subscription shareholders had their third opportunity to exercise their right to subscribe for one ordinary share of the Company at a price of 218.94p. The subscription period ended on 31 August 2009. As a result, 38,492 shares were allotted on 11 September 2009. Subscription shareholders will have further opportunities to convert their holdings in each of the years 2010 to 2013.

Issued Share Capital

At the year end the issued share capital of the Company was 210,051,017 ordinary shares of 10p each and 17,682,432 subscription shares. During the year the rating of the Company's shares remained high and occasionally, its shares traded at a premium to net asset value ('NAV'). At times, demand for shares exceeded supply and the Company responded to two requests for issues of new shares totalling 1,607,905 in July 2009.

CHAIRMAN'S STATEMENT

continued

Board of Directors

James D'Albiac retired from the Board at the conclusion of the Company's Annual General Meeting held on 8 July 2009. Mr D'Albiac made a significant contribution to the Board during his 13 years of service as a Director.

In order to ensure that the Board continues to have the right balance of skills, experience and length of service, succession planning of the Directors is reviewed on an ongoing basis by the Board. This has been demonstrated by the various changes which have been made to the constitution of the Board over the last three financial years.

The Board currently consists of five Directors, four of whom are considered wholly independent as per the AIC Code of Corporate Governance. Two of the Directors, namely Antony Hardy and Sir Martyn Arbib, have been on the Board for longer than nine years, the period beyond which shareholders may consider that length of service can compromise directors' independence. The Board, however, does not believe that, in the case of Antony Hardy and Sir Martyn Arbib, length of service compromises independence. In fact the knowledge shared by both these Directors has proven invaluable to the Board.

Further details of the Directors can be found in their biographies on page 12.

Corporate Governance

The Board remains committed to maintaining the highest standards of Corporate Governance and is accountable to you as shareholders for the governance of the Company's affairs. The Directors believe that, during the period under review, they have complied with the provisions of the AIC Code of Corporate Governance as endorsed by the Financial Reporting Council, save in respect of matters discussed in the Corporate Governance statement contained on pages 26 to 32.

Annual General Meeting ('AGM')

At the AGM there are three items of Special Business to be proposed:

Share Issuance

1. The Directors are seeking the usual authority to issue up to an aggregate nominal amount of £7,001,700 (a third of the Company's issued share capital as at 11 June 2010) in new ordinary shares. This will allow Directors to issue shares within the prescribed limits should any favourable opportunities arise to the advantage of shareholders. This authority will expire at the AGM in 2011.

2. The Directors are also seeking the usual authority to issue new ordinary shares pursuant to a rights issue or otherwise than in accordance with a rights issue of up to an aggregate nominal amount of £2,100,510 (10% of the Company's issued share capital as at 11 June 2010) of new ordinary shares disapplying pre-emption rights. This will allow shares to be issued to new shareholders without their having to be offered to existing shareholders first, thus potentially broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV so that the interests of existing shareholders are not diluted and will expire at the AGM in 2011.

Notice Period for General Meetings

3. The EU Shareholder Rights Directive, which was implemented in October 2009 increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. A shareholders' resolution is required to ensure that the Company's general meetings (other than AGMs) may be held on 14 days' notice. Accordingly, Special Resolution 11 will propose that the period of notice for general meetings of the Company (other than AGMs) shall be not less than 14 clear days' notice. It is intended that this flexibility will be used only for non-routine business and where it is in the interests of shareholders as a whole.

At the Extraordinary General Meeting held on 9 June 2010, shareholders approved special resolutions authorising the Directors to buy-back up to 14.99% of the Company's ordinary shares (and B shares, should they be issued). This authority expires at the conclusion of the 2011 AGM. For this reason, buy-back resolutions will not be put to shareholders at the 2010 AGM.

The Directors have carefully considered all the resolutions proposed in the Notice of the AGM (shown on pages 54 to 57) and, in their opinion, the Directors 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. The AGM of the Company will be held at The Lanesborough, Hyde Park Corner, London SW1X 7TA on 12 July 2010 at 12 noon. I do hope that as many shareholders as possible are able to attend. This will be an opportunity not only to meet the Directors, but also to hear the views of Mark Barnett, who is the investment manager at Invesco Perpetual with the day-to-day responsibility for managing the Company's portfolio.

Bill Alexander
Chairman
11 June 2010

Set against a backdrop of unprecedented government stimulus measures, record low interest rates and improving economic data, the UK stockmarket staged a remarkable recovery in the 12 months to 31 March 2010. The FTSE All-Share Index rose by 52.3% (total returns) over the period having hit a 10 year low in March 2009. The favourable conditions generated optimism among investors that the economy had started to recover. This sentiment was reflected in the renewed appetite for riskier assets, which saw market performance dominated by share price appreciation of companies in industrial, financial and commodity sectors of the market at the expense of sectors with stable, predictable earnings. It is worth remembering that we started the year in the midst of a deep recession with a bleak and troubling near term outlook for the UK economy. This rather depressing prospect improved as the year progressed, with considerable help from government stimulus.

The Bank of England's Monetary Policy Committee (MPC) kept interest rates on hold at 0.5% throughout the review period and introduced a quantitative easing programme of £200 billion, which serves to illustrate the fact that the authorities see the recovery remaining fragile and, for now, dependent on help from monetary and fiscal stimulus.

Despite the positive sentiment created by the encouraging economic data and the rebound in company profits, the Manager continues to pursue a cautious stance on the outlook for the UK economy, believing that a number of headwinds persist; not least the new coalition government and its ability to address the UK public debt problem within a sensible time frame.

Portfolio Strategy & Review

The Company's net asset value ('NAV'), including reinvested dividends, rose by 31.0% during the 12 months to the end of March 2010, compared to a rise of 52.3% from the FTSE All-Share Index (total returns).

The Company generated healthy absolute returns over the review period but on a relative basis was not able to keep pace with the performance of the FTSE All-Share Index. This was largely on account of the bias towards defensive sectors of the market, such as utilities, tobacco and pharmaceuticals, which fell out of favour in an environment where investors continued to sell defensives to buy cyclical companies. The Company's lack of exposure to the mining sector was a costly mistake over this period as the state sponsored resilience of the Chinese economy prompted a surprisingly rapid recovery in commodity prices.

In terms of portfolio activity some diversification was added to take advantage of opportunities to invest in good quality businesses at cheap valuations. There were several new holdings within the Company, including Babcock International, Wm Morrison, Compass Group and VT Group.

Babcock International was purchased following a period of share price weakness and in order to increase the Company's exposure to growth in government outsourcing following the General Election. After the end of the period Babcock succeeded in acquiring VT Group. The portfolio had holdings in both companies and has retained a position in the enlarged group, which has become a business with increased exposure to outsourcing in central government expenditure.

A new holding in Wm Morrison was initiated following the announcement of the change of management. Following the departure of the previous CEO, the shares performed poorly and a decision was made to build a holding as the company continues to succeed in executing its strategy of margin recovery and geographic expansion. A dip in Compass Group's share price during the review period presented an attractive entry point to purchase the shares at a favourable valuation.

In terms of disposals from the portfolio, life insurer Just Retirement was sold after being acquired by private equity. Oil majors BP and Royal Dutch Shell were sold to seek better growth opportunities elsewhere in the market. Following periods of strong performance, Arm Holdings and British Airways were also removed from the portfolio.

Outlook

The enormous levels of fiscal and monetary stimulus pursued by the government and the Bank of England over 2009 have provided much support for the UK economy. As a consequence, many investors are of the opinion that the economy is on a steady path to recovery, similar to the experience of the early 1990's, and, in response, the UK equity market has moved higher to reflect this positive view. Despite the signs that the economy is stabilising, the Manager continues to believe that the UK economy is less strong than many others believe.

The Manager has identified a number of problems which still face the economy, and which cloud the more optimistic view. Specifically, high levels of consumer and government debt, high and rising petrol prices, a dysfunctional banking system, political uncertainty following the General Election (as changes to public sector spending are announced and start to feed through to general economic behaviour) and uncertainty over the state of Sovereign finances around the developed world. The Manager believes that the recently announced Eurozone rescue package will serve merely to alleviate the sense of panic in global equity and bond markets. Ultimately, the package does not address the broader economic problems within the highly indebted countries of the Eurozone.

The Manager believes that these issues pose major risks to the longer term health of the UK economy as well as to the strength of the recovery from the recession. Unless and until these headwinds subside, an uncertain and protracted recovery is foreseen. The current composition of the Company reflects the Manager's cautious view, with sectors such as utilities, tobacco and pharmaceuticals featuring prominently in the portfolio. The significant disparity in the performance of the UK equity market over the past year has created a large opportunity to buy these kinds of companies at very low valuations compared to their historic average. The Manager believes that, notwithstanding the difficulty in UK macro economic forecasting, the biggest valuation anomaly remains in these areas of the stock market.

In terms of the outlook for the UK equity market, the Manager believes that UK equities are now fairly valued and that the stockmarket could rise modestly in 2010, even though there are pockets of over valuation. The most plausible outcome is that market leadership will rotate from cyclicals to defensives, which will benefit the positioning of the portfolio.

From the perspective of UK dividends, the Manager is confident that the UK market will continue to be among the better income generating markets globally. Given the favourable valuation starting point for many of the shares held and the high level of confidence which the Manager holds for the future level of growth in dividends, he believes the outlook for the portfolio looks very promising.

Mark Barnett
Investment Manager
11 June 2010

INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2010

Ordinary shares listed in the UK unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
Reynolds American (US common stock)	Tobacco	33,791	5.8
British American Tobacco	Tobacco	30,264	5.2
Imperial Tobacco	Tobacco	30,123	5.1
Vodafone	Mobile Communications	28,696	4.9
AstraZeneca	Pharmaceutical and Biotechnology	27,456	4.7
BG	Oil and Gas Producers	27,443	4.7
GlaxoSmithKline	Pharmaceutical and Biotechnology	25,694	4.4
Tesco	Food and Drug Retailers	23,308	4.0
BT	Fixed Line Communications	19,057	3.2
BAE Systems	Aerospace and Defence	18,703	3.2
Top ten holdings		264,535	45.2
Capita	Support Services	18,318	3.1
National Grid	Gas, Water and Multiutilities	17,194	2.9
International Power	Electricity	16,186	2.8
Centrica	Gas, Water and Multiutilities	15,999	2.7
Reckitt Benckiser	Household Goods	15,598	2.7
Hiscox	Insurance	13,409	2.3
Balfour Beatty	Construction and Materials	12,681	2.2
Scottish & Southern Engineering	Electricity	11,326	1.9
Compass	Travel and Leisure	11,236	1.9
Pennon	Gas, Water and Multiutilities	10,468	1.8
Top twenty holdings		406,950	69.5
VT	Support Services	10,075	1.7
Provident Financial	Finance	9,710	1.7
Morrison (W) Supermarket	Food and Drug Retailers	9,512	1.6
Drax	Electricity	9,469	1.6
Rentokil Initial	Support Services	9,391	1.6
Northumbrian Water	Water	9,088	1.5
BTG	Pharmaceutical and Biotechnology	8,562	1.5
Tate & Lyle	Food Producers	8,289	1.4
Sage	Software and Computer Services	7,336	1.3
Beazley	Property	7,259	1.2
Top thirty holdings		495,641	84.6
Bunzl	Support Services	7,244	1.2
KCOM	Fixed Line Telecommunications	6,897	1.2
Homeserve	Support Services	6,551	1.1
Babcock International	Support Services	5,900	1.0
Rolls Royce – ordinary	Aerospace and Defence	5,515	0.9
– C shares		44	
Impax Environment	Equity Investment Instruments	5,345	0.9
		176	
Lombard Medical	Healthcare Equipment & Services	4,375	0.7
Altus Resource	Oil and Gas Producers	4,168	0.7
Yell	Media	3,876	0.7
UK Coal	Coal	3,436	0.6
Top forty holdings		549,168	93.6

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
Biocompatibles International	Healthcare Equipment & Services	3,289	0.6
Damille Investments	Finance	3,270	0.6
Impax Asian Environment – ordinary & subscription shares	Equity Investment Instruments	3,107	0.5
ITV	Media	2,851	0.5
Ecofin Water & Power – ordinary 0.1p & 0.001p	Finance	2,818	0.5
Macau Property	Finance	2,740	0.5
Trading Emissions	Equity Investment Instruments	2,628	0.4
Vectura	Pharmaceutical and Biotechnology	2,247	0.4
Helphire	Financial	2,172	0.4
Puricore	Personal Goods	1,962	0.3
Top fifty holdings		576,252	98.3
Imperial Innovations	Pharmaceutical and Biotechnology	1,946	0.3
Climate Exchange	Equity Investment Instruments	1,840	0.3
Landcom International	Food Producers	1,382	0.2
Fusion IP	Pharmaceutical and Biotechnology	1,023	0.2
Renovo	Pharmaceutical and Biotechnology	872	0.2
Xcounter AB	Healthcare Equipment & Services	708	0.1
XTL Biopharmaceuticals (US ADR)	Pharmaceutical and Biotechnology	71	—
Napo Pharmaceuticals (US Common Stock)	Pharmaceutical and Biotechnology	62	—
Mirada	Software and Computer Services	28	—
Total Equity Investments (59)		**584,184**	**99.6**

ISSUER AND ISSUE	MOODY/S&P RATING[1]	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Other Investments				
Barclays Bank – Nuclear Power Notes 28 February 2019[2]	NR/NR	Electricity	2,014	0.3
Ecofin Water & Power 6% 31 May 2016	NR/NR	Equity Investment Instruments	512	0.1
Total Other Investments (2)			**2,526**	**0.4**
Total Investments (61)			**586,710**	**100.0**

Notes: (1) NR is non-rated.

(2) Contingent Value Rights ('CVRs') referred to as Nuclear Power Notes ('NPNs') were offered by EDF as a partial alternative to its cash bid for British Energy ('BE'). The NPNs were issued by Barclays Bank. The CVRs participate in BE's existing business at the time of the takeover.

DIRECTORS

Bill Alexander CBE †* (Chairman of the Main 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 is currently Non-Executive Chairman of Wigborough Ltd and The Henley Festival Limited. He was previously 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.

Vivian Bazalgette †*
Vivian Bazalgette was appointed to the Board on 21 May 2007. He is a Non-Executive Director of Henderson High Income Investment Trust plc and Brunner Investment Trust plc. He is a member of the Investment Committee of St. James Place plc and an adviser to BAE Systems Pension Fund and to the Nuffield Foundation. He is also a Trustee of both King's College Hospital Charitable Trust and The Dulwich Estate. He is currently a Governor of Dulwich College. 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 appointed Chief Investment Officer of Prudential from 2000 to 2002.

Sir Martyn Arbib
Sir Martyn was appointed to the Board on 6 February 1996. He was the founder and Chairman of Perpetual plc, which became part of The Invesco Group on 7 December 2000, and left the company in 2002.

Antony Hardy †* (Chairman of the Audit Committee and Senior Independent Director)
Antony Hardy was appointed to the Board on 2 February 1996. He is Investment Adviser to Essex County Council Pension Fund and South Yorkshire Pension Fund. He is adviser to a number of endowed charities and trusts, a Director of Sableknight Limited and was previously Investment Manager of the Church Commissioners for England.

Bob Yerbury
Bob Yerbury was appointed to the Board on 4 December 2008. He is a Senior Managing Director of Invesco Ltd. and Chief Investment Officer of Invesco Perpetual. His investment career now 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 responsibilities in September 2008, continuing as CIO of the investment team in Henley and with his wider group responsibilities. 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.

†Member of the Audit Committee.

*Member of the Management Engagement Committee.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

All of the following were in place throughout the year.

Manager, Company Secretary and Registered Office

Perpetual Income and Growth Investment Trust plc is managed by Invesco Asset Management Limited. Day-to-day investment management is the responsibility of Mark Barnett who is a member of the UK equity investment team.

Invesco Asset Management Limited
30 Finsbury Square
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☎ 020 7065 4000
Company Secretarial contact: Karina Bryant

Company Number

Registered in England and Wales
Number 3156676

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team, available from 8.30 am to 6 pm, Monday to Friday (excluding Bank Holidays). Please feel free to take advantage of their expertise.
☎ 0800 085 8677
www.invescoperpetual.co.uk/investmenttrusts

Registrars

Capita Registrars
Northern House
Woodsome Park
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Huddersfield
West Yorkshire HD8 0LA

If you hold your shares directly and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars ☎ 0871 664 0300.
Calls cost 10p per minute plus network extras.
Lines are open from 8.30 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

The Registrars provide on-line and telephone share dealing services to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or ☎ 0871 664 0454
Calls cost 10p per minute plus network extras.
Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

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

Auditors

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1 Little New Street
London EC4A 3TR

Custodian

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

Stockbrokers

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

SHAREHOLDER INFORMATION

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

Savings Plan and ISA

The Company is a member of the Invesco Perpetual Investment Trust Series 1: Savings and Investment Plan and the Invesco Perpetual Investment Trust Series 1: ISA. The Company's Ordinary and Subscription shares can be purchased and sold via these two schemes.

Invesco Perpetual Investment Trust Series 1: Savings and Investment Plan

The Invesco Perpetual Investment Trust Series 1: Savings and Investment Plan allows an investor to make monthly purchases from £20 per month or through lump sum investments of £500 or above in the shares of the Company in a straightforward and low cost way.

Invesco Perpetual Investment Trust Series 1: ISA

The Invesco Perpetual Investment Trust Series 1: ISA allows investments up to £10,200 in the shares of the Company in each tax year. Investors can also choose to make lump sum investments from £500, or regular investments from £20 per month.

For full details of these Invesco Perpetual Investment Schemes please contact Invesco Perpetual's Investor Services team free on 0800 085 8677.

Share Price Listings

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

In addition, share price information can be found under the following:

Reuters	
ordinary shares	PLI.L
subscription shares	PLIS.L
Bloomberg	
ordinary shares	PLI:LN
subscription shares	PLIS:LN
Internet addresses	
Trust Net	www.trustnet.com
Interactive Investor	www.iii.co.uk
Association of Investment Companies	www.theaic.co.uk

NAV Publication

The NAV is published daily in The Daily Telegraph and The Financial Times and notified to the London Stock Exchange the next business day. All London Stock Exchange announcements appear on the Company's website.

Company Website

The Company's website can be located at www.invescoperpetual.co.uk/investmenttrusts.

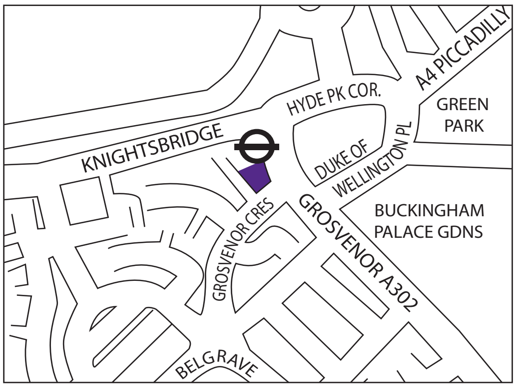
Financial Calendar

The Company publishes information according to the following calendar:

Announcements	
Annual Results	June
Half-yearly Results	November
Interim Management Statements	July/October
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

Location of AGM

The Lanesborough, Hyde Park Corner, London SW1X 7TA on 12 July 2010 at 12.00 noon. The AGM will be followed by light refreshments.



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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2010

Introduction and Content

The Directors have pleasure in presenting their Report for the year ended 31 March 2010, which incorporates the Business Review and includes the Corporate Governance Statement.

Nature of the Company

The Company was incorporated and registered in England and Wales on 2 February 1996 as a public limited company under the Companies Act 2006 (the 'Act') registered number 3156676.

The Company is an investment company as defined by Section 833 of the Act and operates as an investment trust within Section 842 of the Income and Corporation Taxes Act 1988 ('s842 ICTA'). HM Revenue and Customs have approved the Company's status as an investment trust, subject to there being no subsequent enquiry under Corporation Tax Self Assessment, in respect of the year ended 31 March 2009. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval, whether under s842 ICTA or under subsequent legislation under s1158 of the Corporation Tax Act 2010.

Investment Policy

The Company's investment objective, investment policy and risk and investment limits combine to form the 'Investment Policy' of the Company.

Investment Objective

The Company's investment objective is to generate capital growth with a higher than average income from investment mainly in the UK equity market. It is intended that the Company will provide real dividend growth over the medium term.

Investment Policy and Risk

The Company will invest mainly in above average yielding UK equities and equity-related securities of UK companies. However, a portion of the portfolio may be invested in equities with a lower initial yield which are considered to have good potential for income growth. At certain times, up to 10% of the gross assets may be invested in fixed interest securities, where the main criteria for inclusion will be capital certainty, good liquidity and high credit quality. In addition, up to 10% of gross assets may be invested in non-UK equities.

The Manager will construct a portfolio which reflects his 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. The size of weightings will reflect the Manager's view of the attractiveness of a security and the degree of conviction. 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 across all market sectors. 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 (gearing) can enhance returns to shareholders and the Company will use borrowings in pursuing its investment objective.

Investment Limits

The Board has prescribed limits on the Investment Policy, the most significant of which are the following:

- the Company will not invest more than 12% of its gross assets in any single investment;
- the Company will not invest more than 15% of its gross assets in other listed investment companies;
- the Company will not invest more than 10% of its gross assets in non-UK equities;
- the Company will not invest more than 10% of its gross assets in fixed interest securities;
- the Company will not invest more than 5% of its gross assets in unquoted investments; and

REPORT OF THE DIRECTORS
continued

- gearing may be used to raise equity exposure up to a maximum of 25% of net assets at the time of purchase where it is appropriate.

The Manager monitors the portfolio on a daily basis to ensure adherence to its Investment Policy.

Share Capital

Ordinary Shares

At the year end the Company's share capital included 210,051,017 ordinary shares. During the year 38,492 ordinary shares were issued at 218.94p each following an exercise of subscription shares and 1,607,905 ordinary shares were issued at an average price of £1.85. No shares were bought back during the year and no shares were held in treasury at the year end.

Rights Attaching to the Ordinary Shares

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

The profits of the Company available for distribution and resolved to be distributed, subject to the provisions of UK law, shall be distributed by way of dividends to the holders of the ordinary shares. On a return of capital on liquidation, the assets of the Company shall be applied, *pari passu* with any payment to the holders of the subscription shares, in repaying to the holders of both classes of shares a sum equal to the nominal capital paid up or credited as paid up on the shares held by them respectively. The remaining balance shall be distributed rateably among the holders of the ordinary shares (and B shares in the event they are issued) according to the number of shares held by them.

At a general meeting of the Company every ordinary shareholder 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 either by proxy or present in person in relation to resolutions to be passed at a general meeting.

If any shareholder has been duly served with a notice pursuant to Section 793 of the Act (which confers the power to require information with respect to interests in voting rights) and has failed in relation to any ordinary shares ('default shares') to give the Company the information thereby required within 14 days from the service of the notice, then unless the Directors otherwise determine, the member shall not, for so long as the default continues, be entitled (in respect of the default shares) to attend or vote at any general meeting or on any poll. Where the default shares represent 0.25% or more in nominal value of the issued ordinary shares (excluding any treasury shares), the Directors may in their absolute discretion by notice to such member direct any dividend or part thereof or other money which would otherwise be payable in respect of the default shares to be retained by the Company. When such money is finally paid to the shareholder, he shall not be entitled to receive interest or elect to receive shares in lieu of dividend.

Subscription Shares

At the year end the Company's share capital included 17,682,432 subscription shares. During the year 38,492 subscription shares were converted into ordinary shares.

Rights Attaching to the Subscription Shares

On 31 August (the 'subscription date') in each of the years 2006 to 2013, subscription shareholders have the right to convert all or any of their subscription shares into fully paid ordinary shares of 10p each on the basis of one ordinary share for every subscription share so converted at a price of 218.94p per share (being 110% of the net asset value of an ordinary share as at close of business on 26 May 2005). Not earlier than 56 days or later than 28 days before each subscription date, the Company will give notice in writing to subscription shareholders reminding them of their subscription rights and providing the appropriate information required for conversion.

The holders of the subscription shares are not entitled to any right of participation in the profits of the Company. On a return of capital on liquidation or otherwise the assets of the Company shall be applied, *pari passu* with any payment to the holders of the ordinary shares, in repaying to the holders of the subscription shares a sum equal to the nominal capital paid up or credited as paid up on the subscription shares held by them respectively. The holders of the subscription shares are not entitled to any further right of participation in the assets of the Company.

Subscription shareholders have the right to receive notices of general meetings and to attend, speak and vote at a general meeting only if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the subscription shares and then only on such resolution. Wherever the holders of the subscription shares are entitled to vote at a general meeting, every subscription shareholder has one vote on a show of hands and on a poll one vote for each subscription share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.

B Shares

An Extraordinary General Meeting of shareholders was held on 9 June 2010 at which new Articles of Association for the Company were adopted. These Articles of Association allow an issue of B shares to take place should conditions permit. The rights attaching to the B shares are therefore listed below. There were no B shares in issue as at 11 June 2010.

Rights Attaching to the B Shares

The B Shares are identical in all material respects to the Company's ordinary shares, save for the fact that holders of B Shares will not receive distributions from the Company by way of dividend; they will instead receive capital returns. A capital return will be made to the holder of a B Share at the same time as any dividend is paid to the holder of an ordinary share, and will be in an amount equal to any such dividend.

To the extent that any amount in the Capital Repayment Reserve is insufficient to match any dividend paid to ordinary shareholders, a dividend will be paid to B shareholders in an amount equal to any such shortfall following which the B shares will convert into ordinary shares. For certain shareholders, there will be tax and other advantages in receiving a capital return rather than a dividend. Capital returns will be paid to holders of B shares from the Capital Repayment Reserve which will be created from the proposed cancellation of the amount standing to the credit of the Company's share premium account which is referable to the issue. The B shares will convert into ordinary shares once the Capital Repayment Reserve has been fully paid out.

Restrictions on the Transfers of Ordinary, B and Subscription Shares

The Directors may refuse to register any transfer of any ordinary, B or subscription share which is not fully-paid, although such discretion may not be exercised in a way which prevents dealings in the ordinary, B or subscription classes of shares from taking place on an open or proper basis. As at 31 March 2010, the Company's issued share capital did not include any ordinary, B or subscription shares that were not fully paid.

There are restrictions on the transfer of B shares by shareholders located in the US, which make it more difficult for a US person to resell B shares in many instances.

The Directors may refuse to register any transfer of an ordinary, B or subscription share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of ordinary, B or subscription shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws). In certain circumstances, the Directors can require certain US holders of shares to transfer their shares compulsorily.

Share Valuations

On 31 March 2010, the mid-market price and the diluted net asset value (NAV) per ordinary share were 217.9p (2009: 171.0p) and 231.2p (2009: 182.0p) respectively.

Key Performance Indicators

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

- Relative Asset Performance
- Dividend Policy

REPORT OF THE DIRECTORS
continued

- Peer Group Performance
- Premium/Discount
- Total Expense Ratio

Relative Asset Performance

In reviewing the performance of the assets of the Company, the Board monitors the diluted NAV 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.

During the course of the year the diluted capital NAV of the Company rose by 31.4% compared with a rise of 46.7% by the FTSE All-Share Index (capital).

Dividend Policy

It remains the Directors' intention to distribute by way of dividend substantially all of the Company's net income after expenses and taxation.

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. The portfolio will typically command a yield premium to the market. However, the pursuit of income is not a prime objective and dividend yields are not permitted to constrain investment decisions.

For the year ended 31 March 2010, the first interim dividend of 3.4p (2009: 3.3p) per ordinary share was paid on 29 December 2009 and the second interim dividend of 5.4p (2009: 5.2p) was paid on 31 March 2010. This gave a total dividend for the year of 8.8p (2009: 8.5p (excluding a special dividend of 0.84p paid in respect of the recovery of VAT on management fees)), an increase of 3.4%.

The Directors intend to maintain their existing policy of providing ordinary shareholders with real growth in dividends over the medium term and, it is anticipated that the historic rate of dividend growth will continue to be targeted.

With effect from the financial year commencing 1 April 2010, the Company will increase the frequency at which it pays dividends from twice-yearly to quarterly. It is therefore the aim of the Directors to pay dividends in September, December, March and June of each calendar year, with the first quarterly dividend to be paid in September 2010 in respect of the period 1 April to 30 June 2010.

Peer Group Performance

There are currently over 300 investment trusts in the UK of which 22 form the UK Income and Growth sector. This group, however, is quite diverse in its investment policies and structures. The Board monitors the performance of the Company in relation to both the sector as a whole and to those companies within it which the Board consider to be the peer group that most closely match its investment policy and structure.

As at 31 March 2010, out of the 22 investment trusts within the UK Income and Growth sector the Company was ranked number 21 over one year and number 3 and 2 over three and five years respectively by NAV performance (source: J.P. Morgan Cazenove)

Premium/Discount

The Board monitors the premium/discount at which the Company's ordinary shares trade in relation to the assets and how this compares to other investment trusts in the peer group. During the year the Company's ordinary shares traded to diluted NAV in the range of a discount of 9.6% to a premium of 7.4% and at the year end the discount was 5.8% (2009: 6.0%). As at 31 March 2010, the average discount of the 22 investment trusts in the UK Growth and Income Sector was 6.9% (2009: 6.6%) (source: J.P. Morgan Cazenove).

The Board and Manager closely monitor movements in the Company's ordinary share price and dealings in the Company's ordinary shares. In order to avoid significant overhang or shortage of ordinary shares in the market the Board asks shareholders to approve resolutions every year which allow for the repurchase of ordinary shares (for cancellation or to be held as treasury shares) and also their issuance. This authority was provided at the Company's EGM, which took place on 9 June 2010. This may assist in the management of the diluted discount.

The Company does not currently hold 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.

Total Expense Ratio ('TER')

The expenses of managing the Company are carefully monitored by the Board and the TER provides a guide to the effect on performance of the annual operating costs. The Board reviews expenditure using an annual budgetary process. The TER for the year was 1.1% (2009: 1.0%) based on management fees and other expenses (excluding any VAT or related refunds and performance fee) of £4,718,000 (2009: £4,220,000). The TER for the prior year, including the performance fee of £853,000, was 1.2%.

Current and Future Development

As part of the Company's overall strategy, the Company will seek to manage its affairs so as to maximise returns for shareholders. One of the Board's longer-term objectives is to increase the size of the assets of the Company in a manner consistent with seeking to maximise returns for shareholders.

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Manager's Report on pages 8 and 9. Further details as to the risks affecting the Company are set out below under 'Principal Risks and Uncertainties' on pages 20 to 21.

Resources

The Company is an investment trust which outsources its management and administrative functions. As a result the Company has no employees. Through the contractual arrangements in place, a full range of services are available to it. The most significant contract is with the Manager, Invesco Asset Management Limited ('IAML'), to whom responsibility for the investment management of the portfolio is delegated. The Board reviews the performance of the Manager formally at every Board Meeting and when market conditions dictate.

The day-to-day responsibility for the investment management of the portfolio rests with the Manager. The Board has adopted guidelines within which the Manager is permitted wide discretion; decisions made outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the contract formally every year. The outcome of this review is commented upon on page 23.

Other contractual arrangements govern relationships with the Company Secretary and Administrator, Corporate Broker, Registrar, Banker and Custodian. These contracts are also reviewed by the Board in relation to agreed service standards on a regular basis and more formally on an annual basis.

Shareholder Communication

Through the annual and half-yearly financial reports, interim management statements, monthly fact sheets, the Company's website, the AGM and the publication of a daily NAV and other methods, the Board endeavours to ensure that shareholders understand the Company's Investment Policy and that the Board, both independently and through the Manager, reviews its Investment Policy in the light of feedback from shareholders. The Board monitors and reviews shareholder communications on a regular basis.

Advisers and Principal Service Providers

The Company's main supplier of services is the Manager who provides both investment management services and company secretarial and administrative support.

The Company has the following advisers:

- Capita Registrars as Registrar;
- The Bank of New York Mellon as Banker and Custodian;
- Deloitte LLP as Auditors; and
- Winterflood Investment Trusts as Corporate Broker.

Further details of the Company's advisers can be found on page 13.

REPORT OF THE DIRECTORS
continued

Principal Risks and Uncertainties

The principal risk factors relating to the Company can be divided into various areas:

Investment Policy and Process

There is no guarantee that the Investment Policy adopted by the Company will provide the returns sought by the Company. The Board has established guidelines to ensure that the Investment Policy that is approved by shareholders is pursued by the Manager.

Risk management is an integral part of the investment management process. The Manager effectively controls risk by ensuring that the Company's portfolio is always appropriately diversified. In-depth and continual analysis of the fundamentals of all holdings gives the Manager a full understanding of all the financial risks associated with any particular security.

Market Movements and Portfolio Performance

The majority of the Company's investments are traded on the London Stock Exchange. The principal risk for investors in the Company is of a significant fall in the markets and/or prolonged period of decline in the markets relative to other forms of investment as well as bad performance of individual portfolio investments. The prices of these securities are influenced by many factors including the general health of the world (and particularly the UK) economy including: interest rates; inflation; government policies; industry conditions; political and diplomatic events; tax laws; environmental laws; and by the demand from investors for income. The Manager strives to maximise the total return from the securities in which it invests, but these securities are influenced by market conditions and the Board acknowledges the external influences on portfolio performance. While the Board obviously cannot influence market movements, it is vigilant in monitoring and taking steps to mitigate the effects of falls in markets should they occur. The performance of the Manager is carefully monitored by the Board, and the continuation of the Manager's mandate is formally reviewed each year.

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 that share repurchase and issuance facilities help the management of this process.

Past performance of the Company, and all of the securities managed by the Manager, are not necessarily indicative of future performance.

For a fuller discussion of the economic and market conditions facing the Company and the current and future performance of the portfolio of the Company, please see both the Chairman's Statement on pages 5 to 7 and the Investment Manager's Report on pages 8 and 9.

Ordinary Shares

The market value of an ordinary share, as well as being affected by its NAV, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an ordinary share can fluctuate and may not always reflect its underlying NAV. The market price of an ordinary share may therefore trade at a discount to its NAV. As at 31 March 2010, an ordinary share of the Company traded at a discount of 5.8%. During the year, the Company's shares traded at an average discount of 3.1% (2009: 3.8%).

There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. Due to the potential difference between the mid-market price of the ordinary shares and the prices at which they are sold, there is no guarantee that their realisable value will reflect their market price.

While it is the intention of the Directors to pay dividends to ordinary shareholders quarterly each year, the ability to do so will depend upon the level of income received from securities and the timing of receipt of such income by the Company. Accordingly, the amount of the quarterly dividends paid to ordinary shareholders may fluctuate.

Gearing

Whilst the use of borrowings by the Company should enhance the total return on the ordinary shares where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. As at 31 March 2010, gearing was provided by a bank overdraft of up to £75 million and the £30 million debenture.

Regulatory

The Company is subject to various laws and regulations by virtue of its status as a public limited company registered under the Act, as an investment trust, and its listing on the London Stock Exchange.

A breach of Section 842 ICTA could lead to the Company being subject to capital gains tax on the sale of its investments. A serious breach of other regulatory rules may lead to suspension from the London Stock Exchange, a fine or a qualified Audit Report. Other control failures, either by the Manager or any other of the Company's service providers, may result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with Section 842 ICTA and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance and Internal Audit Officers produce regular reports for review by the Company's Audit Committee.

If, under UK law or accounting rules and standards applicable to the Company, there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends and, accordingly, capital returns.

Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 19 to the financial statements.

Reliance on Third Party Service Providers

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

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

Financial Position

Assets and Liabilities

At 31 March 2010, the Company's net assets were £488 million (2009: £379 million). These comprised a portfolio of equity investments, non-equity investments, cash and other net current liabilities. The Company has a £75 million overdraft facility of which £69.9 million (2009: £36.3 million) was drawn at the year end. The Company has additional long-term gearing provided by a £30 million 6.125% debenture with amortised cost at the year end of £29.8 million (2009: £29.7 million).

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sale of investments and the income from investments against which must be set off the costs of borrowing and management expenses. During the year the Company received £85,000 from the issue of 38,492 ordinary shares following the exercise of the same number of subscription shares. The Company also received £2,977,000 from the issue of 1,607,905 new ordinary shares.

Financial Instruments

The Company's use of financial instruments is disclosed in note 1(c) and note 19 to the financial statements.

Gearing Policy

Gearing policy is under the control of the Board. The maximum limit for gearing 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 gearing 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 gearing of the debenture stock.

£30,000,000 6.125% Debenture 2014

The debenture was issued in July 1999, is secured by a floating charge over all the Company's assets and has a fixed rate of 6.125%. Interest is payable on 31 January and 31 July.

Environmental Matters, Employees and Social and Community Issues

As an investment trust company with no employees, property or activities outside investment management, the disclosure of information about environmental matters, the Company's employees and social and community issues is not given.

The Manager considers various factors when evaluating potential investments. Some are financial ratios and measures, such as free cash flow, earnings per share and price to book value. Others are more subjective indicators which rely on first hand research; for example, quality of management, innovation and product strength. While a company's policy towards the environment and social responsibility is considered as part of the overall assessment of risk and the suitability of the company for the portfolio, the Manager does not necessarily preclude an investment being made on environmental and social grounds alone.

At the AGM in 2007, the Directors received approval from shareholders to send or supply documents or information to shareholders in electronic form (e.g. by e-mail) or by means of a website. This delivers environmental benefits through the reduced use of paper and of the energy required for its production and distribution.

Investment Management Agreement

Invesco Asset Management Limited ('IAML') is appointed Manager, Administrator and Company Secretary under an agreement dated 20 February 1996 and subsequently amended on 27 December 2001. This agreement is terminable by either party giving not less than one year's notice. Under the agreement, the Manager receives a management fee of 0.1875% per quarter of the Company's funds under management.

A performance-related fee is payable to the Manager annually in arrears, if the Company's performance exceeds the FTSE All-Share Index. The performance-related fee is equal to 10% of the value of any outperformance, but may not exceed 0.75% of the value of the Company's net assets at the relevant performance fee calculation date (which is usually the Company's balance sheet date). Any such performance-related fee is based on the outperformance over the benchmark index after taking into account any previous underperformance.

VAT on Management Fees

As reported in the half-yearly financial report, the Company recovered an additional £291,000 of VAT. This has been credited £101,000 to revenue and £191,000 to capital, in the same proportion as originally charged to the income statement.

No further amounts of VAT are recoverable from the Manager. The Company is, however, engaged with other investment trusts in a collective legal action to seek to recover further amounts of VAT directly from HM Revenue & Customs. To this end an amount of £109,250 has been paid in the current year. No further amounts are expected to become payable.

Statement of 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 also 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 additionally 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 and interim management statements on behalf of the Company and various statistical reports and information throughout the year.

Assessment of the Investment Manager

A regular annual review of the management contract is undertaken by the Management Engagement Committee; however, the performance of the Manager in its role of Investment Manager, Company Secretary and Administrator is subject to continual review by the Board.

The investment objective of the Company is to generate capital growth with a higher than average income from investment mainly in the UK equity market. Overall, the investment process is aiming to achieve absolute return through a genuinely active fund management approach. As the Manager's philosophy does not seek to regard the FTSE All-Share Index as the benchmark for portfolio construction, the portfolio may look substantially different from this index. This may lead to periods of underperformance as well as periods of outperformance.

The Board has formally reviewed the Manager's performance and, whilst short-term relative performance is below benchmark, the Manager has satisfactorily explained the reasons to the Board, details of which can be found in the investment manager's report on pages 8 and 9. He takes a medium to long-term view and has constructed a portfolio to reflect his prospects over that period. The Board agrees with and supports his views 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.

Report of the Audit Committee

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

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

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

The Audit Committee has reviewed the Financial Statements for the year ended 31 March 2010 with the Manager and the Auditors at the conclusion of the audit process.

Auditors

The Audit Committee has considered the independence of the Auditors and the objectivity of the audit process and is satisfied that Deloitte LLP have fulfilled their obligations to shareholders.

Deloitte LLP are willing to continue in office and a resolution, in accordance with Section 489 of the Act, to re-appoint them will be proposed at the forthcoming AGM. A separate resolution for the Directors to be authorised to set the Auditors' remuneration will also be proposed at the AGM.

Disclosure to Auditors

The Directors who held office at the date of approval of the Directors' report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

Substantial Holdings in the Company

At 31 May 2010 the Company had been notified of the following holdings of 3% and over of the Company's ordinary share capital:

	HOLDINGS	%
Invesco Perpetual (non-discretionary savings scheme and ISAs)	63,557,925	30.3
Brewin Dolphin	10,006,726	4.8
Rathbones	9,615,493	4.6
Hargreaves Lansdown Asset Management	9,158,057	4.4
Legal & General Investment Management	8,059,809	3.8
Charles Stanley Stockbrokers	7,731,630	3.7
F&C Asset Management	6,436,474	3.1

Directors

The present members of the Board are listed on page 12.

In accordance with the Board's tenure policy, Sir Martyn Arbib and Antony Hardy will retire annually and offer themselves for re-election, having served on the Board for more than nine years. Bob Yerbury is not considered an independent director by virture of his employment by Invesco. Therefore, in accordance with the AIC Code of Corporate Governance, he will also retire annually and offer himself for re-election. Vivian Bazalgette will retire by rotation at this year's AGM and stand for re-election.

Directors' Interests

The interests of the Directors in the ordinary share capital of the Company at 31 March 2010 are set out below.

	2010		2009	
ORDINARY SHARES	ORDINARY SHARES	SUBSCRIPTION SHARES	ORDINARY SHARES	SUBSCRIPTION SHARES
Bill Alexander	10,000	—	10,000	—
Sir Martyn Arbib	12,000	1,000	12,000	1,000
Vivian Bazalgette	10,000	—	10,000	—
Antony Hardy	11,000	1,000	11,000	1,000
Bob Yerbury	10,000	—	—	—

There were no changes in the above interests between 31 March 2010 and 11 June 2010.

Disclosable Interests

No Director was a party to or had any interest in any contract or arrangement with the Company at any time during the year.

Conflicts of Interest

The Act sets out the Directors' general duties which largely codify the previous law but with some changes. Under the Act, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Act allows the Directors to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The Articles of Association of the Company give the Directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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

The Directors have declared any potential conflicts of interest to the Company. Any potential conflicts of interest are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The register of potential conflicts of interest is kept at the Registered Office of the Company. The Directors will advise the Company Secretary as soon as they become aware of any potential conflicts of interest. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.

Deed of Indemnity

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

However, a Director will not be entitled to be indemnified for any liability to the Company, for fines payable to regulatory authorities, for defending any criminal proceedings in which he is convicted or in defending any civil proceedings bought by the Company in which judgment is given against him. The indemnity does not apply to the extent that a liability is recoverable from any insurers, if it is prohibited by the Act or otherwise prohibited by law, if it relates to tax payable on remuneration or other benefits received, or if a liability arises from an act or omission of the Director which is shown to have been in bad faith.

The Deed of Indemnity is available for inspection at the AGM and at the Registered Office at any time.

Individual Savings Account ('ISA')

Both the ordinary and subscription shares of the Company are qualifying investments under ISA regulations.

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business including purchases of investments, and to abide by those agreed terms. There were no trade creditors at 31 March 2010 (2009: nil).

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. In reaching this conclusion, the Directors took into account the Company's investment objective, its risk management policies (see note 19), the diversified portfolio of readily realisable securities which can be used to meet funding commitments, the overdraft which can be used for both long-term and short-term funding requirements, the liquidity of the investments which could be used to repay the overdraft in the event that the facility could not be renewed or replaced, and the ability of the Company to meet all of its liabilities, including the £30 million debenture, and ongoing expenses.

AGM

Shareholders will find on pages 54 to 57 the notice of the forthcoming AGM of the Company to be held on 12 July 2010 at 12 noon, an explanation of which can be found in the Chairman's Statement on page 5.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Principles

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

In March 2009, the fourth edition of the AIC Code of Corporate Governance ('AIC Code') was published. The Financial Reporting Council have confirmed that AIC member companies who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies ('AIC Guide') would meet their obligations in relation to the Combined Code on Corporate Governance ('Combined Code') and paragraph 9.8.6 of the Listing Rules (relating to additional items to be included in the annual financial report). Copies of the AIC Code and AIC Guide can be found on the AIC's website at *www.theaic.co.uk*.

The purpose of the AIC Code is to provide boards with a framework of best practice for the governance of investment companies (including investment trusts). The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide provides confidence to shareholders, directors and regulators. The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, save in respect of those matters explained below under the relevant sections.

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

During the year under review, the schedule of matters reserved for the Board and, where appropriate, the terms of reference of the Audit Committee, the Management Engagement Committee and the Nomination Committee were reviewed and updated to bring them in line with latest best practice and to ensure compliance with the AIC Code. The Company's corporate governance procedures are considered regularly by the Board and amended as necessary.

This statement describes how the principles of the AIC Code and Guide have been complied with in the affairs of the Company. Any reference to the AIC Code in this statement includes references to the AIC Guide.

Directors

The Directors believe that throughout the period under review they have complied with the provisions of the AIC Code and, therefore section one of the Combined Code, save in respect of those matters explained below under the relevant sections.

Independence

The Board comprises five non-executive Directors, four of whom are considered independent.

Sir Martyn Arbib was founder and chairman of Perpetual plc, which was acquired by Invesco Ltd in December 2000. The Manager, Invesco Asset Management Limited ('IAML'), is a subsidiary of Invesco Ltd. In accordance with the AIC Code, a 'recent employee' of the Manager, who is also a Director of the Company, should not be considered independent unless his employment ceased over five years ago. Sir Martyn's employment with Invesco Ltd ceased in 2002 and the Board are satisfied that he can be considered an independent Director.

Bob Yerbury is Chief Investment Officer and a director of IAML and, in accordance with the AIC Code, is not considered independent.

Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details are shown on page 12.

The AIC Code recommends that any director serving on a board for more than nine years should seek re-election annually. The Board has considered the continued appointment of Sir Martyn Arbib and Antony Hardy in light of their having served on the Board for over nine years and has concluded that they continue, both collectively and individually, to be effective and make valuable contributions to the Board. Notwithstanding their length of service, the Board consider that they each remain independent, a view which has been demonstrated by their actions on behalf of the Company and their other professional involvements.

Chairman

The Chairman is Bill Alexander, a non-executive and independent Director who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer. Due to the size of the Board, the Board has not appointed a deputy chairman.

Senior Independent Director

The AIC Code recommends the appointment of a Senior Independent Director. The Board has therefore appointed Antony Hardy as the Senior Independent Director, who is available to shareholders if they have concerns which contact through the normal channels of Chairman or Manager have failed to resolve or for which such contact is inappropriate.

Supply of Information

To enable the Directors to fulfil their roles, the Manager and Company Secretary ensures that they have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least four times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Manager and Company Secretary and the Board between formal meetings.

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

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.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Invesco Asset Management Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for advising the Board through the Chairman on all governance matters. The appointment and ongoing assessment and review of the Company Secretary are matters for the Board as a whole.

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

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 shareholders of the Company.

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 of matters is reviewed annually to ensure compliance with the latest regulatory requirements, best practice and the AIC Code. It is available at the AGM, at the Registered Office of the Company and on the Company's website.

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 Board Committees; controlling 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 portfolio details given in the annual and half-yearly financial reports, interim management statements, fact sheets and daily NAV disclosures.

The Board as a whole undertakes periodically the responsibilities which would otherwise be assumed by remuneration and nomination committees, having agreed that separate remunerations and nomination committee are not appropriate for a company of this size and nature.

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

The Management Engagement Committee

The Management Engagement Committee comprises Antony Hardy, Bill Alexander and Vivian Bazalgette, all of whom are independent Directors. The Chairman of the Management Engagement Committee is Bill Alexander. The Management Engagement Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference are reviewed annually to ensure compliance with the latest regulatory requirements, best practice and the AIC Code. They will be available for inspection at the AGM, the Registered Office of the Company and the Company's website.

The Management Engagement Committee meets annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager and Company Secretary. A statement of IAML's responsibilities as Manager, Administrator and Company Secretary of the Company and the assessment of the Manager and Company Secretary by the Management Engagement Committee can be found on page 23.

Attendance at Board and Committee Meetings

All the Directors are considered to have an excellent attendance record at scheduled Board and Committee Meetings of the Company. 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 a number of ad-hoc meetings as required between scheduled meetings.

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		MANAGEMENT COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Bill Alexander	5	5	2	2	1	1
Sir Martyn Arbib	5	5	—	—	—	—
Vivian Bazalgette	5	5	2	2	1	1
Antony Hardy	5	5	2	2	1	1
Bob Yerbury	5	4	—	—	—	—

Appointment, Re-election and Tenure of Directors

Directors are selected and appointed by the Board as a whole functioning as a Nomination Committee. There is no separate Nomination Committee as the Board is considered small for the purposes of the Code. The Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering any necessary changes or new appointments. No Director has a formal contract of employment with the Company.

The Board has formulated a formal, rigorous and transparent procedure for the selection and appointment of new Directors to the Board. To date the Board has not used an executive search consultancy or open advertising when seeking new candidates for appointment as the Directors have considered that the candidates found from sources within the Company and through its advisers have been of a sufficiently high quality.

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, can be found on the Company's website and will be available at the AGM.

The Articles of Association require that each Director shall retire at an AGM at least every three years after appointment or (as the case may be) last reappointment, and may offer themselves for re-election. No Director serves a term of more than three years before re-election. Vivian Bazalgette was elected by shareholders at the AGM in 2007 and will therefore retire and offer himself for re-election at the AGM in 2010. 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. If this is the case then a long serving Director will stand for re-election annually at the Company's AGM. Due to their length of service, Sir Martyn Arbib and Antony Hardy will seek re-election annually. In accordance with the AIC code, Bob Yerbury is not considered independent by virtue of his employment by the Manager. He will, therefore, stand for re-election annually.

The Board confirms that the performance of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore recommends to shareholders their support for resolutions 2 through to 5 relating to the Directors seeking re-election.

The Articles of Association will be available at the AGM and can be inspected at the Registered Office address of the Company.

Directors' Remuneration

The Board as a whole reviews Directors' remuneration on a regular basis. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 34 and 35.

Board, Committee and Directors' Performance Appraisal

The Company has in place a system of performance evaluation which is undertaken by the Board annually. Since the year end, the Directors have undergone an appraisal process to evaluate the performance of the Board as a whole, the respective Committees of the Board and of individual Directors. The results of the appraisal process were satisfactory and the Board confirms that the performance of the Directors continues to be effective and demonstrates commitment to the role and responsibilities.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 33. The Independent Auditors' Report appears on pages 36 and 37.

Audit Committee

The Audit Committee is composed of Antony Hardy, Bill Alexander and Vivian Bazalgette, all of whom are independent Directors. The Chairman of the Audit Committee is Antony Hardy. Audit Committee members consider that collectively they are appropriately experienced to fulfil the role required. The Audit Committee has written terms of reference which are reviewed annually and clearly define its responsibilities. The terms of reference of the Audit Committee, including its role and authority, are available for inspection at the AGM, at the Registered Office of the Company and on the Company's website.

The Audit Committee meets at least twice each year to review the internal financial and non-financial controls, to approve the contents of the draft annual and half-yearly financial reports to shareholders and to review the Company's accounting policies. In addition, the Audit Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of the services of all the service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. The Audit Committee considers the likelihood of a withdrawal of the Auditors from the market and noted that there are no contractual obligations to restrict the choice of external auditor. At each meeting, representatives of the Manager's Internal Audit and Compliance teams are present. Representatives of Deloitte LLP, the Company's Auditors, attend the Audit Committee meeting at which the draft annual financial report is reviewed.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to this annual financial report.

The Audit Committee reviewed its effectiveness during the year. The review was carried out internally as part of the Board Committee and Directors' performance appraisal process a report on which can be found on page 29.

Internal Financial and Non-Financial Controls

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

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal control is designed to manage rather than eliminate the risk of failure to adhere to the Company's Investment Policy, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from their review. There are no significant failings or weaknesses that have occurred throughout the year ended 31 March 2010 and up to the date of this annual financial report.

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

The Directors consider that the Company's procedures enable it to comply with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'.

Internal Audit Function

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

Auditors' Non-audit Services

The Company's Auditors, Deloitte LLP, provided non-audit services to the Company in relation to compliance with the debenture covenant, which amounted to £4,000 (2009: £3,000) excluding VAT. The Directors do not consider that the provision of these services impaired the Auditors' independence during the financial year ended 31 March 2010.

It is the Company's policy not to seek substantial non-audit services from its Auditors. The scope for non-audit services is reviewed by the Audit Committee and approved prior to the Auditors' engagement. In particular, the Audit Committee considers whether the skills and experience of the Auditors make them a suitable supplier of the non-audit service and whether there are appropriate safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the Auditors.

Audit Engagement Partner

Deloitte LLP, as the Company's Auditors, are responsible for establishing policies and procedures to monitor the length of time that the Company's audit engagement partner serves as a member of the Company's audit engagement team. Where the audit engagement partner has a long association with the Company's audit, Deloitte LLP shall assess the threats to his/her objectivity and independence and shall apply safeguards to reduce the threats to an acceptable level. One of these safeguards relates to the rotation of the Company's audit engagement partner every five years. Any audit engagement partner who has acted for the Company for a period of five years, shall not subsequently participate in the Company's audit engagement until a further period of five years has elapsed.

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 interim management statements, monthly factsheets and information on the daily calculation of the NAV of the Company's ordinary shares, which is published via the London Stock Exchange and the Company's website. A presentation is made by the Manager following the business of the AGM each year. Shareholders have the opportunity to communicate directly with the Board, Chairman of the Company and the Chairmen of the Committees of the Board 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 Company's website or in writing to the Company Secretary at the address given on page 13. At other times the Company responds to queries from shareholders on a range of issues.

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 institutional shareholders are reported to the Board.

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

Institutional Voting

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of Corporate Governance are maintained in the companies in which it invests. 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. Your Company's voting rights are exercised on an informed and independent basis and are not simply passed back to the company concerned for discretionary voting by its chairman.

By order of the Board

Invesco Asset Management Limited
Company Secretary
30 Finsbury Square
London EC2A 1AG

11 June 2010

DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the preparation of the Annual Financial Report

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare financial statements in accordance with UK Generally Accepted Accounting Practice. 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; 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 ('CA 2006'). They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

In so far as each of the Directors is aware:

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

This confirmation is given and should be interpreted in accordance with provision s418 of CA 2006.

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

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

Signed on behalf of the Board of Directors

Bill Alexander

Chairman

11 June 2010

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2010

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

The Company's Auditors are required to audit certain of the disclosures provided in this Report. The Auditors' opinion is included in their report on pages 36 and 37.

Remuneration Responsibilities

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

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice, *inter alia*, from the Company Secretary, Invesco Asset Management Limited, when considering the level of Directors' fees.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Director. It is intended that this policy will continue for the year ended 31 March 2011 and subsequent years.

During the year, the Board has reviewed Directors' remuneration taking into consideration the increasing demands and accountability of the current corporate governance and regulatory environment. They concluded that it was appropriate to increase Directors' remuneration for the year ended 31 March 2011. In order to recognise the additional workload that each Director has and will continue to experience, with effect from 1 April 2010, the remuneration of Chairman increased from £25,000 to £30,000, the Audit Chairman from £20,000 to £25,000 and the other Directors from £17,500 to £20,000.

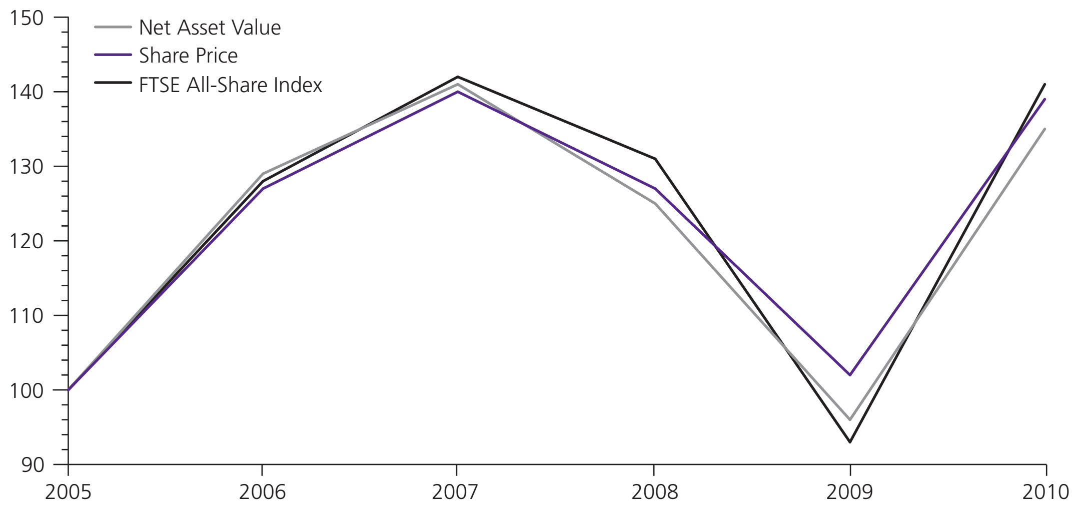
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. As at 31 March 2010, the maximum dictated by the Company's Articles of Association was £150,000 in aggregate per annum. At an EGM on 9 June 2010, the maximum fees were increased to £200,000 in aggregate per annum as a result of a change in the Company's Articles of Association. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Directors' Service Contracts

All Directors have letters of appointment which are available for inspection at the Registered Office of the Company or on the Company's website. Under the Articles of Association of the Company, the terms of the Directors' appointments provide that a Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

The Company's Performance

The graph overleaf plots the total return net asset value and share price to ordinary shareholders compared to the total return of the FTSE All-Share Index over the five years to 31 March 2010. This index is the benchmark adopted by the Company for comparison purposes. Figures have been rebased to 100 at 31 March 2005.



Directors' Emoluments for the Year (Audited)

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

	2010 £	2009 £
Bill Alexander (Chairman of the Board)	25,000	25,000
Antony Hardy (Chairman of the Audit Committee, and from 8 July 2009, Senior Independent Director)	20,000	20,000
Sir Martyn Arbib	17,500	17,500
Vivian Bazalgette	17,500	17,500
James D'Albiac (Senior Independent Director retired on 8 July 2009)	4,759	17,500
Bob Yerbury	17,500	5,658
Total	102,259	103,158

Bob Yerbury's Director's emoluments were paid to a third party in respect of making available his service as a Director.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 11 June 2010.

Bill Alexander

Chairman

Signed on behalf of the Board of Directors

REPORT OF THE INDEPENDENT AUDITORS
to the Members of Perpetual Income and Growth Investment Trust plc

We have audited the financial statements of Perpetual Income and Growth Investment Trust plc for the year ended 31 March 2010 which comprise of the Income Statement, the Reconciliation in Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes 1 to 20. 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).

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

Respective Responsibilities of Directors and Auditors
As explained more fully in the Directors' Responsibilities Statement, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
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.

Opinion on Financial Statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are Required to Report by Exception
We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' Statement, set out on page 26, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Clive Bouch
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

11 June 2010

Electronic Publication

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2010 REVENUE £'000	2010 CAPITAL £'000	2010 TOTAL £'000	2009 REVENUE £'000	2009 CAPITAL £'000	2009 TOTAL £'000
Gains/(losses) on investments at fair value	9	—	121,236	121,236	—	(119,109)	(119,109)
Foreign exchange losses		—	(25)	(25)	—	(7,989)	(7,989)
Income	2	22,731	—	22,731	22,717	—	22,717
Investment management fees	3	(1,233)	(2,878)	(4,111)	(1,116)	(3,457)	(4,573)
VAT recoverable on management fees	3	101	190	291	979	4,273	5,252
Other expenses	4	(627)	—	(627)	(497)	(3)	(500)
Net return before finance costs and taxation		20,972	118,523	139,495	22,083	(126,285)	(104,202)
Finance costs	5	(804)	(1,877)	(2,681)	(1,150)	(2,684)	(3,834)
Return on ordinary activities before tax		20,168	116,646	136,814	20,933	(128,969)	(108,036)
Tax on ordinary activities	6	(332)	—	(332)	(306)	—	(306)
Return on ordinary activities after tax for the financial year		19,836	116,646	136,482	20,627	(128,969)	(108,342)
Return per ordinary share:							
Basic and diluted	7	9.5p	55.6p	65.1p	9.9p	(62.1)p	(52.2)p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with the accounting policies detailed in note 1 to the financial statements. 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 and the Company has no other gains or losses therefore no statement of total recognised gains or losses is presented. No operations were acquired or discontinued in the year.

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

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 2008	20,723	180,560	281,576	18,981	501,840
Return for the year from the income statement	—	—	(128,969)	20,627	(108,342)
Dividends paid – note 8	—	—	—	(16,593)	(16,593)
Issue of new shares	112	2,138	—	—	2,250
Exercise of subscription shares	5	96	—	—	101
At 31 March 2009	20,840	182,794	152,607	23,015	379,256
Return for the year from the income statement	—	—	116,646	19,836	136,482
Dividends paid – note 8	—	—	—	(31,073)	(31,073)
Issue of new shares	161	2,816	—	—	2,977
Exercise of subscription shares	4	81	—	—	85
At 31 March 2010	21,005	185,691	269,253	11,778	487,727

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

BALANCE SHEET

AS AT 31 MARCH

	NOTES	2010 £'000	2009 £'000
Fixed assets			
Investments at fair value	9	586,710	440,850
Current assets			
Debtors	10	2,338	10,016
Creditors: amounts falling due within one year	11	(71,569)	(41,906)
Net current liabilities		(69,231)	(31,890)
Total assets less current liabilities		517,479	408,960
Creditors: amounts falling due after more than one year	12	(29,752)	(29,704)
Net assets		487,727	379,256
Capital and reserves			
Share capital	13	21,005	20,840
Share premium	14	185,691	182,794
Capital reserve	14	269,253	152,607
Revenue reserve	14	11,778	23,015
Shareholders' funds		487,727	379,256
Net asset value per ordinary share			
Basic	15	232.2p	182.0p
Diluted	15	231.2p	182.0p

These financial statements were approved and authorised for issue by the Board of Directors on 11 June 2010.

Bill Alexander
Chairman

Signed on behalf of the Board of Directors

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2010 £'000	2009 £'000
Net cash inflow from operating activities	16(a)	23,085	17,943
Servicing of finance	16(b)	(2,688)	(4,038)
Capital expenditure and financial investment	16(b)	(25,999)	25,449
Equity dividends paid	8	(31,073)	(16,593)
Net cash (outflow)/inflow before management of liquid resources and financing		(36,675)	22,761
Financing	16(b)	3,062	2,351
(Decrease)/increase in cash		(33,613)	25,112

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	NOTES	2010 £'000	2009 £'000
(Decrease)/increase in cash in year		(33,613)	25,112
Exchange movements		(25)	(7,465)
Debenture stock non-cash movement		(48)	(36)
Movement in net debt in the year		(33,686)	17,611
Net debt at beginning of year		(65,973)	(83,584)
Net debt at end of year	16(c)	(99,659)	(65,973)

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

1. Principal Accounting Policies

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

(a) Basis of Preparation

(i) *Accounting Standards applied*

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in January 2009. The financial statements are also prepared on a going concern basis. The disclosures on going concern in the Report of the Directors on page 26 form part of the financial statements.

(ii) *Enhanced disclosure*

Following amendments to FRS 29 'Financial Instruments: Disclosures' for reporting periods beginning on or after 1 January 2009, enhanced disclosures for financial instruments and liquidity risk are shown in note 19 and comprise a three level hierarchy for making fair value measurements. This has no effect on either the net assets or earnings of the Company.

(b) Foreign Currency

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Transactions in foreign currency, 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 account, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

(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) 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.

(e) Income

Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. 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. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(f) 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.

(g) Taxation

The liability for corporation tax is based on net revenue for the year excluding 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies (continued)

(g) Taxation (continued)

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, losses on loan relationships and eligible unrelieved foreign tax, as the Company is unlikely to have sufficient future taxable revenue to offset against these.

(h) Dividends

Dividends are not recognised in the accounts 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

	2010 £'000	2009 £'000
Income from listed investments		
UK dividends	20,007	19,592
Overseas dividends	2,099	2,033
Unfranked investment income	211	262
Scrip dividends	323	—
	22,640	21,887
Other income		
Interest on VAT recoverable on management fees (note 3(iii))	(6)	772
Bank interest	—	2
Underwriting commission	97	56
	91	830
Total income	22,731	22,717

3. Investment Management Fees

	2010			2009		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee (i)	1,233	2,878	4,111	1,116	2,604	3,720
Performance-related investment management fee (ii)	—	—	—	—	853	853
	1,233	2,878	4,111	1,116	3,457	4,573

(i) Invesco Asset Management Limited ('IAML') provides investment management, company secretarial and administration services to the Company under an agreement dated 20 February 1996 and subsequently amended on 27 December 2001. Details of this are shown in the Report of the Directors. At 31 March 2010 £1,104,000 (2009: £791,000) was due for payment in respect of the investment management fee.

(ii) A performance-related fee is payable annually in arrears to the Manager, if the Company's performance exceeds the FTSE All-Share Index. Details of this fee are shown in the Report of the Directors.

(iii) An amount of £291,000 (2009: £5,252,000) has been recognised in these accounts in respect of VAT recovered on management fees paid to IAML. This has been credited £101,000 (2009: £979,000) to revenue and £190,000 (2009: £4,273,000) to capital, in the same proportions as originally charged to the income statement. All interest arising on VAT refunds totalling £766,000 was received in the year resulting in a £6,000 charge to the income statement in 2010.

4. Expenses

	2010			2009		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' fees	102	—	102	103	—	103
Fees payable to the Company's auditor(i) for:						
– audit of the financial statements	24	—	24	22	—	22
– other services (non-audit)	4	—	4	3	—	3
Legal fees for collective legal action(ii)	109	—	109	—	—	—
Other expenses	388	—	388	369	3	372
	627	—	627	497	3	500

(i) Fees payable to the Company's Auditors are shown excluding VAT which is included in other expenses. Any expenses to capital arise from custodian transaction charges.

(ii) As explained in the Report of the Directors, the Company has engaged with other investment trusts in a collective legal action to seek to recover further amounts of VAT directly from HM Revenue & Customs.

5. Finance costs

	2010			2009		
	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	238	557	795	588	1,373	1,961
Debenture stock repayable within 5 years, not by instalments	566	1,320	1,886	562	1,311	1,873
	804	1,877	2,681	1,150	2,684	3,834

Debenture issue costs are amortised on an effective interest basis.

6. Taxation

(a) Current Tax Charge

	2010			2009		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	332	—	332	306	—	306

6. Taxation (continued)

(b) Reconciliation of Current Tax Charge

	2010 £'000	2009 £'000
Return on ordinary activities before taxation	136,814	(108,036)
Theoretical tax at UK Corporation Tax rate of 28% (2009: 28%)	38,308	(30,250)
Effects of:		
– non-taxable (gains)/losses on investments	(33,946)	33,351
– non-taxable losses on foreign exchange movements	7	2,237
– non-taxable UK dividends	(5,602)	(5,486)
– non-taxable overseas dividends	(591)	—
– expenses in excess of taxable income	1,824	148
– irrecoverable overseas tax suffered	332	306
	332	306

(c) Factors That May Affect Future Tax Changes

The Company has excess management expenses and loan relationship deficits of £90,404,000 (2009: £83,221,000) that are available to offset future taxable revenue. A deferred tax asset of £24,722,000 (2009: £23,302,000) 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

Basic revenue, capital and total returns per ordinary share are based on each of the net returns on ordinary activities after taxation and on 209,593,601 (2009: 207,591,806) ordinary shares being the weighted average number of shares in issue.

The subscription shares are dilutive when they would result in the issue of ordinary shares for less than the average market price of the ordinary shares during the year. As the average market price of 200.38p (2009: 204.03p) was less than the exercise price of 218.94p, there is no dilution of earnings.

8. Dividends on Ordinary Shares

Dividends on equity shares paid in the year:

	2010		2009	
	PENCE	£'000	PENCE	£'000
Second interim in respect of previous year	5.20	10,837	4.70	9,740
Special in respect of previous year	0.84	1,751	—	—
First interim paid	3.40	7,142	3.30	6,853
Second interim paid	5.40	11,343	—	—
	14.84	31,073	8.00	16,593

Dividends on equity shares payable in respect of the year:

	2010		2009	
	PENCE	£'000	PENCE	£'000
First interim	3.40	7,142	3.30	6,853
Second interim	5.40	11,343	5.20	10,837
	8.80	18,485	8.50	17,690
Special	—	—	0.84	1,751
	8.80	18,485	9.34	19,441

The second interim dividend was paid on 31 March 2010 (2009: 9 July 2009).

9. Investments at Fair Value

(a) Listed Investments

	2010 £'000	2009 £'000
Investments listed on a recognised stock exchange	586,710	440,850
Opening book cost	554,869	591,141
Opening investment holding losses	(114,019)	(6,803)
Opening valuation	440,850	584,338
Movements in year:		
Purchases at cost	148,901	187,945
Sales – proceeds	(124,277)	(212,324)
– net realised losses on sales	(11,375)	(11,893)
Movement in investment holding gains/(losses)	132,611	(107,216)
Closing valuation	586,710	440,850
Closing book cost	568,118	554,869
Closing investment holding gains/(losses)	18,592	(114,019)
Closing valuation	586,710	440,850
Net realised losses based on historical cost	(11,375)	(11,893)
Movement in investment holding gains/(losses)	132,611	(107,216)
Gains/(losses) on investments	121,236	(119,109)

(b) Transaction Costs

The transactions costs, included in gains and losses on investments consisted of £800,000 (2009: £971,000) on purchases and £172,000 (2009: £205,000) on sales.

10. Debtors

	2010 £'000	2009 £'000
Amounts due from brokers	—	1,984
Prepayments and accrued income	2,338	2,008
Recoverable VAT and interest – seen note 3(iii)	—	6,024
	2,338	10,016

11. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft	69,907	36,269
Amounts due to brokers	6	3,408
Accruals	1,656	1,376
Performance-related fee	—	853
	71,569	41,906

The Company has an uncommitted bank overdraft facility based on the lower of 25% of the net asset value of the Company and £75 million, which comes up for renewal on 22 September 2010.

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

	2010 £'000	2009 £'000
£30,000,000 6.125% Debenture 2014	29,752	29,704

The debenture was issued on 8 July 1999 and is secured by a floating charge over all the Company's assets. The debenture has a fixed rate of 6.125% per annum. Interest is payable on 31 January and 31 July.

13. Share Capital

	2010		2009	
	NUMBER	£'000	NUMBER	£'000
Authorised:				
Ordinary shares of 10p each	300,000,000	30,000	300,000,000	30,000
Allotted, called-up and fully paid:				
Ordinary shares of 10p each	210,051,017	21,005	208,404,620	20,840

During the year 38,492 (2009: 46,099) subscription shares were converted into ordinary shares of 10p each following the exercise of subscription shares and 1,607,905 ordinary shares were issued for £2,977,000. Each subscription share of 0.001p each carries the right to subscribe for one ordinary share at a price of 218.94p on 31 August in each of the years 2008 to 2013. At the year end 17,682,432 (2009: 17,720,924) subscription shares remain in issue.

14. Reserves

The share premium arises on the issue of new shares. It, and the capital reserve, are non-distributable.

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date, totalling a gain of £18,592,000 (2009: loss of £114,019,000). The capital reserve is non-distributable however, it can be used to fund share buy-backs.

The revenue reserve is the only reserve that is distributable by way of dividend.

15. Net Asset Value

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

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2010 PENCE	2009 PENCE	2010 £'000	2009 £'000
Ordinary shares				
– Basic	232.2	182.0	487,727	379,256
– Diluted	231.2	182.0	526,441	379,256

Both the basic and diluted net asset values per share are prepared in accordance with the SORP and they do not differ, in any material respects, from those calculated in accordance with the Articles of Association.

The number of shares used in the calculation of basic net asset value per share was 210,051,017 (2009: 208,404,620).

The number of shares used in the calculation of the diluted net asset value per ordinary share was 227,733,449. At 31 March 2009, the exercise price of the subscription shares was greater than the net asset value per share and so there was no dilution.

16. Notes to the Cash Flow Statement

(a) Reconciliation of Operating Profit to Operating Cash Flows

	2010 £'000	2009 £'000
Total income before finance costs and taxation	139,495	(104,202)
(Gains)/losses on investments	(121,236)	119,109
Foreign exchange losses	25	7,989
Decrease/(increase) in debtors	5,694	(5,237)
(Decrease)/increase in creditors	(561)	590
Tax on overseas income	(332)	(306)
Net cash inflow from operating activities	23,085	17,943

(b) Analysis of Cash Flow for Headings Netted in the Cash Flow Statement

	2010 £'000	2009 £'000
Servicing of finance		
Interest paid on overdraft	(850)	(2,200)
Interest paid on debenture	(1,838)	(1,838)
Net cash outflow from servicing of finance	(2,688)	(4,038)
Capital expenditure and financial investment		
Purchase of investments	(152,260)	(188,630)
Sale of investments	126,261	214,079
Net cash (outflow)/inflow from capital expenditure and financial investments	(25,999)	25,449
Financing		
Issue of new shares	2,977	2,250
Exercise of subscription shares	85	101
Net cash inflow from financing	3,062	2,351

(c) Analysis of Net Debt

	1 APRIL 2009 £'000	CASH FLOW £'000	EXCHANGE MOVEMENTS £'000	DEBENTURE STOCK NON-CASH MOVEMENT £'000	31 MARCH 2010 £'000
Bank overdraft	(36,269)	(33,613)	(25)	—	(69,907)
Debt due within five years – debenture	(29,704)	—	—	(48)	(29,752)
Net debt	(65,973)	(33,613)	(25)	(48)	(99,659)

17. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end.

NOTES TO THE FINANCIAL STATEMENTS

continued

18. Related Party Transactions

Invesco Asset Management Limited ('IAML'), a wholly-owned subsidiary of Invesco Limited, acts as Manager, Company Secretary and Administrator to the Company. Details of IAML's services and fees are disclosed in the Report of the Directors. Full details of Directors' interests are set out in the Report of the Directors on page 24. There are no other related party transactions.

19. Financial Instruments

The Company's financial instruments comprise its investment portfolio (as shown on pages 10 and 11), cash, borrowings (including overdraft and debenture), debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

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 Report of the Directors.

As an investment trust the Company invests in equities and other investments for the long term so as to meet its investment 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.

Market Risk

The Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed on page 28. No other derivative or hedging instruments are utilised to manage market risk. Gearing is used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

Currency risk

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

Management of the currency risk

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

Forward currency contracts can be used to limit 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 exposure to those currencies.

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 2010 US DOLLAR £'000	31 MARCH 2009 US DOLLAR £'000
Forward currency sales	—	—
Foreign currency exposure on net monetary items	—	—
Investments at fair value through profit or loss that are equities	33,862	21,877
Total net foreign currency exposure	33,862	21,877

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 profit after taxation for the year using exchange rates for sterling to US dollars. It is based on the Company's monetary foreign currency financial instruments held at each balance sheet date and takes account of forward foreign exchange contracts that offset the effects of changes in currency exchange rates.

The exchange rate of ±3.9% (2009: ±13.5%) has been determined based on market volatility in the year, using the Standard deviation of sterling's fluctuation to the US dollar against the mean.

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

	2010 £'000	2009 £'000
Income statement – profit/(loss) after taxation		
Revenue return	(82)	(274)
Capital return	(1,321)	(2,950)
Total loss after taxation for the year	(1,403)	(3,224)

If sterling had weakened against the currencies shown, this would have had the following effect:

	2010 US$ £'000	2009 US$ £'000
Income statement – profit/(loss) after taxation		
Revenue return	82	274
Capital return	1,321	2,950
Total profit after taxation for the year	1,403	3,224

In the opinion of the Directors, the above sensitivity analyses are 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.

19. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

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. The Company has an uncommitted bank overdraft facility based on the lower of 25% of the net assets of the Company and £75 million. The Company uses the facility when required at levels approved and monitored by the Board. In addition, the Company also has in issue a £30 million 6.125% Debenture 2014.

At the year end drawings on the Company's overdraft were £69,907,000 (2009: £36,269,000) and debenture had an amortised cost of £29,752,000 (2009: £29,704,000). At the maximum overdraft of £75 million, the effect of a +/– 1% in the interest rate would result in a decrease or increase to the Company's income statement of £750,000.

The Company can invest in fixed interest securities and at the year end the level of exposure was £512,000 (2009: £6,314,000) maturing after more than five years. Of this none (2009: £4,583,000) was exposure to floating interest rates, giving cash flow interest rate risk, and £512,000 (2009: £1,731,000) was exposure to fixed interest rates, giving fair value interest rate risk. If interest rates were either to increase or decrease by 1%, there would be no effect on revenue as all was fixed; the estimated effect on capital profit after taxation is £25,000, resulting on no impact on the net asset value.

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 that he can.

Management of other price risk

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

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

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year would decrease by £58.7 million (2009: £44.1 million). If the value of the portfolio rose by 10%, the profit after tax would increase by £58.7 million (2009: £44.1 million).

Liquidity risk

Is minimised as the majority of the Company's investments comprise a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the £30 million debenture and £75 million bank overdraft facility provide for additional funding flexibility.

Credit risk

Encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. This risk is minimised by using only approved counterparties. Investments may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £5 million with any one depositary, with only approved depositories being used.

Fair Values of Financial Assets and Financial Liabilities

The fair values of the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, cash at bank and overdraft). The fair value of the £30 million 6.125% Debenture 2014, based on the offer value at the balance sheet date, is £30,480,000 (2009: £30,523,000).

Fair Value of Hierarchy Disclosures

Nearly all of the Company's portfolio of investments are in the Level 1 category as defined in FRS 29 'Financial Instruments: Disclosures' which is applicable for reporting periods beginning on or after 1 January 2009. The three levels set out in FRS 29 follow.

Level 1 – fair value based on quoted prices in active markets for identical assets.

Level 2 – fair values based on valuation techniques using observable inputs other than quoted prices within Level 1.

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

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. The equity investments are deemed to be Level 1 and any fixed interest investments Level 2. Level 2 also includes the Company's holding of Barclays Bank – Nuclear Power Notes, which was valued at £2 million (2009: £3.4 million). There were no transfers between any levels during the year and no investments were held in Level 3.

Maturity Analysis of Contractual Liability Cash Flows

The financial liabilities of the Company are shown in notes 11 and 12. The main liabilities are the £30 million debenture and the bank overdraft of £69.9 million (2009: £36.3 million); with an overdraft facility of £75 million, £5.1 million (2009: £63.7 million) was unused at the year end. The debenture is repayable in 2014, with interest payable on 31 January and 31 June each year. The bank overdraft is repayable in full on demand, and the current facility falls for renewal on 22 September 2010. Overdraft interest is paid monthly. Other liabilities comprise any amounts due to brokers and accruals. All are paid under contractual terms. For amounts due to brokers, this is usually the purchase date of the investment plus three business days. For accruals, this is normally within 30 business days of invoice or, in the case of management fees, in accordance with the management agreement.

Capital Management

The Company does not have any externally imposed capital requirements. The Company's capital is as disclosed in the Balance Sheet and is managed on a basis consistent with its Investment Policy as disclosed in the Report of the Directors' on pages 15 and 16. The principal risks and their management are disclosed above.

20. Post Balance Sheet Events

The Company announced, on 3 June 2010, that a proposed issue of B shares was to be postponed and a provision of £100,000 has been made subsequent to the year end against the Company's share of the costs incurred up to the date of the postponement.

An Extraordinary General Meeting held on 9 June 2010 approved the adoption of new Articles of Association which, *inter alia*, would allow an issue of B shares to take place in the future.

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 The Lanesborough, Hyde Park Corner, London SW1X 7TA on 12 July 2010 at 12.00 noon for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 2010.
2. To re-elect Vivian Bazalgette a Director of the Company.
3. To re-elect Sir Martyn Arbib a Director of the Company.
4. To re-elect Antony Hardy a Director of the Company.
5. To re-elect Bob Yerbury a Director of the Company.
6. To approve the Directors' Remuneration Report for the year ended 31 March 2010.
7. To re-appoint the Auditors and authorise the Directors to determine their remuneration.

Biographies of Directors seeking re-election are shown on page 12 of the Annual Financial Report.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 8 will be proposed as an Ordinary Resolution and resolutions 9 and 10 will be proposed as Special Resolutions:

8. 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 £7,001,700, 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.

9. 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 8 set out above or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and

   (b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,050,255.

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

10. THAT:

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

Explanatory Note to Resolution 11

Notice of period for general meetings

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

Dated this 11th June 2010

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 member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:

   - via Capita Registrar's website *www.capitashareportal.com*; or
   - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   and in each case to be received by the Company not less than 48 hours before the time of the 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 member 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 Members at close of business on 10 July 2010 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Members 48 hours before the time fixed for the adjourned meeting.

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 member 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 member as to the exercise of voting rights.

   The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
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 11 June 2010 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 210,051,017 ordinary shares of 10p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 210,051,017.
11. A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/investmenttrusts*.
12. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006 (the '2006 Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditors' Report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 April 2009; or (ii) any circumstance connected with an Auditor of the Company appointed for the financial year beginning on 1 April 2009 ceasing to hold office since the previous meeting at which annual financial reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant AGM. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

GLOSSARY OF TERMS

Benchmark

A market index, which averages the performance of companies in any sector, giving a good indication of any rises or falls in the market. The benchmark used in these accounts is the FTSE All-Share Index.

Discount

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

Gearing

The term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company's investments is rising but reduce the return when values are declining. A gearing level of 100 or 0% indicates there is no gearing.

Actual Gearing

Reflects the amount of loans already arranged and in use by the Company. This is the gearing figure published by the Association of Investment Companies. It is calculated by dividing the aggregate of Shareholders' funds and all drawndown loans by Shareholders' funds.

Asset Gearing

Reflects the amount of loans actively invested in assets and not held in cash. It is calculated by dividing fixed asset investments by Shareholders' funds.

Market Capitalisation

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

Net Asset Value

Basic Net Asset Value

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

Diluted Net Asset Value

The diluted net asset value is the net asset value per share that would arise if the subscription shares were converted. It is calculated by dividing the net asset value by the number of shares that would be in issue if all the subscriptions shares were converted to ordinary shares. Where the diluted net asset value per ordinary share is greater than the basic net asset per ordinary share, there is no dilutive effect.

Shareholders' Funds

Also called equity Shareholders' funds. The amount due to the ordinary shareholders.

Total Net Assets

Total assets less current liabilities.

Total Expense Ratio

Total expenses incurred (excluding finance costs and VAT recoverable on management fees), including those charged to capital, divided by average Shareholders' funds during the year.

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 (after tax) received by a shareholder are assumed to have been reinvested in either additional shares (ie share price total return) or in the Company's assets (ie NAV total return).

Invesco Perpetual

The Manager of Perpetual Income and Growth Investment Trust plc is Invesco Asset Management Limited.

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

Invesco Perpetual is a business name of Invesco Asset Management Limited.

Invesco Ltd is one of the largest independent global investment management firms, with funds under management of $430.0 billion.*

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

** Funds under Management as at 31 May 2010*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

Perpetual Income and Growth Investment Trust plc

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

Keystone Investment Trust plc

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

Invesco Income Growth Trust plc

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

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio

Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily, in the UK equity market. The portfolio is geared by bank debt.

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio

Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security.

Invesco Property Income Trust Limited

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

City Merchants High Yield Trust plc

Aims to generate a high level of income from a variety of fixed income and/or equity instruments combined with a degree of security. The Company is geared by bank debt.

Invesco Leveraged High Yield Fund Limited

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

Invesco Perpetual Recovery Trust 2011 plc

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

The Edinburgh Investment Trust plc

Invests in UK securities with the long term objective of achieving:

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

The portfolio is geared by way of two debenture stocks.

Investing in Smaller Companies

Invesco English and International Trust plc

Invests mainly in smaller companies quoted on the main London Stock Exchange and in stocks quoted on the Alternative Investment Market (AIM). It pursues a relatively risk-averse stock selection strategy holding a well-diversified portfolio and seeks to invest in companies offering particular value. The Company has adopted a flexible gearing policy and a quarterly redemption/creation mechanism.

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total return for it's shareholders via an investment vehicle which gives access to a broad cross-section of small to medium size UK-quoted companies. The Company may gear by bank debt.

Investing Internationally

Invesco Asia Trust plc

Aims to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian securities. The Company aims to achieve growth in its net asset value in excess of the Morgan Stanley Capital International All Country Asia Pacific ex Japan Index, measured in sterling. The Company is geared by bank debt.

Invesco Perpetual Select Trust plc – Global Equity Share Portfolio

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

Investing for Absolute Returns

Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio

Aims to achieve absolute return of 3-month sterling LIBOR plus 5% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Share Portfolio
- Global Equity Share Portfolio
- Managed Liquidity Share Portfolio
- Hedge Fund Share Portfolio

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

Other

Invesco Perpetual AiM VCT plc

The Company was launched in August 2004. Its objective is to provide a tax-free dividend return to shareholders invested at launch primarily through the realisation of capital gains from a portfolio of investments in AIM Qualifying Companies while maintaining the capital value of shares.

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

Linkway L15819