Perpetual Income and Growth Investment Trust plc

Annual Financial Report
Year Ended 31 March 2015

Investment Objective

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

Highlights

	2015	2014
Net asset value[1]:		
– debt at par	+11.7%	+18.8%
– debt at market value	+10.7%	+19.4%
Share price[1]	+10.1%	+21.1%
FTSE All-Share Index[1]	+6.6%	+8.8%
Dividend (excluding special dividend)	+4.2%	+5.4%
Dividend (including special dividend)	+3.6%	+22.3%

(1) Total return figures. Source: Thomson Reuters Datastream.

Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing its funds, according to a specified investment objective and policy (set out on page 10), with the aim of spreading investment risk and generating a return for shareholders. The Company uses borrowing for additional investment with the aim of enhancing returns to shareholders.

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

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

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

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Front Cover: Slate, Metamorphic Rock, Slate Quarry.

The Company is a member of

aic

The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Total return (all income reinvested)

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Net asset value (NAV)[1][2] – debt at par	11.7%	71.6%	109.5%	198.6%
– debt at market value	10.7%	70.6%	108.4%	196.5%
Share price	10.1%	66.7%	118.7%	204.4%
FTSE All-Share Index*	6.6%	35.4%	49.3%	110.9%

*The benchmark index of the Company.
Source: Thomson Reuters Datastream and Morningstar.

	YEAR ENDED 31 MARCH 2015	YEAR ENDED 31 MARCH 2014
Shareholders' funds[1]		
Net assets (£'000)	978,427	896,290
NAV per ordinary share	413.1p	383.3p
Share price and discount		
Share price	400.9p	377.5p
Discount[1] to NAV	3.0%	1.5%
Gearing[1]		
Gross gearing	15.3%	14.2%
Net gearing	15.3%	14.2%
Return per ordinary share – diluted		
Revenue return	14.34p	13.79p
Capital return	29.59p	49.56p
Total return	43.93p	63.35p
Dividend per ordinary share		
First interim	2.8p	2.7p
Second interim	2.8p	2.7p
Third interim	2.8p	2.7p
Fourth interim	3.9p	3.7p
Total interim dividends	12.3p	11.8p
Increase in total interim dividends	+4.2%	+5.4%
Special dividend	1.9p	1.9p
Total including special	14.2p	13.7p
Increase in dividend (including special)	+3.6%	+22.3%
Ongoing charges ratio[1]		
Excluding performance fee	0.65%	0.94%
Performance fee only	0.58%	0.94%

Notes: 1 Defined in the Glossary of Terms on page 65.
2 Following the final exercise of the subscription shares, the diluted NAV is the equivalent of the undiluted (basic) NAV.

Historical Record – Last Ten Years

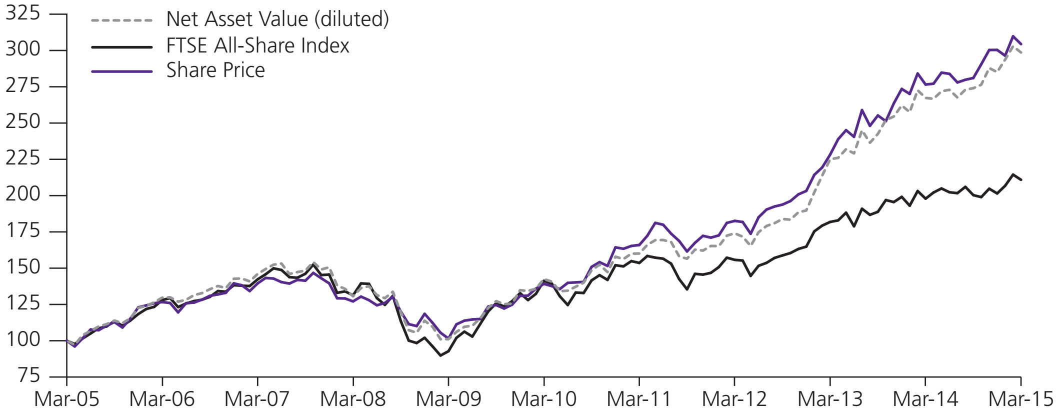
TO 31 MARCH	ORDINARY SHARES REVENUE RETURN[1] p	DIVIDEND p	TOTAL ASSETS LESS CURRENT LIABILITIES £'m	NET ASSET VALUE PER ORDINARY SHARE[1] p	SHARE PRICE p
2006	5.60	6.00	536	262.9	234.3
2007	6.90	6.60	606	278.8	251.0
2008	8.00	7.80	532	242.2	222.5
2009	9.20	8.50[2]	409	182.0	171.0
2010	9.47	8.80	517	231.2	217.9
2011	9.85	9.35	575	255.5	252.8
2012	10.86	10.40	610	267.4	267.7
2013	12.54	11.20	773	332.3	322.0
2014	13.79	11.80[3]	896	383.3	377.5
2015	**14.34**	**12.30**[3]	**1,038**	**413.1**	**400.9**

Notes:
1. Where dilution occurred, the diluted figure is shown. Otherwise the basic figure is shown.
2. Excludes a special dividend of 0.84p per share. This special dividend arose from recovery of VAT on management fees.
3. Excludes a special dividend of 1.9p per share. The special dividend arose from special dividends received during the year.

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

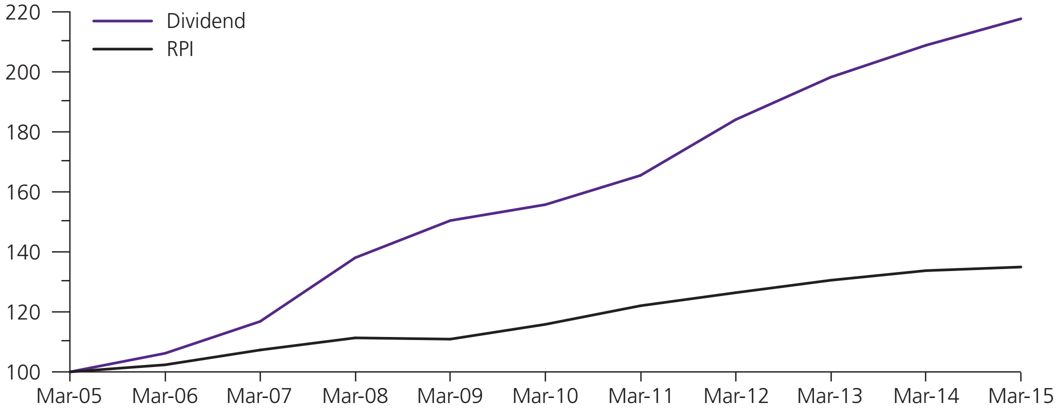
For the Ten Years to 31 March 2015

Figures have been rebased to 100 at 31 March 2005.



Dividends vs Retail Price Index (RPI)

Figures have been rebased to 100 at 31 March 2005

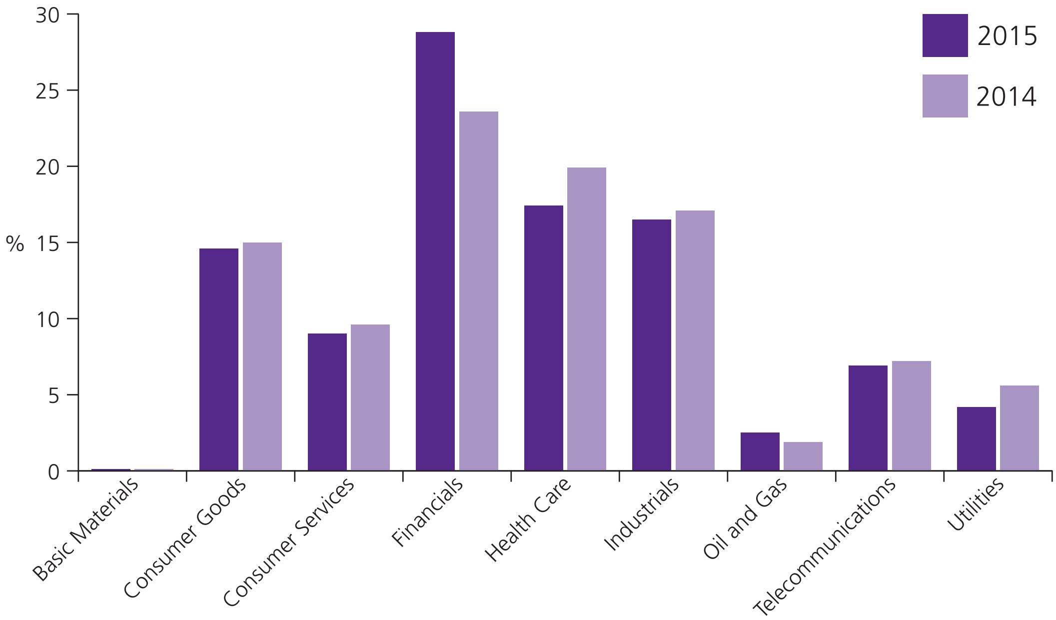


FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

continued

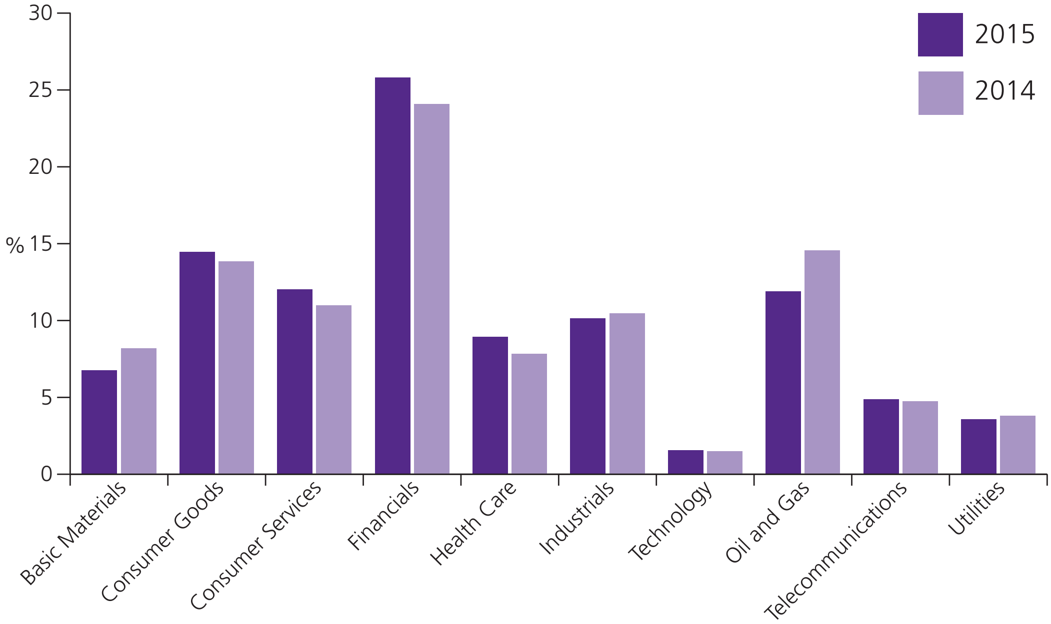
Allocation of Portfolio by Industry

As at 31 March



Allocation of Benchmark by Industry

As at 31 March



CHAIRMAN'S STATEMENT

Performance

For the year ended 31 March 2015, the Company's net asset value rose by 11.7% comparing very favourably to the rise of 6.6% in the FTSE All-Share Index, both including reinvested income. This measure of outperformance by the portfolio manager is to be congratulated and you can read how he achieved this in Mark Barnett's report which follows on pages 7 to 9.

Dividend

For the year ended 31 March 2015, three interim dividends of 2.8p each were paid to shareholders in September and December 2014, and March 2015. A fourth interim dividend of 3.9p and a special dividend of 1.9p will be paid on 26 June 2015. This gives a total dividend for the year of 14.2p, representing an increase of 3.6% on the previous year. The Company's dividend for the year (excluding the special dividend) has more than doubled over the last ten years, a growth rate exceeding three times the rate of inflation in the same period. The Board continues to recognise the importance of dividends to shareholders and is seeking to maintain its policy of real dividend growth over the medium to longer term. With this in mind, the Board is proposing dividends that will distribute to shareholders a significant majority of the special dividends received by the Company in the year, whilst retaining a small amount in accordance with the Board's policy of retaining a prudent level of reserves.

Investment Management Fees

As I mentioned in the Company's Half-Yearly Financial Report, the Board has negotiated a reduction of the management fees paid to the Manager. With effect from 1 April 2014, the base management fee was reduced from 0.75% pa to 0.6% pa on the first £500 million of assets under management and 0.4% thereafter. The performance fee cap was also reduced from 0.75% to 0.5% of year end assets under management. These changes represent a significant reduction in the costs borne by the Company and are reflected in the Company's lower ongoing charges ratio. Fees and expenses remain, as always, a focus of attention for the Board.

Borrowing and Gearing

The Board's policy is to permit gearing up to a maximum of 25% of total net assets and allows the portfolio manager some discretion up to that level. Borrowings are provided by £60 million of 4.37% senior secured notes 2029 and the Company's bank overdraft facility of £110 million. Throughout the year the portfolio manager has varied the gearing level of his portfolio, ranging between 11% and 19%, and ending the year at 15.3% (2014: 14.2%).

Issued Share Capital

A total of 3,058,076 new shares have been issued during the year, reflecting market demand for the Company's shares. Of these, 248,846 arose from shareholders choosing to reinvest their dividends and a further 2,809,230 were issued to meet demand.

Board

Antony Hardy has informed the Board that he does not intend to seek re-election at the Company's forthcoming AGM and will therefore retire from the Board at its conclusion. Mr Hardy has been a Director of the Company since its inception in 1996. His diligent stewardship of the Company during his tenure has been integral to its long term success and I would like to take this opportunity to thank him sincerely on behalf of the Board and to wish him well for the future.

The Board has a formal succession plan in place and having considered the composition of the Board, taking into account the imminent retirement of Mr Hardy at the coming AGM, a search has been initiated to identify a suitable replacement. Mr Hardy currently holds the position of Senior Independent Director. The Board has agreed that upon his retirement he will be succeeded in this role by Vivian Bazalgette.

Annual General Meeting (AGM)

Shareholders' attention is drawn to the special business in the Notice of AGM which includes the annual renewal of powers to issue and buy back shares and to allow application of the minimum notice required for general meetings (other than the annual general meeting) by the Companies Act 2006.

CHAIRMAN'S STATEMENT continued

The Directors have carefully considered all the resolutions proposed in the Notice of the AGM (as set out on pages 59 to 62 and, in their opinion, consider them all to be in the interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution.

The Company's AGM will be held at Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH on Friday, 10 July 2015 at 11.00 am. I do hope that as many shareholders as possible are able to attend. The Directors and the portfolio manager, Mark Barnett, will be available at the meeting to answer shareholder questions.

Bill Alexander
Chairman

2 June 2015

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2015

PORTFOLIO MANAGER'S REPORT

Market Review

The Company's net asset value rose by 11.7% during the 12 months to the end of March 2015 compared to the return of 6.6% from the FTSE All-Share Index, both including reinvested income. The market performance was held back for most of the year as a result of concerns over future profit growth caused by the strength of sterling, the end to the Quantitative Easing (QE) programme in the US, rising geopolitical risk, and the prospect of UK domestic elections. A renewed sense of optimism developed at the start of 2015 fuelled by a significant fall in energy prices, declining bond yields, and by an increase in merger and acquisition activity – despite uncertainty ahead of the UK general election.

As the year unfolded, fears over China's growth rate and a weakening European economy became more relevant concerns. However, offsetting this, the fall in the price of oil in the second half of the year increased optimism that consumer disposable income would rise as fuel and utility costs fell. The deflationary impact of this would also serve to reduce any short-term upward pressure on interest rates. A final positive factor for the market was the news in January that the European Central Bank had decided to introduce a programme of QE in Europe.

Portfolio Strategy & Review

The portfolio's significant exposure to the financial sector was a key contributor to this good performance, notably the holding in Legal & General which increased its dividend by over 20%. Legal & General remains a dominant player in the UK pensions market and is rapidly expanding the investment management business, both by product line and geographically. It has recently won some key US pension fund mandates and stands to benefit from the growing need of governments across the globe to provide retirement income for an ageing population. Additionally it is seeking to improve efficiencies across many business lines, whilst focusing on those products that offer scalability – with the aim of further enhancing profitability going forwards.

The portfolio's holdings in tobacco companies also delivered a significant positive contribution to performance over the period under review. A combination of continuing robust profit margins and solid dividend growth, helped drive performance. Reynolds American and Imperial Tobacco delivered total share price returns of 51% and 32% respectively over the period. There remain high barriers to entry for new competitors and the premium brands strategy continues to demonstrate revenue growth despite an increasingly difficult operating environment. The advent of plain packaging in Australia has encouraged a greater focus on brand differentiation through quality of tobacco, innovation around packaging and filter technology. The prospect of plain packaging spreading across the globe is not considered a major threat given the significant existing restrictions on packaging in most jurisdictions.

Furthermore, Reynolds American's agreed acquisition of North American competitor Lorillard announced last summer, and recently approved by the US Federal Trade Commission, should further strengthen its position in the US market. Imperial Tobacco also stands to benefit from this deal, as it now has clearance to make a strategic purchase (also agreed last summer) of some of Lorillard's North American brands and its domestic salesforce. Both companies continue to offer above average dividend yields, in spite of the strong share price performance over the last 12 months.

Other strong contributors to performance were BAE Systems and AstraZeneca. BAE Systems reported in February that defence spending has become a high priority in a number of international markets and commented that in spite of continuing pressure on public spending in the UK, the company benefited from having long-term contracts in place. It appears to be likely that the defence budgets in the UK and US have now bottomed. The company also highlighted that its large order backlog of £40.5 billion continued to provide "good, multi-year visibility across many of their businesses".

The value inherent in AstraZeneca's drug pipeline was highlighted in April 2014 when Pfizer made a bid for the company, which was subsequently rejected by the AstraZeneca board. The company has continued to make progress and, at the time of the company's full year results in February, the chief

STRATEGIC REPORT
PORTFOLIO MANAGER'S REPORT continued

executive described 2014 as having been a 'remarkable' year during which six product approvals were announced and the drugs pipeline was accelerated across all main therapy areas. The company continues to expand in China which is now its second largest national market. AstraZeneca remains a core holding in the portfolio.

Amongst the detractors to performance were the holdings in Thomas Cook, Babcock and Drax. Thomas Cook saw the share price retreat over the period due to weaknesses in the continental European businesses. The shares reacted more positively when the company announced a strategic partnership with Fosun, a Chinese conglomerate that owns Club Med. The company remains committed to improving profitability through increased digitisation, further cost-cutting, and a focus on improving the exclusivity of their holiday offerings, through operating their own hotels.

Babcock saw its share price decline following the acquisition of Avincis, a helicopter services business. The market has been concerned about the price paid for the acquisition and the limited synergies available to the buyer. There were also wider concerns regarding the visibility of future profits growth. However, the company continues to focus on winning and renewing complex long-term service contracts where it leverages a strong reputation for technological expertise and long-term experience. The company operates globally and has a diverse range of contracts and customers are mainly government bodies. The order book is expected to grow post the UK general election.

Whilst the portfolio's exposure to the oil and gas sector is relatively low, the impact of a falling oil price was felt through the holdings in UK power generators, especially Drax, as earnings forecasts were downgraded and sentiment turned negative. Additionally, Drax was also impacted by the UK government's decision to change its method of subsidy for future biomass conversions and by the possibility of EU intervention.

The other industry that contributed positively to performance over the period was financials. The portfolio has maintained significant holdings in insurance companies, specialist lenders, and property companies – all of which have contributed positively to performance. The portfolio has no exposure to banks.

The portfolio's continued rise in value over a period which has seen some high profile profit warnings and pronounced swings in sentiment is encouraging. The market has been driven by a more positive view of companies able to deliver sustainable growth in earnings, cash-flow and, particularly, dividends.

In terms of portfolio activity, new investments were made in Game Digital, P2P Global Investments and Smith & Nephew. The holding in Chemring was sold.

Outlook

The recent performance of the UK equity market has seen further strong positive returns, with the FTSE All-Share Index hitting a new all-time high towards the end of April – and this makes the near term outlook more subdued. The continued re-rating of equities primarily as a result of the policies of central banks has resulted in boosting asset values to the point where the market looks more fully valued than for many years. This high level of valuation coupled with a low level of earnings growth is the primary risk to the current level of share prices. Furthermore, the increased probability of a change in monetary policy from the US central bank represents a more difficult back drop for government bond markets which will inevitably have a knock-on impact into equities.

The unexpected outright Conservative victory in the general election was positive for business and for UK plc. Importantly, it removes the uncertainty that would have surrounded a hung parliament and fears of anti-business legislation. However, as a result of this outcome two new political risks have risen to prominence. First, the risk surrounding the successful integration of the Scottish Nationalist Party into the UK parliamentary system and second, the longer term risk relating to the EU "in-out" referendum. The latter will certainly have an impact on financial markets and the domestic economy in due course.

Notwithstanding this challenging backdrop, the portfolio remains well positioned to prosper in this environment of continued low interest rates and low nominal GDP growth. As ever, I continue to focus on identifying companies which can cope with a world of low inflation and where the ability to fund a sustainable and growing dividend remains a key principal of corporate strategy. Fortunately the

UK equity market, and more importantly, the portfolio, is well represented with businesses which can continue to achieve this objective and which should, over the long term, provide the shareholders of the trust with a healthy total return from a combination of capital and income growth.

Mark Barnett
Portfolio Manager
2 June 2015

STRATEGIC REPORT

BUSINESS REVIEW

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

The business model the Company has adopted to achieve its investment objective has been to contract investment management and administration to appropriate external service providers, which are overseen by the Board. The principal service provider is, from 22 July 2014, Invesco Fund Managers Limited ('IFML' or the 'Manager'). Prior to 22 July 2014, Invesco Asset Management Limited had been the Manager.

The Manager provides company secretarial, marketing and general administration services including accounting and manages the portfolio in accordance with the Board's strategy. Mark Barnett is the portfolio manager responsible for the day-to-day management of the portfolio.

The Company also has contractual arrangements with third parties to act as registrar, corporate broker and, since 22 July 2014, depositary. The depositary is BNY Mellon Trust & Depositary (UK) Limited. The depositary has delegated safekeeping of the Company's investments to the Company's previous custodian, The Bank of New York Mellon (London Branch).

Investment Objective

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

Investment Policy

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

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

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

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

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

Investment Limits

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

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

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

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

Borrowing and Debt

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

The £30 million 6.125% debenture matured and was repaid on 8 July 2014. In anticipation of this, on 8 May 2014 the Company issued £60 million of fixed rate 15 year senior secured notes (Notes) at par with an interest rate of 4.37%. Further detail on the Notes is contained in note 12 on page 51.

Performance

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

Asset Performance

The Company's three, five and ten year record for its NAV and share price compared to the benchmark index is shown on page 2.

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

Peer Group Performance

There were 21 investment trusts in the UK Equity Income sector at 31 March 2015. This sector, however, is quite diverse in its investment policies and structures. The Board monitors the performance of the Company in relation to both this sector as a whole and to those companies within it which the Board consider to be its peer group.

As at 31 March 2015, within those companies ranked within the UK Equity Income sector, the Company was ranked 9th over one year and 4th over three and 4th over five years respectively by NAV performance (source: JPMorgan Cazenove).

Dividend

It remains the Directors' intention to distribute, by way of dividend, substantially all of the Company's net income after expenses and taxation whilst also retaining a prudent level of reserves. The dividends declared for the year are shown on the next page, under 'Results and Dividends'.

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

The Directors intend to maintain their existing policy of providing ordinary shareholders with real growth in dividends over the medium to longer term.

STRATEGIC REPORT
BUSINESS REVIEW continued

Premium/Discount

The Board monitors the premium/discount at which the Company's ordinary shares trade and how this compares to other investment trusts in the peer group. During the year the Company's ordinary shares traded at both a discount and a premium. The highest premium was 2.5% and the widest discount was 4.2%. At the year end the discount was 3.0% (2014: 1.5% discount). As at 31 March 2015, the average discount of the 21 investment trusts in the UK Equity Income sector was 2.5% (2014: 0.5% (source: JPMorgan Cazenove).

The Board and Manager closely monitor movements in the Company's share price and dealings in the Company's shares. In order to address any significant overhang or shortage of ordinary shares in the market the Board asks shareholders to approve resolutions each year which allow for the repurchase of ordinary shares (for cancellation or to be held as treasury shares) and also their issuance. This may assist in the management of the discount.

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

Ongoing Charges Ratio

The expenses of managing the Company are carefully monitored by the Board and the ongoing charges ratio provides a guide to the effect on performance of the annual operating costs. The Board reviews expenditure using an annual budgetary process. The ongoing charges ratio for the year was 0.65% (2014: 0.94%) based on management fees (excluding the performance fee) and other expenses of £5,985,000 (2014: £7,727,000). The significant decrease in the ratio arose from the reduction in the management fee rate from 0.75% to an average of 0.49% for the year. This change in the investment management agreement is detailed on pages 26 and 27.

Results and Dividends

On 31 March 2015, the share price and the net asset value (NAV) per ordinary share were 400.9p and 413.1p respectively. The comparable figures at 31 March 2014 were 377.5p and 383.3p.

For the year ended 31 March 2015, three interim dividends of 2.8p each per share were paid on 30 September 2014, 29 December 2014 and 27 March 2015 respectively. A fourth interim dividend of 3.9p per share has been declared for payment on 26 June 2015 to shareholders on the register on 5 June, giving total interim dividends for the year of 12.3p (2014: 11.8p). This represents an increase of 4.2% on the previous year. As discussed in the Chairman's Statement, a special dividend of 1.9p per share was declared and will be paid at the same time as the fourth interim dividend. Thus resultant total dividend for the year of 14.2p is an increase of 3.6% on the previous year.

Financial Position and Borrowings

The Company's balance sheet on page 42 shows the assets and liabilities at the year end. Details of the new £60 million senior secured notes are shown in note 12, and details of the Company's overdraft facility are shown in note 11.

Outlook, including the Future of the Company

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Manager's Report of this Strategic Report. Further details of the principal risks affecting the Company are set out under 'Principal Risks and Uncertainties' below.

Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates. The principal risks and uncertainties identified in this review follow:

Economic Risk

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

Investment Risk

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

A fuller discussion of the economic and market conditions facing the Company and the current and future performance of the portfolio are included in the Portfolio Manager's Report on pages 7 to 9. Past performance of the Company is not necessarily indicative of future performance.

Financial Risk

The financial risks faced by the Company include market price risk (including currency risk, interest rate risk and other price risk), liquidity risk and credit risk, which includes counterparty and custodial risk. Details of these risks and how they are managed are disclosed in note 19 to the financial statements on pages 53 to 57.

Gearing Risk

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

Investment Objective

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

Share Discount Risk

The Company's shares may trade on a wide discount. 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 there are in place both share repurchase and issuance facilities to help the management of this process.

Operational Risk

The Board regularly reviews the system of financial and non-financial internal controls operated by the Company, the Manager and other external service providers. These include controls designed to safeguard the Company's assets and to ensure that proper accounting records are maintained. Details of how the Board monitors the services provided by the Manager and other suppliers are explained further in the internal controls and risk management section in the audit committee report on pages 30 and 31.

Regulatory Risk

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

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

STRATEGIC REPORT
BUSINESS REVIEW continued

A significant regulatory change in the year was the implementation of the Alternative Investment Fund Managers Directive. This required the appointment of a depositary and a change in the contractual arrangements with the Manager, which continues to bear the main compliance obligations.

The Manager reviews compliance with tax and other financial regulatory requirements on a daily basis and reports to the Board on a regular basis on all regulatory aspects.

Other Risks

The risk that the portfolio manager, Mark Barnett, may become incapacitated or otherwise be unavailable is mitigated by the fact that he is one member of the wider Invesco Perpetual UK Equities team.

Board Diversity

The Company's policy on diversity is set out on page 25. The Board considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience, amongst other factors when reviewing its composition and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. The Board comprises six non-executive directors. There are no female directors on the Board and no target has been set in this respect. However, this is at the forefront of considerations in the Board's deliberations but is dependent on suitably qualified candidates who are willing, and have the time, to be a director of the Company. Summary biographical details of the Directors are set out on page 17. The Company has no employees.

Social and Environmental Matters

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

This Strategic Report was approved by the Board of Directors on 2 June 2015

Invesco Asset Management Limited
Company Secretary

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

INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2015

Ordinary shares listed in the UK unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
Reynolds American – US common stock	Tobacco	51,407	4.5
British American Tobacco	Tobacco	47,542	4.2
BT Group	Fixed Line Telecommunications	47,356	4.2
Imperial Tobacco	Tobacco	45,965	4.1
AstraZeneca	Pharmaceuticals & Biotechnology	45,116	4.0
BAE Systems	Aerospace & Defence	40,770	3.6
Roche – Swiss common stock	Pharmaceuticals & Biotechnology	39,531	3.5
Provident Financial	Financial Services	30,308	2.7
GlaxoSmithKline	Pharmaceuticals & Biotechnology	29,821	2.6
BP	Oil & Gas Producers	28,464	2.5
Top ten holdings		406,280	35.9
Legal & General	Life Insurance	28,237	2.5
Capita	Support Services	24,445	2.2
Thomas Cook	Travel & Leisure	24,141	2.1
London Stock Exchange	Financial Services	23,961	2.1
Rolls-Royce	Aerospace & Defence	23,293	2.1
Reed Elsevier	Media	23,221	2.1
BTG	Pharmaceuticals & Biotechnology	22,930	2.0
Beazley	Non-life Insurance	22,828	2.0
SSE	Electricity	22,261	2.0
Bunzl	Support Services	22,108	2.0
Top twenty holdings		643,705	57.0
Compass	Travel & Leisure	22,020	2.0
Derwent London	Real Estate Investment Trusts	21,849	1.9
Babcock International	Support Services	21,504	1.9
Rentokil Initial	Support Services	20,620	1.8
Novartis – Swiss common stock	Pharmaceuticals & Biotechnology	20,481	1.8
Amlin	Non-life Insurance	20,309	1.8
Reckitt Benckiser	Household Goods & Home Construction	20,017	1.8
Hiscox	Non-life Insurance	19,810	1.8
G4S	Support Services	19,425	1.7
Shaftesbury	Real Estate Investment Trusts	18,217	1.6
Top thirty holdings		847,957	75.1
NewRiver Retail	Real Estate Investment Trusts	18,087	1.6
Workspace	Real Estate Investment Trusts	17,249	1.5
TalkTalk Telecom	Fixed Line Telecommunications	15,838	1.4
KCOM	Fixed Line Telecommunications	15,098	1.3
Imperial Innovations	Financial Services	13,609	1.2
Centrica	Gas, Water & Multiutilities	12,666	1.1
Drax	Electricity	12,406	1.1
GAME Digital	General Retailers	12,399	1.1
Lancashire	Non-life Insurance	12,314	1.1
P2P Global Investments – Ordinary Shares	Equity Investment Instruments	9,168	1.0
– C Shares		2,419	
Top forty holdings		989,210	87.5

INVESTMENTS IN ORDER OF VALUATION

continued

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
HomeServe	Support Services	11,339	1.0
N Brown	General Retailers	10,571	0.9
Macau Property Opportunities Fund	Real Estate Investment & Services	9,248	0.8
Ladbrokes	Travel & Leisure	8,988	0.8
Nimrod Sea Assets	Equity Investment Instruments	8,940	0.8
IP Group	Financial Services	8,931	0.8
CLS	Real Estate Investment & Services	8,722	0.8
Sherborne Investors Guernsey B – A Shares	Financial Services	8,670	0.8
Vectura	Pharmaceuticals & Biotechnology	8,599	0.8
Napo Pharmaceuticals – Unquoted US common stock	Pharmaceuticals & Biotechnology	7,910	0.7
Top fifty holdings		1,081,128	95.7
Harworth (formerly Coalfield Resources)	Real Estate Investment & Services	7,341	0.7
Smith & Nephew	Health Care Equipment & Services	5,966	0.5
Circassia Pharmaceuticals	Pharmaceuticals & Biotechnology	5,469	0.5
Doric Nimrod Air Three – Preference Shares	Equity Investment Instruments	5,286	0.5
Doric Nimrod Air Two – Preference Shares	Equity Investment Instruments	5,181	0.4
Lombard Medical – US Common Stock	Health Care Equipment & Services	4,962	0.4
Horizon Discovery	Pharmaceuticals & Biotechnology	3,120	0.3
Damille Investments II	Equity Investment Instruments	3,025	0.3
PuriCore	Health Care Equipment & Services	2,533	0.3
Serco – Ordinary Shares	Support Services	1,902	0.2
– Rights 16 April 2015		568	
Top sixty holdings		1,126,481	99.8
HaloSource	Chemicals	690	0.1
Altus Resource Capital	Equity Investment Instruments	639	0.1
XTL Biopharmaceuticals – ADR	Pharmaceuticals & Biotechnology	152	—
Mirada	Media	12	—
Total Equity Investments (64)		**1,127,974**	**100.0**

ISSUER AND ISSUE	MOODY/S&P RATING[(1)]	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Other Investments				
Barclays Bank – Nuclear Power Notes 28 Feb 2019[(2)]	NR/NR	Electricity	537	—
Total Other Investments (1)			**537**	**—**
Total Investments (65)			**1,128,511**	**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 Board and of the Management Engagement Committee)
Bill Alexander was appointed to the Board on 28 March 2006 and as Chairman on 19 July 2007. He was previously non-executive Chairman of Wigborough Ltd, Chairman of Xansa plc and Chief Executive of RWE Thames Water plc, and also held non-executive appointments at RMC plc, GB Airways Ltd and Laporte plc. Bill is a Chartered Engineer and a Fellow of the Royal Academy of Engineering. (FREng).

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. He is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

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 also an adviser to BAE Systems Pension Fund and to the Nuffield Foundation. He is currently Vice Chairman of the Governors 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 Chief Investment Officer of Prudential M&G from 2000 to 2002. He holds an MA in English from Cambridge University.

Antony Hardy †* (Senior Independent Director)
Antony Hardy was appointed to the Board on 2 February 1996. He has held the position of 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, Chairman of the Trustees of the Threadneedle Pension Plan and was previously Investment Manager of the Church Commissioners for England.

Richard Laing †* (Chairman of the Audit Committee)
Mr Laing was appointed to the Board on 20 November 2012. He was previously Chief Executive of CDC Group plc, formerly the Commonwealth Development Corporation, from 2004 to 2011, having joined the organisation in 2000 as Finance Director. Prior to CDC, he spent 15 years at De La Rue where he held a number of positions both in the UK and internationally, latterly as the Group Finance Director. He was also a non-executive Director of Camelot. He previously worked in agribusiness in developing countries and at PricewaterhouseCoopers and Marks & Spencer. He has had a number of non-executive positions across a range of sectors, mainly overseas. His current appointments include: a Director of the Overseas Development Institute, the UK's leading independent think-tank on international development; a Trustee of Plan UK, the international children's charity; Chairman of Miro Forestry, which operates in Ghana and Sierra Leone, and a non-executive Director of JPMorgan Emerging Markets Investment Trust Plc. He obtained an MA from Cambridge University in Engineering and is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

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

All Directors are non-executive.

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

†Member of the Audit Committee.

*Member of the Management Engagement Committee.

THE COMPANY'S CORPORATE GOVERNANCE FRAMEWORK

The Board and Committees

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

The Board

Six non-executive directors

Chairman – Bill Alexander

Key objectives:

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

Management Engagement Committee

Chairman – Bill Alexander

Other members:

- Antony Hardy
- Vivian Bazalgette
- Richard Laing

Key objective:

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

Audit Committee

Chairman – Richard Laing

Other members:

- Bill Alexander
- Vivian Bazalgette
- Antony Hardy

Key objectives:

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

Nominations Committee Function

The Board as a whole performs this function

Key objectives:

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

Remuneration Committee Function

The Board as a whole performs this function

Key objective:

- to set the remuneration policy of the Company.

The Portfolio Manager

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

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2015

Introduction

The Directors present their report for the year ended 31 March 2015.

Business and Status

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

Life of the Company

The Company's Articles of Association require that with effect from 2006 and every five years thereafter, the Company will propose an ordinary resolution to approve the continuation of the Company as an investment trust. The next occasion on which the Company must propose a similar ordinary resolution will be at the 2016 AGM.

Corporate Governance

The Corporate Governance Statement set out on page 23 is included in this Directors' Report by reference.

Directors

Board Composition

The Board comprises six non-executive Directors, all of whom served throughout the year. Their biographies, which are set out on page 17, demonstrate their breadth of investment, commercial and professional experience relevant to their positions as Directors.

Directors' Remuneration and Interests in Shares

The Directors' Remuneration Report on pages 32 to 34 provides information on the remuneration and interests of Directors. No Director was a party to, or had interests in, any contract or arrangement with the Company during the year or at the year end.

Conflicts of Interest

A Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or has the potential to conflict, with the Company's interests. The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply when Directors decide whether to do so. First, only Directors who have no interest in the matter being considered are able to take the relevant decision, and 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 can impose limits or conditions when giving authorisation if they think this is appropriate.

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

Directors' Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, Deeds of Indemnity have been executed on behalf of the Company for each of the Directors under the Company's Articles of Association. Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

DIRECTORS' REPORT
continued

Share Capital

Capital Structure

As at 31 March 2015, the Company's share capital consisted of 236,874,251 ordinary shares of 10p each. In response to demand for ordinary shares, during the year 3,058,076 shares were issued for 389.15p. Subsequent to the year end no further shares have been issued.

The Company's Articles of Association allow an issue of B shares to take place should conditions permit. There are no B shares in issue.

Restrictions

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

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.

Voting

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.

Repurchase Powers

The Board's current powers to repurchase shares and proposals for their renewal are shown in the section titled 'Special Business at the Annual General Meeting'.

Substantial Shareholders

The Company had been notified of the following holdings of 3% and over of the Company's ordinary share capital:

	AS AT 31 MAY 2015		AS AT 31 MARCH 2015		AS AT 31 MARCH 2014	
	HOLDING	%	HOLDING	%	HOLDING	%
Invesco Perpetual Savings Scheme and ISA	50,844,601	21.5	51,605,311	21.8	53,902,817	23.1
Hargreaves Lansdown	18,709,018	7.9	18,363,975	7.7	16,431,623	7.0
Brewin Dolphin	13,582,278	5.7	13,753,037	5.8	13,343,139	5.7
Charles Stanley	12,222,519	5.2	12,407,484	5.2	11,665,437	5.0
Rathbones	11,404,406	4.8	11,420,750	4.8	11,577,257	5.0
Alliance Trust Savings	9,939,493	4.2	9,816,239	4.1	9,273,423	4.0
Investec Wealth & Investment	9,648,563	4.1	9,328,417	3.9	7,958,138	3.4

Disclosures Required by Listing Rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that all such reporting applied to only non applicable events for the year to 31 March 2015.

Going Concern

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

Auditor

Deloitte UK LLP have indicated their willingness to continue as auditor to the Company and a resolution for their reappointment will be proposed at the AGM. The Audit Committee Report on pages 29 to 31 details, among other things, that Committee's review of the auditor's effectiveness and the Directors' confirmation concerning relevant audit information as required by section 418 of the Companies Act.

Individual Savings Account (ISA)

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

Greenhouse Gas Emissions

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

Special Business at the Annual General Meeting

The notice of the Annual General Meeting (AGM) of the Company is on pages 59 to 62. In addition to the ordinary business, four resolutions are proposed as special business, one as an ordinary resolution and three as special resolutions.

Share Issuance

The Directors are seeking the authority to issue up to an aggregate nominal amount of £7,895,808 (a third of the Company's issued share capital as at 2 June 2015) 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 2016 or the date 15 months after the passing of this resolution, whichever is the earlier.

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 £2,368,742 (10% of the Company's issued share capital as at 2 June 2015) of new ordinary shares disapplying pre-emption rights. 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 2016 or the date 15 months after the passing of this resolution, whichever is the earlier.

Share Buy Backs and Treasury Shares

The Directors are seeking to renew the authority to buy back up to 35,507,450 shares (14.99% of the Company's issued share capital as at 2 June 2015), subject to the restrictions referred to in the Notice of Meeting of the AGM. This authority will expire at the AGM in 2016 or the date 15 months after the passing of this resolution, whichever is the earlier. The Directors are proposing that shares repurchased by the Company be either cancelled or, alternatively, held as treasury shares with a view to their resale if appropriate or cancellation. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders.

Notice Period for General Meetings

The EU Shareholder Rights Directive increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. A shareholders' resolution is required to ensure that the Company's general meetings (other than Annual General

DIRECTORS' REPORT
continued

Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 14 will propose that the period of notice for general meetings of the Company (other than AGMs) shall not be less than 14 days' notice.

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

By order of the Board
Invesco Asset Management Limited
Company Secretary
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH

2 June 2015

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

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

The Board has considered the principles and recommendations of the 2013 AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

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

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

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of Perpetual Income and Growth Investment Trust plc, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties and in view of the Manager having an internal audit function. The Company has therefore not reported further in respect of these provisions.

The Board

The Board comprises six non-executive Directors, five of whom are considered independent. Bob Yerbury was a Senior Managing Director of Invesco Limited and a Director of Invesco Asset Management Limited until his retirement on 27 March 2013. In accordance with the AIC Code, as a recent employee of the Manager, he is not considered independent.

The Board has considered the continued appointment of Bill Alexander and Sir Martyn Arbib 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 business interests.

The Board meets on a regular basis and at least five times each year. Additional meetings are arranged as necessary. Regular contact is maintained between the Manager, the Company Secretary and the Board between formal meetings. Board meetings follow a formal agenda, which includes a review of the investment portfolio with reports from the Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

Board and Committee Composition and Succession Planning

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 17.

Antony Hardy is not seeking re-election at the Company's AGM on 10 July and will therefore retire from the Board at the conclusion of the AGM. The Board has a formal succession plan in place and, at least annually, reviews both the performance of the Board and individual Directors.

Having considered the composition of the Board and the Committees and the forthcoming retirement of Antony Hardy at the AGM, a search and recruitment drive has been initiated to identify a new director. To assist with this, the Board expects to engage a third party recruitment firm.

Chairman

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of the role. The Chairman is Bill Alexander, a non-executive and independent Director who has no conflicting relationships.

CORPORATE GOVERNANCE STATEMENT

continued

Senior Independent Director

The Senior Independent Director (SID) provides a sounding board for the Chairman, serves as an intermediary for the other Directors if necessary and provides a channel of communication for shareholders where contact through the Chairman or Company Secretary have failed to resolve or for which such contact is inappropriate. Antony Hardy is the SID, and upon his retirement at the conclusion of this year's AGM this position will be taken up by Vivian Bazalgette.

Board Responsibilities

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

In order to promote the success of the Company, the Board directs and supervises its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for the Board has been established. The schedule is reviewed annually to ensure compliance with the latest regulatory requirements, best practice and the AIC Code and is available for inspection at the AGM, at the registered office of the Company and on the Manager'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, fact sheets and daily NAV disclosures.

The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in or accepting bribery for and on behalf of the Company.

The Board as a whole undertakes the responsibilities which would otherwise be assumed by committees for remuneration and nomination:

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

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

Remuneration

The Board as a whole operates as a Remuneration Committee, including determining the Company's remuneration policy. The Board takes into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' Remuneration Report on pages 32 to 34.

Nominations

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

The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 29 to 31, which is included in this Directors' Report by reference.

The Management Engagement Committee (MEC)

The MEC comprises Bill Alexander, Antony Hardy, Vivian Bazalgette and Richard Laing, all of whom are independent Directors. The Chairman of the MEC is Bill Alexander. The MEC has written terms of reference which clearly define its responsibilities and duties. The terms of reference are reviewed at least annually to ensure compliance with the latest regulatory requirements, best practice and the AIC Code. They will be available for inspection at the AGM, the registered office of the Company and on the Company's section of the Manager's website.

The MEC 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. The MEC's assessment of the Manager can be found on page 27.

Appointment, Re-election and Tenure of Directors

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

The Directors are 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. 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, on the Manager's website and will be available at the AGM.

The Board has a formal, rigorous and transparent procedure for the selection and appointment of any new Director to the Board. This ensures that the Board and its committees have the correct composition and balance, and that the Company's Directors have the necessary skills, experience, length of service and knowledge of the Company. The Board considers the ability of any new director to devote sufficient time to the Company to carry out his or her duties effectively, and with due regard for the benefits of diversity (including gender). The Board has not set any measurable objectives in respect of the latter.

In accordance with the UK Code of Corporate Governance, at every AGM all Directors shall retire and offer themselves for re-election. The Board confirms that the performance of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore recommends to shareholders their support for resolutions 2 through to 6 relating to the Directors.

The Articles will be available at the AGM and can be inspected at the registered office address of the Company.

Board, Committee and Directors' Performance Appraisal

The Company has in place a formal system of performance evaluation which is undertaken by the Board annually. The appropriateness and benefits of externally facilitated Board evaluation were considered by the Board during the year and information was sought from service providers in this regard. The Board intends to consider the use of external evaluation again next year.

An external consultant, Trust Associates Limited, undertook in 2014 an exercise to assess the effectiveness and performance of individual Directors, the Board as a whole and the individual committees. The results were satisfactory, with the Directors being deemed to devote sufficient time to their duties and to be effective in their roles.

For the current year, the Board has conducted a formal internally facilitated evaluation of its performance, that of its committees and of individual Directors. The findings indicated that the Directors individually, and the Board as a whole, continued to function efficiently, that the composition of the Board is appropriately aligned to the Company's activities and that the Directors are able to effectively discharge their responsibilities to the Company and its members.

Attendance at Board and Committee Meetings

All the Directors are considered to have an excellent attendance record at Board and Committee Meetings of the Company. The following table sets out the number of scheduled meetings held

CORPORATE GOVERNANCE STATEMENT
continued

during the year and the number of meetings attended by each Director or member of each Committee. In addition, Directors also attended several ad-hoc meetings as required between scheduled meetings.

	BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS
Number of meetings:	5	3	2
Meetings attended:			
Bill Alexander	5	3	2
Sir Martyn Arbib	5	n/a	n/a
Vivian Bazalgette	5	3	2
Antony Hardy	5	3	2
Richard Laing	5	3	2
Bob Yerbury	5	n/a	n/a

Internal Controls and Risk Management

The Directors acknowledge that they are responsible for the Company's systems of internal financial and non-financial controls designed to safeguard shareholders' investments and the Company's assets, which have been in place throughout the year and up to the date of this report.

The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The Directors consider that these procedures enable the Company to comply with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'.

The Company's internal controls and risk management systems are reviewed at least annually with the Manager against risk parameters approved by the Board. The Board reviews financial reports and performance against forecasts, stock market indices and the Company's peer group. The Board also considers reports from the Audit Committee in its capacity of reviewer of the services provided, including effectiveness, of external service providers. The Audit Committee report on pages 29 to 31 describes in more depth its activities.

The Manager

Investment Management Agreement and Management Fees

Invesco Fund Managers Limited (IFML) acts as Manager and provides administration services to the Company under an Investment Management Agreement (IMA) dated 22 July 2014 and two later supplemental agreements. The IMA is terminable by either party giving not less than six months' notice; this was reduced from the previous one year's notice by the second supplemental agreement dated 28 May 2015.

Under the agreement, the Manager receives a management fee based on the Company's funds under management of 0.15% per quarter up to £500 million and 0.10% per quarter thereafter. Up until 31 March 2014, the Manager received 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 that of the FTSE All-Share Index, including any brought forward underperformance. The performance-related fee is equal to 10% of the value of any outperformance, but may not exceed 0.5% (up until 31 March 2014: 0.75%) of the value of the Company's funds under management at the balance sheet date, before deduction of the current year's performance fee.

The previous Manager, Invesco Asset Management Limited, an associated company of IFML, continues to manage the Company's investments and acts as Company Secretary under delegated authority from IFML.

The Manager's Responsibilities

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

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

Assessment of the Manager

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

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

Company Secretary

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

Stewardship

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

The Company's stewardship functions have been delegated to the Manager. The Manager has adopted a clear and considered policy towards its responsibility as a shareholder on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value and comply with local recommendations and practices, such as the UK Corporate Governance Code. A copy of the Manager's Policy on Corporate Governance and Stewardship can be found at *www.invescoperpetual.co.uk*.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the publication of monthly factsheets and the NAV of the Company's ordinary shares, which is published daily via the London Stock Exchange and on the Company's section of the Manager's website at *www.invescoperpetual.co.uk/pigit*.

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

It is the intention of the Board that the annual financial report and the notice of the AGM be issued to shareholders so as to provide twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card,

CORPORATE GOVERNANCE STATEMENT
continued

via the Manager's website or in writing to the Company Secretary at the address given on page 64. 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 major shareholders are reported to the Board.

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

Social and Environmental Policies

As an investment trust company with no employees, property or activities outside investment, environmental matters, employees and social and community issues have limited application.

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

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

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2015

The Audit Committee is chaired by myself, Richard Laing, following my appointment at the conclusion of the 2014 AGM. The other members during the year were Bill Alexander, Vivian Bazalgette and Antony Hardy.

The Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference of the Audit Committee, including its role and authority, were updated during the year, are compliant with the AIC Code and are available for inspection at the registered office of the Company or on the Company's section of the Manager's website. They will also be available for inspection at the AGM.

Audit Committee Duties

The Committee's main duties include:

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

Representatives of the auditor attended the Committee meeting at which the draft annual financial report was reviewed and were given the opportunity to speak to Committee members without the presence of representatives of the Manager.

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

Accounting Matters and Significant Areas of Focus

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

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

AUDIT COMMITTEE REPORT
continued

SIGNIFICANT AREA	HOW ADDRESSED
Proof of existence of investments.	The Manager and the depositary confirmed that the accounting records correctly recorded all investee holdings and that these had been agreed to custodian records.
Correct calculation of the performance fee.	The year end performance fee calculation is prepared and reviewed by the Manager and reviewed in depth by the Committee with reference to the investment management agreement.
Recognition of income.	The recognition of income is undertaken in accordance with accounting policy note 1(e) on page 45. The Committee satisfied itself that adequate systems were in place for the complete and proper recording of income.

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

The Audit Committee advised the Board that, following a thorough review of the 2015 annual financial report, the report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

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

Following the satisfactory outcome to the Committee's regular review of auditor effectiveness, performance and independence, the Committee recommends to the Board a resolution proposing the reappointment of Deloitte LLP at the forthcoming AGM for the year ending 31 March 2016.

Deloitte have been the auditor of the Company since its inception in 1996. As highlighted in last year's annual report, the Committee has initiated a tender process to coincide with the normal audit partner rotation cycle, which corresponds with the 2016 annual audit appointment.

Audit Information

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

Internal Controls and Risk Management

The Committee has established an ongoing process for identifying, evaluating and managing the major risks faced by the Company. Risks are reviewed by means of the Company's risk matrix and risk control summary which, after consideration of mitigating controls, effectively highlight and monitor the Company's principal risks.

These risks include those arising in relation to the Company's operations that are, of necessity as an externally managed investment trust, contracted to external service providers. These external service providers comprise the Manager – to whom responsibility both for the Company's portfolio and for the provision of company secretarial and administrative services are delegated – accounts administrator, custodian, registrar and corporate broker.

Systems are in operation to safeguard the Company's assets, to maintain proper accounting records and to ensure that financial information is reliable.

The Committee receives and considers, together with representatives of the Manager, reports by independent external accountants in relation to the operational system of financial and non-financial internal controls of the Manager, accounts administrator, custodian and registrar. In addition the Committee, on a formal and regular basis, reviews the performance of all external service providers in relation to agreed service standards, and any issues and concerns are dealt with promptly and reported to the Board. These reviews identified no issues of significance during the year.

Following the year end it was announced that the FCA had fined certain BNY Mellon group companies, including the entity acting as custodian of the Company's assets, for failings in relation to client assets. The Company has incurred no loss of assets as a result of these failings but the Committee, together with the Manager and the depositary, is engaged to establish the nature of the failings identified and remedial actions taken.

Internal Audit

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

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

Richard Laing
Chairman of the Audit Committee

2 June 2015

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2015

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

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 36 to 40.

Remuneration Responsibilities

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

Directors' Remuneration Policy

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

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

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

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

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

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

This Directors' Remuneration Policy:

- will apply to any new directors, who will be paid the appropriate fee based on the directors' fees level in place at the date of appointment;
- is the same in all material respects as that currently followed by the Board and summarised in the last Directors' Remuneration Report; and
- is intended to take effect immediately upon its approval by shareholders.

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

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

Chairman's Annual Statement on Directors' Remuneration

For the two years to 31 March 2015, the Directors were paid fees at the following rates.

	FEES FROM 1 APRIL 2014 (P.A.)	FEES FOR 4 YEARS TO 31 MAR 2014 (P.A.)
Chairman	£37,500	£30,000
Audit Committee Chairman	£31,250	£25,000
Senior Independent Director	£29,000	£25,000
Other Directors	£25,000	£20,000

The above fees were approved by shareholders at the last annual general meeting held on 11 July 2014.

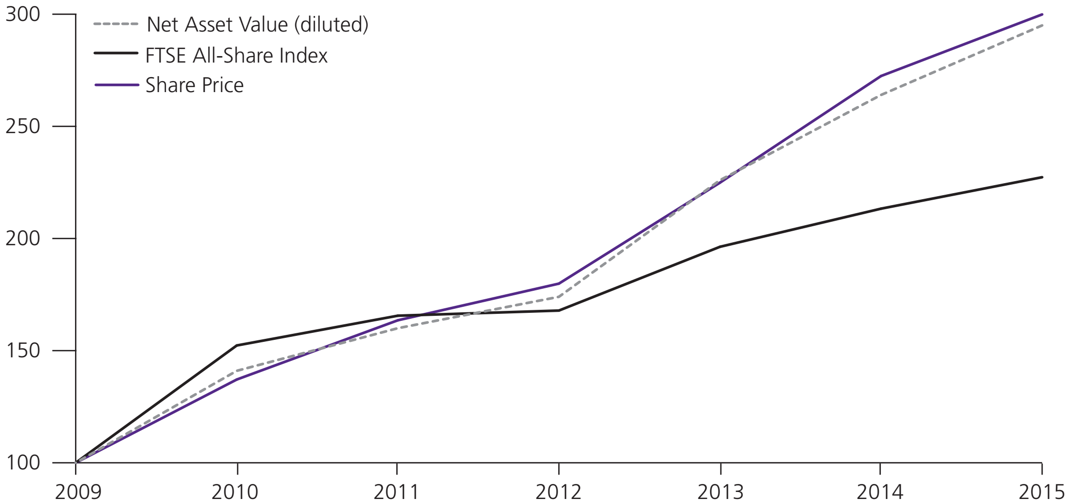
Director's fees were last revised with effect from 1 April 2014 following a review of the increasing demands and accountability of the corporate governance and regulatory environment and the additional workload that each Director had, and will continue, to experience. A similar review was conducted during the year and the Board concluded that the current level of remuneration is appropriate. No discretionary payments were made in the year, or the previous year.

Report on Remuneration for the Year Ended 31 March 2015

The Company's Performance

The graph below plots, in annual increments, the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share Index over the six years to 31 March 2015. This index is the benchmark adopted by the Company for comparison purposes.

Figures have been rebased to 100 at 31 March 2009.



Directors' Emoluments for the Year (Audited)

The Directors who served during the year received the following total emoluments, all of which were in the form of fees:

	2015 £	2014 £
Bill Alexander (Chairman of the Board)	37,500	30,000
Antony Hardy† (Senior Independent Director)	29,650	25,000
Sir Martyn Arbib	25,000	20,000
Vivian Bazalgette	25,000	20,000
Bob Yerbury	25,000	20,000
Richard Laing (Chairman of the Audit Committee, from 11 July 2014)	29,550	20,000
Total	171,700	135,000

† Chairman of the Audit Committee until 11 July 2014.

DIRECTORS' REMUNERATION REPORT
continued

Directors' Shareholdings and Share Interests (Audited)

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

ORDINARY SHARES	2015 ORDINARY SHARES	2014 ORDINARY SHARES
Bill Alexander	10,000	10,000
Sir Martyn Arbib	13,000	13,000
Vivian Bazalgette	10,000	10,000
Antony Hardy	12,000	12,000
Richard Laing	10,000	10,000
Bob Yerbury	10,000	10,000

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

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

Relative Importance of Spend on Pay

The Company has no employees. The following table compares the remuneration paid to the non-executive Directors with aggregate distributions to shareholders in respect of the year to 31 March 2015 and the prior year:

	2015 £'000	2014 £'000	CHANGE £'000
Aggregate Directors' Emoluments	172	135	37
Aggregate Shareholder Distributions	33,472	31,643	1,829

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 11 July 2014 resolutions approving the Directors' Remuneration Policy and Chairman's Annual Statement and Report were passed. The votes cast (including votes cast at the Chairman's discretion) were as follows:

	VOTES FOR	VOTES AGAINST	WITHHELD (NUMBER)
Directors' Remuneration Policy	99.6%	0.4%	92,546
Annual Statement and Report	99.7%	0.3%	71,225

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 2 June 2015.

Bill Alexander
Chairman

Signed on behalf of the Board of Directors

DIRECTORS' RESPONSIBILITIES 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In so far as each of the Directors is aware:

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

This confirmation is given and should be interpreted in accordance with section 418 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.

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

Signed on behalf of the Board of Directors

Bill Alexander
Chairman
2 June 2015

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Perpetual Income and Growth Investment Trust plc

Opinion on financial statements of Perpetual Income and Growth Investment Trust plc

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and Statement of Recommended Practice issued by the Association of Investment Companies in January 2009 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes 1 to 21. 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) and the Statement of Recommended Practice issued by the Association of Investment Companies in January 2009 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

Going concern

As required by the Listing Rules we have reviewed the Directors' statement on pages 20 and 21 that the Company is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant findings in respect of these assessed risks of material misstatements.

There were no changes to the risks from the previous audit report.

The description of risks below should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 29 and 30.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

RISK	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	FINDINGS
Valuation of investments The valuation of investment at £1.1 billion as at 31 March 2015 held by the Company is the most quantitatively significant balance on the balance sheet and also the main driver of the Company's performance and net asset value. As a result of the quantitative significance of the balance, there is a risk that the impact of any investments within the portfolio that are not actively traded or where the prices quoted are not reflective of fair value may result in a material misstatement. Refer to note 1(c) for the accounting policy on investments. Details of the investments are disclosed on pages 15 and 16.	We documented and assessed the design and implementation of controls in place to value the investment portfolio. We have also assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to give us assurance over the risk identified.	No findings were identified from our testing performed on the service organisation control reports and assessment of the related service auditors.
	We agreed the valuation of 100% of the listed investment portfolio to independent pricing sources. Any differences over 1% were investigated further.	We did not identify any differences that exceeded 1% between the prices used by the Company for valuing its listed investments and the independent pricing sources used in our valuation testing.
	In order to confirm investments are actively traded, we verified trading activity and the volume of listed investments for one month after the year end.	No findings were identified during our volume of listed trade analysis one month after the year end.
	We assessed prices for unquoted investments, as determined by the pricing committee, for reasonableness and agreed all the valuation basis to third party sources.	We found that the valuation methodology used in the sole unquoted investment for Napo Pharmaceuticals Inc was reasonable, based on Duff and Phelps valuation report, which was priced at the lowest price the shares had traded during the year to 31 March 2015.
Ownership of investments Given that the Company holds an investment portfolio of £1.1 billion as at 31 March 2015, there is an increased risk that the effect of any investments not held in the name of the Company or where the Company did not have ownership of the investments may result in a material misstatement. Refer to note 1(c) for the accounting policy on investments. Details of the investments are disclosed on pages 15 and 16.	We documented and assessed the design and implementation of controls over ownership of investments. We have also assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to give us assurance over the risk identified.	No findings were identified from our testing performed on the service organisation control reports and assessment of the related service auditors.
	We tested the ownership of investments by verifying 100% of the portfolio holdings at year end to an independent confirmation from the custodian and reconciling the confirmation to the Company's accounting records. Any differences were investigated further.	No findings were identified from our testing of the custodian confirmation.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Perpetual Income and Growth Investment Trust plc

continued

RISK	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	FINDINGS
Accuracy of performance fee The performance fee of £5.28 million is accrued for the year ended 31 March 2015 because the performance of the Company exceeded the performance of the FTSE All-Share Index on a high-water mark basis. There are various inputs to the performance fee calculation model, and it has changed during the year, hence there is a greater risk for errors. In addition, the calculation may not be in line with the Investment Management Agreement and accounting policy. Refer to note 1(f) for the accounting policy for performance fees. Details of the performance fee is disclosed in note 3.	We documented and assessed the design and implementation of controls over the calculation of the performance fee. We have also assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to give us assurance over the risk identified.	No findings were identified from our testing performed on the service organisation control reports and assessment of the related service auditors.
	We checked the performance fee calculation to obtain assurance that the performance fee is in agreement with the Investment Management Agreement.	There were no findings from our testing of the performance fee.
Revenue recognition Dividend income of £37.6 million for the year ended 31 March 2015 from equity investments are accounted for on an ex-dividend basis. There is a risk that capital returns can be incorrectly recognised as income in the financial statements and that could impact the level of distribution required by investment trust regulations. Refer to note 1(e) for the revenue accounting policy. Details of revenue are disclosed in note 2.	We documented and assessed the design and implementation of controls over revenue recognition and management's monitoring of completeness and allocation of revenue between revenue and capital. We have also assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to give us assurance over the risk identified.	No findings were identified from our testing performed on the service organisation control reports and assessment of the related service auditors.
	We obtained the corporate action listing for the year, and for a sample of such actions, reviewed management assessment and underlying information on corporate actions according to the third party corporate action notification. We reviewed the treatment of the recognition criteria and also allocation treatment for any special dividends or other income received in the year.	No findings were obtained from our testing on the completeness and allocation of revenue between revenue and capital.
	For a sample of investments, we obtained ex-dividend dates and rates for dividends declared during the year and agreed the amounts to the dividend entitlements earned and the general ledger.	No findings were obtained from our cut off testing on revenue recognition.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company to be £9,784,000 (2014: £8,960,000), which has been determined using approximately 1% (2014: 1%) of shareholders' funds.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £195,000 (2014: £179,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We did not identify any such misstatements. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

As the accounting is performed by service organisations, we obtained an understanding of how the Company uses service organisations in its operations and evaluated the design and implementation of relevant controls at the Company that relate to the services provided by service organisations. We reviewed the latest reports on internal controls from the service organisations and contacted them directly to obtain specific information we needed to conduct our audit.

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 Strategic Report and 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

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the annual financial report

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

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

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Perpetual Income and Growth Investment Trust plc

continued

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

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

Stuart McLaren
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

2 June 2015

Electronic Publication

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000	2014 REVENUE £'000	2014 CAPITAL £'000	2014 TOTAL £'000
Gains on investments at fair value	9	—	81,118	81,118	—	127,613	127,613
Foreign exchange gains		—	31	31	—	—	—
Income	2	37,611	—	37,611	35,921	960	36,881
Investment management fees	3	(1,591)	(8,995)	(10,586)	(2,150)	(12,756)	(14,906)
Other expenses	4	(680)	(1)	(681)	(557)	(2)	(559)
Net return before finance costs and taxation		35,340	72,153	107,493	33,214	115,815	149,029
Finance costs	5	(1,159)	(2,706)	(3,865)	(902)	(2,104)	(3,006)
Return on ordinary activities before tax		34,181	69,447	103,628	32,312	113,711	146,023
Tax on ordinary activities	6	(532)	—	(532)	(660)	—	(660)
Return on ordinary activities after tax for the financial year		33,649	69,447	103,096	31,652	113,711	145,363
Return per ordinary share:							
Basic	7	14.34p	29.59p	43.93p	13.92p	50.00p	63.92p
Diluted	7	n/a	n/a	n/a	13.79p	49.56p	63.35p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. 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.

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 2013	21,923	206,921	489,188	25,074	743,106
Net return on ordinary activities	—	—	113,711	31,652	145,363
Dividends paid – note 8	—	—	—	(26,330)	(26,330)
Net proceeds from issue of new shares	168	5,718	—	—	5,886
Exercise of subscription shares	1,291	26,974	—	—	28,265
At 31 March 2014	23,382	239,613	602,899	30,396	896,290
Net return on ordinary activities	—	—	69,447	33,649	103,096
Dividends paid – note 8	—	—	—	(32,817)	(32,817)
Net proceeds from issue of new shares	305	11,553	—	—	11,858
At 31 March 2015	23,687	251,166	672,346	31,228	978,427

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

BALANCE SHEET
AS AT 31 MARCH

	NOTES	2015 £'000	2014 £'000
Fixed assets			
Investments at fair value	9	1,128,511	1,026,821
Current assets			
Debtors	10	7,416	7,370
Creditors: amounts falling due within one year	11	(98,102)	(137,901)
Net current liabilities		(90,686)	(130,531)
Total assets less current liabilities		1,037,825	896,290
Creditors: amounts falling due after more than one year	12	(59,398)	—
Net assets		978,427	896,290
Capital and reserves			
Share capital	13	23,687	23,382
Share premium	14	251,166	239,613
Capital reserve	14	672,346	602,899
Revenue reserve	14	31,228	30,396
Shareholders' funds		978,427	896,290
Net asset value per ordinary share			
Basic	15	413.1p	383.3p

These financial statements were approved and authorised for issue by the Board of Directors on 2 June 2015.

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	2015 £'000	2014 £'000
Net cash inflow from operating activities	16(a)	22,650	21,473
Servicing of finance	16(b)	(3,150)	(2,981)
Capital expenditure and financial investment	16(b)	(20,429)	(49,173)
Equity dividends paid	8	(32,817)	(26,330)
Net cash outflow before management of liquid resources and financing		(33,746)	(57,011)
Financing	16(b)	41,218	34,151
Increase/(decrease) in cash		7,472	(22,860)

RECONCILIATION OF NET CASH FLOWS TO NET DEBT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2015 £'000	2014 £'000
Increase/(decrease) in cash in year		7,472	(22,860)
Net cash inflow from issue of senior secured notes 2029		(59,360)	—
Net cash outflow from repayment of debenture stock 2014		30,000	—
Senior secured notes/debenture stock non-cash movement		(56)	(67)
Movement in net debt in the year		(21,944)	(22,927)
Net debt at beginning of year		(127,675)	(104,748)
Net debt at end of year	16(c)	(149,619)	(127,675)

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

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

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

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

(a) Basis of Preparation

Accounting Standards applied

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, 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 Directors' Report on pages 20 and 21 form part of the financial statements.

(b) Foreign Currency and Segmental Reporting

(i) *Functional and presentational currency*

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

(ii) *Transactions and balances*

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

(iii) *Segmental reporting*

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies quoted mainly on the UK or other regulated stock exchanges.

(c) Financial Instruments

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

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

(ii) *Derecognition of financial assets*

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

(iii) *Derecognition of financial liabilities*

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

(iv) *Trade date accounting*

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

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

Financial assets

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

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost, with transaction costs expensed in the income statement, and are subsequently valued at fair value.

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. For investments that are not actively traded or where active stock exchange quoted bid prices are not available, fair value is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Where there is no active market, unlisted/illiquid investments are valued by the Directors at fair value based on recommendations from Invesco's Pricing Committee, which in turn is guided by the International Private Equity and Venture Capital Association Guidelines, using valuation techniques such as earnings multiples, recent arm's length transactions and net assets.

Financial liabilities

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

(d) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies (continued)

(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.

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 financial statements unless there is an obligation to pay at the balance sheet date. Proposed dividends are recognised in the year in which they are paid to shareholders.

2. Income

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

	2015 £'000	2014 £'000
Income from investments		
UK dividends – ordinary	25,696	25,538
UK dividends – special	3,293	3,269
Overseas dividends – ordinary	5,462	5,560
Overseas dividends – special	2,525	1,278
Scrip dividends	487	246
Unfranked investment income	148	30
Total income	37,611	35,921

No special dividends have been recognised in capital (2014: £960,000).

3. Investment Management Fees

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

	2015			2014		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee (i)	1,591	3,713	5,304	2,150	5,018	7,168
Performance-related management fee (ii)	—	5,282	5,282	—	7,738	7,738
	1,591	8,995	10,586	2,150	12,756	14,906

Details of the Investment Management Agreement can be found in the Directors' Report.

(i) At 31 March 2015 £1,383,000 (2014: £1,934,000) 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, to the extent that it exceeds any brought forward underperformance. The Company's performance was in excess of the benchmark index and as at 31 March 2015 £5,282,000 (2014: £7,738,000) was due for payment in respect of the performance-related fee.

4. Expenses

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

	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000	2014 REVENUE £'000	2014 CAPITAL £'000	2014 TOTAL £'000
Directors' fees	172	—	172	135	—	135
Fees payable to the Company's auditor for:						
– audit of the financial statements	29	—	29	27	—	27
– other services (non-audit)	—	—	—	4	—	4
Other expenses	479	1	480	391	2	393
	680	1	681	557	2	559

The Directors' Remuneration Report provides further information on Directors' fees. Included within other expenses is £12,000 (2014: £9,000) of employer's National Insurance paid on Directors' fees. As at 31 March 2015, the amounts outstanding on Directors' fees and employer's National Insurance was £18,000 (2014: £12,000).

Fees payable to the Company auditor are shown excluding VAT which is included in other expenses. The auditor's non-audit services in 2014 relate to debenture covenant compliance.

Other expenses to capital arise from custodian transaction charges.

5. Finance costs

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

	2015 REVENUE £'000	2015 CAPITAL £'000	2015 TOTAL £'000	2014 REVENUE £'000	2014 CAPITAL £'000	2014 TOTAL £'000
Interest payable on borrowings repayable as follows:						
Bank overdraft repayable within 1 year, not by instalments	285	666	951	330	771	1,101
Debenture stock repayable within 1 year, not by instalments	159	372	531	572	1,333	1,905
Notes repayable after 5 years, not by instalments	715	1,668	2,383	—	—	—
	1,159	2,706	3,865	902	2,104	3,006

Notes and debenture issue costs are amortised on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Taxation

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

(a) Current Tax Charge

	2015			2014		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	532	—	532	660	—	660

(b) Reconciliation of Current Tax Charge

	2015 £'000	2014 £'000
Return on ordinary activities before taxation	103,628	146,023
Theoretical tax at UK Corporation Tax rate of 21% (2014: 23%)	21,762	33,585
Effects of:		
– non-taxable gains on investments	(17,035)	(29,351)
– non-taxable gains on foreign exchange movements	(6)	—
– non-taxable UK dividends	(5,941)	(6,427)
– non-taxable scrip dividends	(102)	(56)
– non-taxable overseas dividends	(1,677)	(1,573)
– non-taxable overseas dividend received in capital	—	(221)
– disallowable expenses	—	5
– expenses in excess of taxable income	2,999	4,038
– irrecoverable overseas tax suffered	532	660
	532	660

(c) Factors That May Affect Future Tax Changes

The Company has excess management expenses and loan relationship deficits of £152,690,000 (2014: £138,383,000) that are available to offset future taxable revenue. A deferred tax asset, measured at the standard rate of corporation tax of 20% (2014: 20%), of £30,538,000 (2014: £27,677,000) has not been recognised in respect of these expenses since they are recoverable only to the extent that the Company has sufficient future taxable revenue.

7. Return per Ordinary Share

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

	2015 £'000	2014 £'000
Returns after tax:		
– revenue	33,649	31,652
– capital	69,447	113,711
– total	103,096	145,363
Weighted average number of ordinary shares in issue during the year:		
– basic	234,687,535	227,407,467
– diluted potential shares arising from subscription shares	n/a	2,040,967
– total	234,687,535	229,448,434

The subscription shares were all exercised in 2013, so there is no dilution in 2015. For 2014, the diluted return per ordinary share was based on the weighted average number of ordinary shares in issue during that year, as adjusted in accordance with the requirements of FRS22 'Earnings per Share'. In calculating the diluted return, the exercise of the subscription shares was assumed, with the exercise proceeds of 218.94p per share used to purchase ordinary shares at a price of 344.83p, being the average market price up to the subscription share exercise date.

8. Dividends on Ordinary Shares

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

Dividends on equity shares paid in the year:

	2015		2014	
	PENCE	£'000	PENCE	£'000
Fourth interim in respect of previous year	3.70	8,651	3.55	7,783
First interim paid	2.80	6,547	2,70	5,930
Second interim paid	2.80	6,554	2.70	6,306
Third interim paid	2.80	6,632	2.70	6,313
	12.10	28,384	11.65	26,332
Special dividend paid in respect of previous year	1.90	4,443	—	—
	14.00	32,827	11.65	26,332
Return of unclaimed dividends from previous years	—	(10)	—	(2)
	14.00	32,817	11.65	26,330

Dividends on equity shares payable in respect of the year:

	2015		2014	
	PENCE	£'000	PENCE	£'000
First interim paid September	2.80	6,547	2.70	5,930
Second interim paid December	2.80	6,554	2.70	6,306
Third interim paid March	2.80	6,632	2.70	6,313
Fourth interim payable June	3.90	9,238	3.70	8,651
Total interim dividends	12.30	28,971	11.80	27,200
Special dividend payable June	1.90	4,501	1.90	4,443
Total	14.20	33,472	13.70	31,643

9. Investments at Fair Value

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

Gains and losses in the year are either:

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

NOTES TO THE FINANCIAL STATEMENTS

continued

9. Investments at Fair Value (continued)

(a) Investments

	2015 £'000	2014 £'000
Investments listed on a recognised stock exchange	1,120,601	1,016,249
Unlisted investments	7,910	10,572
Total investments	1,128,511	1,026,821
Opening valuation	1,026,821	847,301
Movements in year:		
Purchases at cost	124,223	257,944
Sales – proceeds	(103,651)	(206,037)
– net realised profits on sales	23,285	70,763
Movement in investment holding gains	57,833	56,850
Closing valuation	1,128,511	1,026,821
Closing book cost	(809,211)	(765,354)
Closing unrealised investment holding gains	319,300	261,467
Net realised gains based on historical cost	23,285	70,763
Movement in unrealised investment holding gains	57,833	56,850
Gains on investments	81,118	127,613

(b) Transaction Costs

The transactions costs included in gains on investments consisted of £445,000 (2014: £1,330,000) on purchases and £97,000 (2014: £257,000) on sales.

10. Debtors

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

	2015 £'000	2014 £'000
Amounts due from brokers	1,125	781
Tax recoverable	1,130	1,336
Prepayments and accrued income	5,161	5,253
	7,416	7,370

11. Creditors: amounts falling due within one year

Creditors are amounts which must be paid by the Company and are split between those due within 12 months of the balance sheet date and those due after that time. The main creditors are the bank overdraft and, for last year only, the debenture – as the latter matured within 3 months of the balance sheet date.

	2015 £'000	2014 £'000
£30,000,000 6.125% debenture 2014	—	29,982
Bank overdraft	90,221	97,693
Performance-related fee	5,282	7,738
Accruals	2,599	2,488
	98,102	137,901

At the year end the Company has an uncommitted bank overdraft facility based on the lower of 25% of the net asset value of the Company and £110 million (2014: £130 million). During the year, the covenant under the facility requiring total assets to not fall below £520 million, was decreased to £440 million. There were no other changes to the facility agreement.

The £30 million debenture was fully redeemed on 8 July 2014.

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

These creditors are amounts due, as shown by note 11, but are due more than 12 months after the balance sheet date.

	2015 £'000	2014 £'000
4.37% senior secured notes 2029	60,000	—
Unamortised issue costs	(602)	—
	59,398	—

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

The Notes are secured by a first floating charge over the Company's assets. Under the trust deed, total borrowings must not exceed 25% of the 'Adjusted Capital and Reserves' (as defined therein).

13. Share Capital

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

	2015		2014	
	NUMBER	£'000	NUMBER	£'000
Allotted 10p ordinary shares:				
Brought forward	233,816,175	23,382	219,228,060	21,923
Issue of new shares	3,058,076	305	1,673,378	168
Exercise of subscription shares	—	—	12,914,737	1,291
Carried forward	236,874,251	23,687	233,816,175	23,382

During the year the Company issued 3,058,076 ordinary shares at an average price of 389.15p.

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

The final opportunity to exercise subscription shares occurred on 31 August 2013. On 10 September 2013, the remaining 12,914,737 subscription shares were converted into the same number of ordinary shares at a price of 218.94 pence per share.

14. Reserves

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

The share premium arises on the issue of new shares and is non-distributable.

The capital reserve includes the unrealised investment holding gains/(losses), being the difference between cost and market value at the balance sheet date, totalling a gain of £319,300,000 (2014: £261,467,000). The capital and revenue reserves are distributable.

15. Net Asset Value

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

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

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE (£'000)	
	2015	2014	2015	2014
Ordinary shares – basic	413.1p	383.3p	978,427	896,290

The number of shares in issue at the year end are shown in note 13.

NOTES TO THE FINANCIAL STATEMENTS

continued

16. Notes to the Cash Flow Statement

The cash flow statement shows the cash flows of the Company from its operating, investing and financing activities. The main cash flows arise from the purchase and sale of investments.

(a) Reconciliation of Operating Profit to Operating Cash Flows

	2015 £'000	2014 £'000
Total income before finance costs and taxation	107,493	149,029
Scrip dividends received as income	(487)	(246)
Gains on investments	(81,118)	(127,613)
Decrease/(increase) in debtors	298	(720)
(Decrease)/increase in creditors	(3,004)	1,683
Tax on overseas income	(532)	(660)
Net cash inflow from operating activities	22,650	21,473

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

	2015 £'000	2014 £'000
Servicing of finance		
Interest paid on overdraft	(951)	(1,143)
Interest paid on senior secured notes	(1,311)	—
Interest paid on debenture	(888)	(1,838)
Net cash outflow from servicing of finance	(3,150)	(2,981)
Capital expenditure and financial investment		
Purchase of investments, excluding scrip dividends received as income	(123,736)	(259,292)
Sale of investments	103,307	210,119
Net cash outflow from capital expenditure and financial investments	(20,429)	(49,173)
Financing		
Issue of new shares	11,858	5,886
Exercise of subscription shares – net of costs	—	28,265
Net proceeds from issue of senior secured notes	59,360	—
Debenture stock 2014 repaid	(30,000)	—
Net cash inflow from financing	41,218	34,151

(c) Analysis of Net Debt

	1 APRIL 2014 £'000	CASH FLOW £'000	NOTES AND DEBENTURE STOCK NON-CASH MOVEMENT £'000	31 MARCH 2015 £'000
Bank overdraft	(97,693)	7,472	—	(90,221)
Senior secured notes 2029	—	(59,360)	(38)	(59,398)
Debenture 2014	(29,982)	30,000	(18)	—
Net debt	(127,675)	(21,888)	(56)	(149,619)

17. Contingencies, Guarantees and Financial Commitments

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

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

18. Related Party Transactions and Transactions with the Manager

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

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on pages 32 to 34 with additional disclosure in note 4. No other related parties have been identified.

Up to 22 July 2014, the Manager was Invesco Asset Management Limited, at which date Invesco Fund Managers Limited was appointed. Details of this change and the Manager's services and fees are disclosed in the Directors' Report on page 26 and note 3.

19. Financial Instruments

Financial instruments comprise the Company's investment portfolio, derivative financial instruments (if the Company had any), as well as any cash, borrowings, other receivables and other payables.

The Company's strategy for managing investment risk is determined with regard to the Company's Investment Policy, as shown on page 10. The management of market risk is part of the investment management process. The Company's portfolio is managed in accordance with the internal controls and risk management systems as described in the sections thereon in the Corporate Governance Statement (page 23) and in the Audit Committee Report (page 29). The overall disposition of the Company's assets is reviewed by the Board on a regular basis.

The Company's financial instruments comprise its investment portfolio (as shown on pages 15 and 16) cash, borrowings (including overdraft and 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

19. Financial Instruments (continued)

Risk Management Policies and Procedures

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

As an investment trust the Company invests in equities and other investments for the long term so as to meet its investment objective and policies. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. The risks applicable to the Company and the policies the Company used to manage these risks for the two years under review follow.

Market Risk

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

Currency risk

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

Management of the currency risk

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

Forward currency contracts can be used to reduce the Company's exposure to anticipated future changes in exchange rates which are used also to achieve the portfolio characteristics that assist the Company in meeting its investment objective and policies. All contracts are limited to currencies and amounts commensurate with the asset denominated in those currencies. During the year, no forward currency contracts were used by the Company (2014: none).

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

Currency exposure

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

	31 MARCH 2015		31 MARCH 2014	
	US DOLLAR £'000	SWISS FRANC £'000	US DOLLAR £'000	SWISS FRANC £'000
Foreign currency exposure on net monetary items	426	835	401	986
Investments at fair value through profit or loss that are equities	73,371	60,012	56,229	69,523
Total net foreign currency exposure	73,797	60,847	56,630	70,509

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 and Swiss francs. It is based on the Company's monetary foreign currency financial instruments held at each balance sheet date and takes account of any forward foreign exchange contracts, if used, that offset the effects of changes in currency exchange rates.

The exchange rate of ±4.5% (2014: ±3.4%) for US dollars and ±3.3% (2014: ±1.3%) for Swiss francs has been determined based on market volatility in the year, using the standard deviation of sterling's fluctuation to the applicable foreign currency against the mean.

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

	31 MARCH 2015 US DOLLAR £'000	31 MARCH 2015 SWISS FRANC £'000	31 MARCH 2014 US DOLLAR £'000	31 MARCH 2014 SWISS FRANC £'000
Income statement – profit/(loss) after taxation				
Revenue return	(73)	(74)	(58)	(39)
Capital return	(3,321)	(2,008)	(1,925)	(917)
Total loss after taxation for the year	(3,394)	(2,082)	(1,983)	(956)

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

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

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian. At the year end the Company had an uncommitted bank overdraft facility based on the lower of 25% of the net assets of the Company and £110 million (2014: £130 million). The Company uses the facility when required at levels approved and monitored by the Board. The Company also has in issue £60 million 4.37% senior secured notes 2029 (Notes).

At the year end drawings on the Company's overdraft were £90,221,000 (2014: £97,693,000) and the Notes had an amortised cost of £59,398,000 (2014: debenture: £29,982,000). At the maximum overdraft of £110 million, the effect of a ±1% in the interest rate would result in a decrease/increase to the Company's income statement of £1.1 million.

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

Other price risk

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

Management of other price risk

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

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

If the value of the portfolio rose or fell by 10% at the balance sheet date, the profit after tax for the year would increase or decrease by £112.9 million (2014: £102.7 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

continued

19. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Liquidity risk

Liquidity risk is minimised as the majority of the Company's investments are readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the £110 million bank overdraft facility provides for additional funding flexibility.

2015	THREE MONTHS OR LESS £'000	MORE THAN THREE MONTHS BUT LESS THAN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Bank overdraft	90,221	—	—	90,221
Accruals and performance-related fee (excluding amount accrued on Notes)	6,846	—	—	6,846
Notes	—	—	60,000	60,000
Interest on Notes	1,311	1,311	35,397	38,019
	98,378	1,311	95,397	195,086

2014	THREE MONTHS OR LESS £'000	MORE THAN THREE MONTHS BUT LESS THAN ONE YEAR £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Bank overdraft	97,693	—	—	97,693
Accruals and performance-related fees (excluding interest on debenture stocks)	9,819	—	—	9,819
Debenture stocks	—	30,000	—	30,000
Interest on debenture stocks	—	919	—	919
	107,512	30,919	—	138,431

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 £2.5 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 £60 million Notes, based on a comparable quoted debt security at the balance sheet date, is £68,717,000 (2014: debenture: £30,600,000).

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'. The three levels set out in FRS29 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. All bar one of the quoted equity investments are deemed to be Level 1. The investment in the Barclays Bank Nuclear Power Notes is the only Level 2 holding and at the year end the holding of Napo Pharmaceutical is the only Level 3 investment.

2015	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments – equities	1,120,064	—	—	1,120,064
Other securities	—	537	—	537
Unquoted investments	—	—	7,910	7,910
Total for financial assets	1,120,064	537	7,910	1,128,511

2014	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments – equities	1,015,578	—	—	1,015,578
Other securities	—	671	—	671
Unquoted investments	—	—	10,572	10,572
Total for financial assets	1,015,578	671	10,572	1,026,821

A reconciliation of the fair value of Level 3 is set out below.

	£'000
Opening fair value	10,572
Sales – proceeds	(7)
– net realised losses	(30)
Unrealised holding movement	(2,625)
Closing fair value of Level 3	7,910

NOTES TO THE FINANCIAL STATEMENTS

continued

20. Capital Management

The Company's total capital employed at 31 March 2015 was £1,128,046,000 (2014: £1,023,965,000) comprising borrowings of £149,619,000 (2014: £127,675,000) and equity share capital and other reserves of £978,427,000 (2014: £896,290,000).

The Company's total capital employed is managed to achieve the Company's investment objective and policy as set out on pages 10 and 11, including that borrowings may be used to raise equity exposure up to a maximum of 25% of net assets. At the balance sheet date, gross gearing of 15.3% (2014: 14.2%) and equalled net gearing. The Company's policies and processes for managing capital are unchanged from the preceding year.

The main risks to the Company's investments are shown in the Directors' Report under the 'Principal Risks and Uncertainties' section on pages 12 to 14. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

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

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by Section 1159 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility, by the terms imposed by the custodian. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year.

Current year borrowings comprise a bank overdraft and senior secured notes, details of which are given in notes 11 and 12.

21. Post Balance Sheet Event

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

There are no significant post balance sheet events requiring disclosure.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting (AGM) of Perpetual Income and Growth Investment Trust plc will be held at Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH on Friday, 10 July 2015 at 11am for the following purposes:

Ordinary Business

1. To receive and adopt the Annual Financial Report for the year ended 31 March 2015.
2. To re-elect Bill Alexander a Director of the Company.
3. To re-elect Vivian Bazalgette a Director of the Company.
4. To re-elect Sir Martyn Arbib a Director of the Company.
5. To re-elect Bob Yerbury a Director of the Company.
6. To re-elect Richard Laing a Director of the Company.
7. To approve the Directors' Remuneration Policy.
8. To approve the Chairman's Annual Statement and Report on Remuneration.
9. To re-appoint the auditor, Deloitte LLP.
10. To authorise the Directors to determine the auditor's remuneration.

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

Special Business

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

11. THAT:

    the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to exercise all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount (within the meaning of Sections 551(3) and (6) of the Act) of £7,895,808, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

12. THAT:

    the Directors be and they are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to allot equity securities for cash, either pursuant to the authority given by resolution 11 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

NOTICE OF ANNUAL GENERAL MEETING

continued

necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £2,368,742.

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this power shall allow the Company to make offers or agreements before the expiry as if the power conferred by this resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this resolution.

13. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of its issued ordinary shares of 10p each in the capital of the Company ('Shares')

PROVIDED ALWAYS THAT:

(i) the maximum number of Shares hereby authorised to be purchased shall be 35,507,450;

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

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

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

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

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

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

14. THAT:

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

The resolutions are explained further in the Directors' Report on pages 21 and 22.

Dated this 2nd June 2015

By order of the Board
Invesco Asset Management Limited
Company Secretary

Notes:

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

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

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

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

   The appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST proxy instruction) does not prevent a shareholder from attending and voting at the AGM.

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

3. A person entered on the Register of Shareholders at close of business on 8 July 2015 is entitled to attend and vote at the AGM pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Shareholders after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the AGM. If the AGM is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Shareholders 48 hours before the time fixed for the adjourned meeting.

4. The Register of Directors' Interests, the schedule of matters for the Board, the terms of reference of the Board committees and the letters of appointment for Directors will be available for inspection for at least 15 minutes prior to and during the Company's AGM.

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

6. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the shareholder as to the exercise of voting rights.

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

NOTICE OF ANNUAL GENERAL MEETING

continued

7. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
8. Any shareholder attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
9. You may not use any electronic address (any address or number for the purposes of sending or receiving documents or information by electronic means) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
10. As at 2 June 2015 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 236,874,251 ordinary shares of 10p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 236,874,251.
11. A copy of this notice (contained within the 2015 annual financial report), and other information required by Section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/pigit*.
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006 (the 'Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's annual accounts and reports (including the Independent Auditor's Report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 April 2014; or (ii) any circumstance connected with the auditor of the Company appointed for the financial year beginning on 1 April 2014 ceasing to hold office since the previous meeting at which annual financial reports were laid in accordance with Section 437 of the Act (in each case) that the shareholders propose to raise at the relevant AGM. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

SHAREHOLDER INFORMATION

Subscription Shares

Base cost for the calculation of taxation on capital gains

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

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

Ordinary Shares	190.25p
Subscription Shares	34.50p

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

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

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

Savings Plan and ISA

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

Invesco Perpetual Investment Trust Savings Scheme

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

Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to the current ISA limit. For the tax year 2015/16 is £15,240. Investors can also choose to make lump sum investments from £500, or regular investments from £20 per month.

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

Net Asset Value (NAV) Publication

The NAV of the Company is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the following business day. It is published daily in the newspapers detailed below.

Share Price Listings

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

In addition, share price information can be found using the PLI ticker code and on the Company's section of the Manager's website at www.invescoperpetual.co.uk/pigit.

Manager's Website

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

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

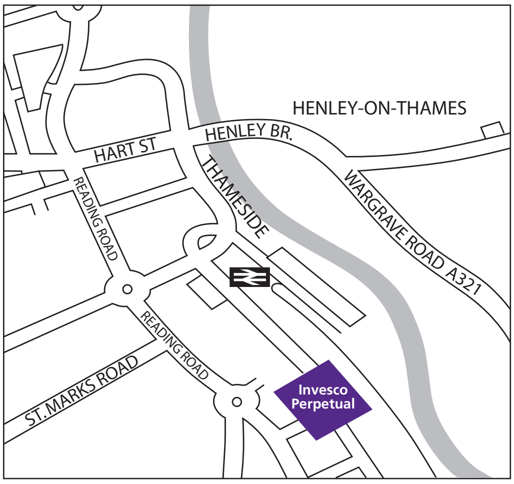
Financial Calendar

The Company publishes information according to the following calendar:

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

Location of Annual General Meeting (AGM)

The AGM will be held at Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH on Friday, 10 July 2015 at 11am.



ADVISERS AND PRINCIPAL SERVICE PROVIDERS

All of the following were in place throughout the year.

Manager

Invesco Fund Managers Limited.

Company Secretary

Invesco Asset Management Limited.

Company Secretarial contact: Kelly Nice and Kevin Mayger

Correspondence Address

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

Registered Office

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

Company Number

Registered in England and Wales
Number 03156676

Invesco Perpetual Investor Services

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

Savings Scheme and ISA Administrator

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

Invesco Perpetual
PO Box 11150
Chelmsford
CM99 2DL
☎ 0800 085 8677

Corporate Brokers

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

Registrars

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

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 on ☎ 0871 664 0300.

Calls cost 10p per minute plus network charges. From outside the UK: +44 20 8639 3399. Lines are open from 9.00 am to 5.30 pm, Monday to Friday (excluding Bank Holidays). Shareholders holding shares directly can also access their holding details via Capita's website: www.capitashareportal.com or www.capitaregistrars.com.

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. From outside the UK: +44 20 3367 2699. Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Depositary

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

Custodian

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

The Association of Investment Companies

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

GLOSSARY OF TERMS

Benchmark

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

Discount

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

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

Gross Gearing

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

Net Gearing

This reflects the amount of net borrowings invested, ie borrowings less cash and UK government bonds. It is based on net borrowings as a percentage of shareholders' funds.

Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure. Leverage of 100% indicates that a company has no exposure in excess of net asset value.

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.

GLOSSARY OF TERMS

continued

Net Cash

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

Ongoing Charges Ratio

This is calculated in accordance with guidance issued by the AIC as follows: the annualised ongoing charges, including those charged to capital but excluding interest, incurred by the Company, expressed as a percentage of the average undiluted net asset value (at market value) reported in the period.

Total Return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Performance comparisons can then be made between companies with different dividend policies. Any dividends (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).

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURE

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

Invesco Fund Managers Limited (IFML) was authorised as an AIFM, and appointed by the Company as such, with effect from 22 July 2014. IFML is an associated company of Invesco Asset Management Limited (IAML), the previous Manager, and IAML continues to manage the Company's investments under delegated authority from IFML. In accordance with the Directive, the Company qualifies as an Alternative Investment Fund (AIF).

Amongst other things, the AIFMD requires certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invescoperpetual.co.uk/pigit) in a downloadable document entitled 'AIFMD Investor Information'. There has been only one material change to this information since its publication in July 2014, being the changed management fee arrangements outlined in the Chairman's Statement and on page 26. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

In addition, the Directive requires information in relation to the remuneration of the Company's AIFM, IFML, and the Company's leverage (both 'gross' and 'commitment' – see Glossary on page 65) and to be made available to investors.

Accordingly:

– the AIFM remuneration policy is available from the Company's company secretary, on request (see contact details on page 64) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 December 2015) will be made available in due course; and

– the leverage calculated for the Company at the year end was 115.7% for gross and 115.7% for commitment. The limits the AIFM has set for the Company are 250% and 200%, respectively.

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

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

Invesco Perpetual is a business name of Invesco Fund Managers Limited.

Invesco is one of the largest independent global investment management firms, with assets under management of nearly US$812 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.

** Assets under management as at 30 April 2015.*

INVESTMENT COMPANIES MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust Limited

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

Invesco Income Growth Trust plc

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

Invesco Perpetual Enhanced Income Limited

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

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio

Aims to generate income from a variety of fixed income instruments combined with a high degree of security. Income will reduce during periods of very low interest rates.

Invesco Perpetual Select Trust plc – UK Equity Portfolio

Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily in the UK equity market. The portfolio may use bank borrowings.

Keystone Investment Trust plc

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

Perpetual Income and Growth Investment Trust plc

Aims to provide shareholders with capital growth and real growth in dividends over the medium to longer term from a portfolio of securities listed mainly in the UK equity and fixed interest markets. The Company has a debenture stock in issue and, in addition, may use bank borrowings.

The Edinburgh Investment Trust plc

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

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

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

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

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

Investing Internationally

Invesco Asia Trust plc

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

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

Aims to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide. The portfolio may use bank borrowings.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

Aims to provide shareholders with an attractive total return in differing economic and inflationary environments and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

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

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Portfolio
- Global Equity Income Portfolio
- Managed Liquidity Portfolio
- Balanced Risk Portfolio

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

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

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