Perpetual Income and Growth Investment Trust plc

Annual Financial Report
Year Ended 31 March 2012

Perpetual Income and Growth Investment Trust plc

Annual Financial Report 2012

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

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

Front Cover: Slate, Metamorphic Rock, Slate Quarry

Contents

Investment Objective

Perpetual Income and Growth Investment Trust plc's ('the Company') 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.

Full details of the Investment Policy (incorporating the investment objective) can be found on page 14.

Share Capital and Gearing

At the year end, the Company's share capital consisted of 213,816,850 ordinary shares of 10p each and 16,987,622 subscription shares. During the year 491,203 ordinary shares were issued following the exercise of subscription shares and 2,425,143 ordinary shares were issued for cash. Since the year end, no further shares were issued or repurchased.

Gearing is provided by a £30,000,000 6.125% Debenture 2014 and bank borrowings up to a maximum of £100 million.

ISA Eligibility

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

Glossary of Terms

There is a glossary of terms on page 57 which defines some of the more technical references used in this annual financial report.

The Company is a member of

aic
The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

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

	AT 31 MARCH 2012	AT 31 MARCH 2011	% CHANGE
Total return (all income reinvested):			
Diluted net assets[(1)(2)]			+8.4
Benchmark[(1)(2)]			+1.4
Diluted net asset value per ordinary share[(1)]:			
– after charging all dividends for the year (capital NAV)	264.2p	252.8p	+4.5
– as balance sheet	267.4p	255.5p	+4.7
Shareholders' funds (£'000)[(1)]	579,908	545,341	+6.3
Mid-market price per:			
– ordinary share	267.7p	252.8p	+5.9
– subscription share	42.5p	40.0p	+6.3
(Premium)/discount[(1)] per ordinary share	(0.1)%	1.1%	
Capital return			
Benchmark[(1)(2)]			–2.1
Return per ordinary share:			
Diluted revenue return	10.86p	9.85p	
Diluted capital return	11.61p	22.95p	
Diluted total return	22.47p	32.80p	
Dividend per ordinary share:			
First interim dividend	2.40p	2.20p	
Second interim dividend	2.40p	2.20p	
Third interim dividend	2.40p	2.20p	
Fourth interim dividend	3.20p	2.75p	
Total dividend	10.40p	9.35p	+11.2
Ongoing charges ratio[(1)]			
Excluding performance fee	1.00%	1.03%	
Performance fee	0.16%	—	
Gearing[(1)]			
Gross gearing	18.0%	19.0%	
Net gearing	18.0%	19.0%	

Notes: 1 Defined in the Glossary of Terms.
2 Source: Thomson Reuters and Morningstar.

Historical Record – Last Ten Years

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

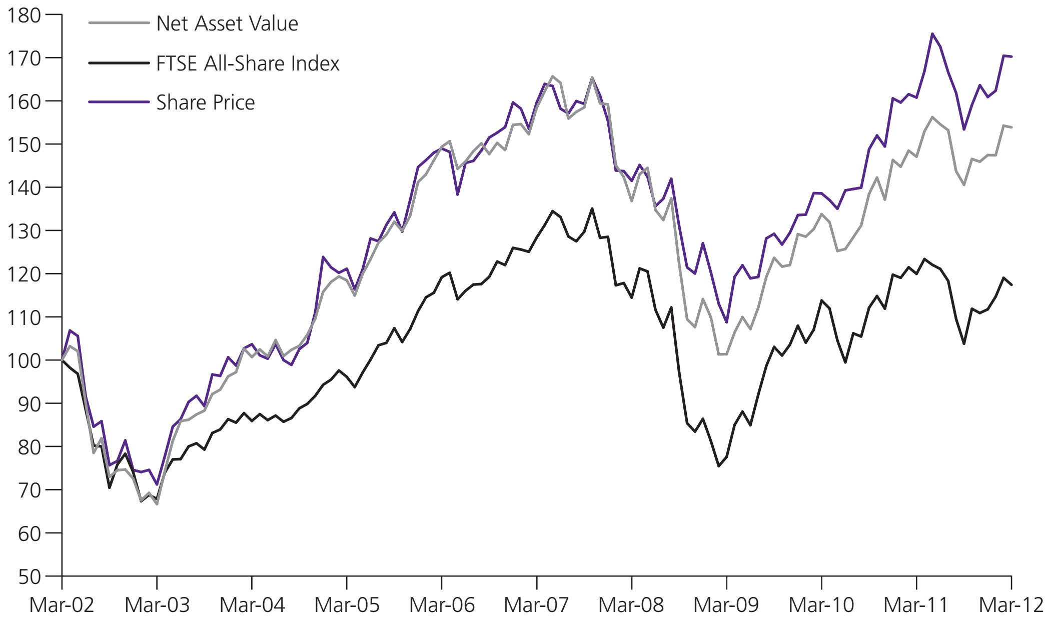
TO 31 MARCH	ORDINARY SHARES REVENUE RETURN[3] p	ORDINARY SHARES DIVIDEND p	TOTAL ASSETS LESS CURRENT LIABILITIES £'m	NET ASSET VALUE PER ORDINARY SHARE[2] p	MID-MARKET PRICE PER ORDINARY SHARE p
2003	4.80	5.00	237	115.5	112.0
2004	4.90	5.25	348	174.8	163.0
2005	5.40	5.65	417	208.4	197.8
2006	5.60	6.00	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[1]	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**

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

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

From 31 March 2002 to 31 March 2012

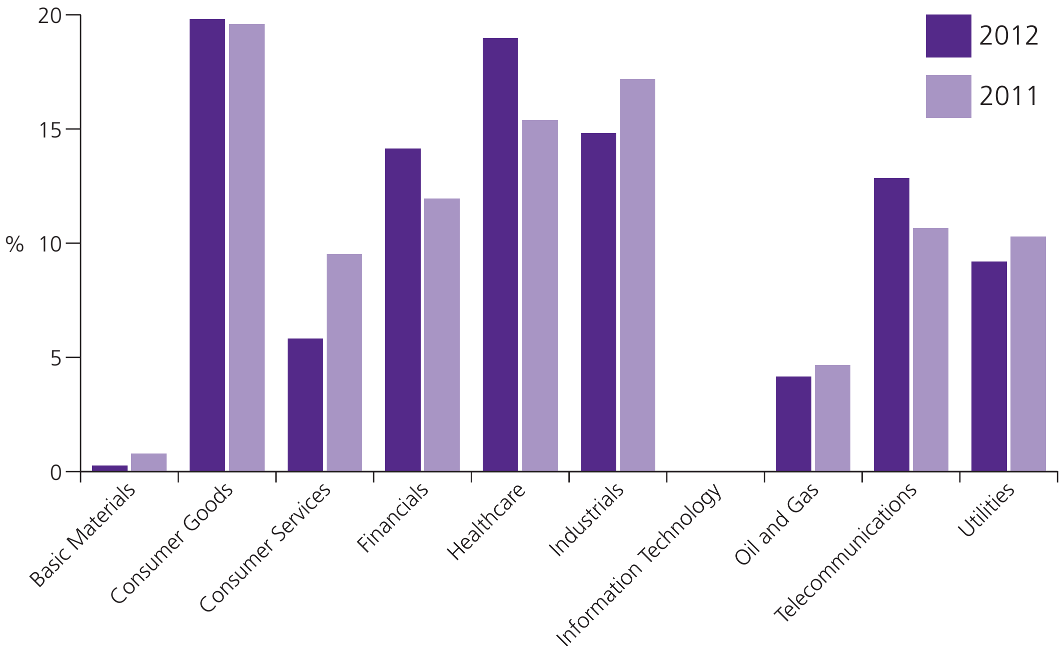
Figures have been rebased to 100 at 31 March 2002.



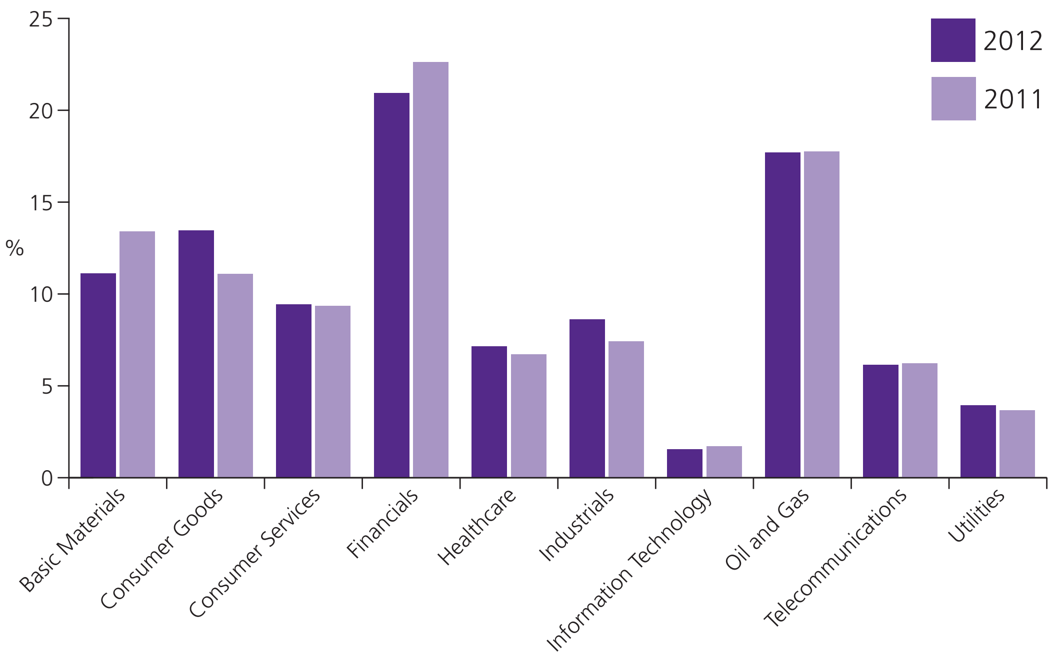
Sector Analysis

As at 31 March

Allocation of Portfolio by Sector



Allocation of Benchmark by Sector



CHAIRMAN'S STATEMENT

Performance

Over the 12 months from 1 April 2011 to 31 March 2012, the Company's shares produced a total return of 8.4% to shareholders, while the total return of the Company's benchmark for performance measuring purposes, the FTSE All-Share Index, was 1.4%. (All these figures are with income reinvested.) On 31 March 2012, the premium of the share price relative to net asset value (debt at par) was 0.1%. Further details can be found in the Investment Manager's Report, which can be found on page 6.

Dividend

For the year ended 31 March 2012, three interim dividends of 2.4p each were paid to shareholders in September and December 2011, and March 2012, and a fourth interim dividend of 3.2p will be paid on 29 June 2012. This gives a total dividend for the year of 10.4p, representing an increase of 11.2% on the previous year. The Board's aim remains for the Company to maintain its policy of real dividend growth over the medium term.

Gearing

The gearing of the Company was 18% at the year end (2011: 19%). The Board's policy is to allow gearing up to a level of 25%. During the year ended 31 March 2012, gearing was provided by maximum bank borrowings of £100 million and debentures of £30 million. Further information relating to the Company's gearing policy can be found on page 16.

Subscription Share Exercise

During the year under review, subscription shareholders had their fifth opportunity to exercise their right to subscribe for one ordinary share of the Company at a price of 218.94p. The subscription period ended on 31 August 2011. As a result, 491,203 shares were allotted on 13 September 2011.

Subscription shareholders will have further opportunities to convert their holdings in 2012 and 2013.

Annual General Meeting ('AGM')

Shareholders' attention is drawn to the special business in the Notice of Meeting which includes the usual 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, and in addition, a resolution to adopt new Articles of Association. This is prompted by the introduction of new investment trust tax rules, which came into effect for the Company on 1 April 2012 and which, amongst other things, no longer prohibit investment trust companies from distributing capital profits by way of dividend. The changes to the Articles will enable the Company to take advantage of the added flexibility allowed by the new tax rules, however the Directors have no current intention to distribute capital profits as dividends. The opportunity has additionally been taken to update the articles generally to reflect current law and best practice.

The Directors have carefully considered all the resolutions proposed in the Notice of the AGM (shown on pages 52 to 55) 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 AGM of the Company will be held at Perpetual Park, Henley-on-Thames, Oxfordshire RG9 1HH on Thursday 12 July 2012 at 11.00 am. I do hope that as many shareholders as possible are able to attend. The Directors and the Portfolio Manager, Mr Mark Barnett, will be available at the meeting to answer shareholder questions.

Bill Alexander
Chairman
7 June 2012

Market Review

A total return of 1.4% by the FTSE All-Share Index over the 12 months masked some major swings in sentiment and significant stock market volatility. The optimistic mood in which markets had started 2011 diminished as the year progressed and global events, particularly the Eurozone sovereign debt and banking crisis, dominated UK stock market sentiment. The three months ending September 2011 witnessed the worst quarterly performance by the index since 2002.

The stock market saw a strong recovery into the end of 2011, driven by a significant shift in policy by the European Central Bank (ECB), which announced its longer-term refinancing operation (LTRO). This provided liquidity to the banking system and was seen as removing the near term risk of a major European banking crisis. The pattern continued into 2012, as the UK stock market rose following improved economic news from the US along with a second round of LTRO from the ECB. The last month of the period, however, saw optimism waning and some profit taking, as doubts re-emerged about the strength of the global economic recovery and the longer term resolution of the Eurozone debt crisis.

Portfolio Strategy and Review

The Company's net asset value, including reinvested dividends, rose by 8.4% during the period, compared to a rise of 1.4% by the FTSE All-Share Index.

Against such a turbulent stock market backdrop, the positioning of the Company provided a healthy positive absolute return while also mitigating a large amount of the volatility, thereby protecting capital.

Positive contributions to performance came from a spread of the fund's largest investments in companies that have historically exhibited dependable earnings and dividend growth. The tobacco sector, in particular, continued to deliver outperformance. The holdings in British American Tobacco, Imperial Tobacco and Reynolds American delivered returns in excess of 30% over the 12 months, as investors again focused on the sector's reliable characteristics and cash flow.

The Company is heavily invested in the pharmaceutical sector, which also performed well over the year. This was particularly the case for the holding in GlaxoSmithKline, which announced a 15% increase in its share buy-back during the year as well as confirming that 10 new drugs are likely to be filed for regulatory approval in 2012. This announcement surprised the market, which had given up on the industry's ability to discover new drugs. The Company's holdings in two European pharmaceuticals Roche and Novartis, also helped performance and gained additionally from the strength of the Swiss franc. While the performance of AstraZeneca was poorer by comparison, but the total return from the holding still exceeded that of the index over the 12 months.

The holding in BT again delivered positive returns. As well as pleasing the stock market with news that its roll-out of high speed broadband is progressing faster than expected, the company announced that it had reached an agreement with its pension scheme trustees on a reduction plan for the scheme's deficit. This should allow BT greater flexibility to increase future returns to shareholders.

The relative performance of the Company also benefited from its zero weighting in the large mining sector. This sector fell sharply over the 12 months as concerns over the outlook for global economic growth weighed on metal prices and profit forecasts.

Newsflow over the period from the Company's major holdings was mostly positive. This was not, however, the case for Tesco. The company's trading update and profit warning suggested that too much confidence had been placed in the business's ability to cope with the economic headwinds and also a realisation that some of the company's investment decisions of recent years have not created the value originally envisaged. For example, the programme to build much larger stores to cope with an expanding product range has coincided with a more rapid consumer migration to internet shopping.

There was also disappointing news from the investment in Chemring – the company announced that unexpected delays in customer orders would hit full year revenues and profits. A negative impact on performance came from the holding in Homeserve, the share price of which fell sharply on news last October that, following an independent review, the company had decided to suspend part of its sales operation pending a re-training of its telephone sales staff. Both holdings have been retained, the share prices are now reflecting more pessimism than the recent news flows and are looking undervalued.

In terms of portfolio activity, it is noteworthy that overall activity was limited as the manager's views on the UK stock market and the wider economy were largely unaltered. The position in Tesco was sold for the reasons outlined above. The holdings in Altria, Balfour Beatty and Daily Mail & General Trust were also sold. New investments were made in Doric Nimrod Air Two, Filtrona, Lancashire Holdings, Novartis, Regus, Rolls Royce and TalkTalk Telecom.

Outlook

In many respects the recent performance of the UK stock market has borne a strong similarity to the early months of last year. It is likely that these similarities will continue for the foreseeable future as there remains a high correlation between equity market returns and Government stimulus measures in the form of Quantitative Easing or Central Bank liquidity schemes. The market will remain extremely sensitive to changes in the future direction of this kind of stimulus. Ultimately these measures are likely to be seen as only symptomatic relief of the problems rather that addressing the cause; an excess of debt across the developed world.

However, it has become increasingly clear that the equity asset class in this environment is highly attractive relative to bonds or cash, notwithstanding the extra volatility which accompanies it. Through this period of Government stimulus, the underlying performance of the companies within the market has begun to polarise, whereby companies with specific characteristics have become more highly valued. The most valued characteristics include earnings reliability, financial strength, sustainable growing dividends and geographic diversification. The portfolio has the advantage of the relative strength of the UK stock market towards companies that exhibit these features both within the largest companies and increasingly within the mid-caps as well. The fund will also continue to take advantage of overseas equities which fit these criteria.

This theme remains in place as it is likely that the re-rating of these stocks will be maintained against a backdrop of little or no growth in the economies of the developed world, due to the intractable nature of the debt problem in these economies and the glacial pace at which incumbent governments are acting. It may well be the case that, given the volatile nature of equity markets in the short term, a higher proportion of the shareholders' return will be received in the form of income. However, the risk of owning these stocks is low and the inherent nature of markets means that undervalued companies delivering a sustainably growing level of dividend income will not remain unnoticed forever.

Mark Barnett
Investment Manager
7 June 2012

INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2012

Ordinary shares listed in the UK unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
BT	Fixed Line Telecommunications	37,838	5.5
Imperial Tobacco	Tobacco	37,375	5.5
British American Tobacco	Tobacco	34,594	5.1
Reynolds American (US common stock)	Tobacco	33,594	4.9
GlaxoSmithKline	Pharmaceuticals & Biotechnology	31,127	4.6
Vodafone	Mobile Telecommunications	29,075	4.3
BG	Oil & Gas Producers	28,424	4.2
AstraZeneca	Pharmaceuticals & Biotechnology	26,319	3.9
Roche (Swiss common stock)	Pharmaceuticals & Biotechnology	24,859	3.6
BAE Systems	Aerospace & Defence	23,161	3.4
Top ten holdings		306,366	45.0
Reckitt Benckiser	Household Goods & Home Construction	22,282	3.3
Babcock International	Support Services	21,468	3.1
Provident Financial	Financial Services	16,758	2.5
Hiscox	Non-life Insurance	16,340	2.4
Centrica	Gas, Water & Multiutilities	16,058	2.3
Capita	Support Services	15,103	2.2
Compass	Travel & Leisure	14,663	2.1
International Power	Gas, Water Multiutilities	13,590	2.0
BTG	Pharmaceuticals & Biotechnology	13,445	2.0
Amlin	Non-life Insurance	12,712	1.9
Top twenty holdings		468,785	68.8
KCOM	Fixed Line Telecommunications	12,515	1.8
Drax	Electricity	12,407	1.8
Pennon	Gas, Water & Multiutilities	12,346	1.8
Rentokil Initial	Support Services	11,461	1.7
Beazley	Non-life Insurance	11,022	1.6
Novartis (Swiss common stock)	Pharmaceuticals & Biotechnology	9,981	1.5
Wm Morrison Supermarkets	Food & Drug Retailers	9,836	1.4
Napo Pharmaceuticals[3]	Pharmaceuticals & Biotechnology	9,359	1.4
Ladbrokes	Travel & Leisure	9,033	1.3
Serco	Support Services	8,574	1.3
Top thirty holdings		575,319	84.4
SSE	Electricity	8,370	1.2
TalkTalk Telecom	Fixed Line Telecommunications	8,318	1.2
Tate & Lyle	Food Producers	7,591	1.1
Chemring	Aerospace & Defence	7,181	1.0
Homeserve	Support Services	5,922	0.9
Brown (N)	General Retailers	5,765	0.8
Lombard Medical Technologies	Healthcare Equipment & Services	4,755	0.7
Doric Nimrod Air Two	Equity Investment Instruments	4,666	0.7
Workspace	Real Estate Investment & Services	4,207	0.6
Impax Asian Environment Markets – ordinary & subscription shares	Equity Investment Instruments	4,067	0.6
Top forty holdings		636,161	93.2

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Equity Investments			
Impax Environmental Markets	Equity Investment Instruments	4,018	0.6
Filtrona	Support Services	3,847	0.6
Rolls Royce	Aerospace & Defence	3,768	0.5
Fusion IP	Financial Services	3,467	0.5
Damille Investments II	Equity Investment Instruments	3,410	0.5
Imperial Innovations	Financial Services		
– convertible 'B' shares[3]		1,636	0.4
– ordinary shares		1,362	
Vectura	Pharmaceuticals & Biotechnology	2,662	0.4
Lancashire	Non-life Insurance	2,528	0.4
Altus Resource	Equity Investment Instruments	2,523	0.4
Damille Investments	Equity Investment Instruments	2,465	0.4
Top fifty holdings		667,847	97.9
Macau Property Opportunities Fund	Real Estate Investment & Services	2,206	0.3
PuriCore	Healthcare Equipment & Services	1,467	0.2
XCounter AB (Swedish common stock)	Healthcare Equipment & Services	1,291	0.2
UK Coal	Mining	1,131	0.1
Trading Emissions	Financial Services	858	0.1
Regus	Support Services	731	0.1
Halosource	Chemicals	719	0.1
Renovo	Pharmaceuticals & Biotechnology	517	0.1
Yell	Media	515	0.1
XTL Biopharmaceutical (US ADR)	Pharmaceuticals & Biotechnology	312	—
Top sixty holdings		677,594	99.2
Walton & Co[3]	Banks	157	—
Helphire	Financial Services	74	—
Mirada	Media	11	—
Ecofin Water & Power Opportunities	Equity Investment Instruments	—	—
Total Equity Investments (64)		**677,836**	**99.2**

ISSUER AND ISSUE	MOODY/S&P RATING[1]	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Other Investments				
Lombard Medical Technologies 8% 01 Sep 2013[3]	NR/NR	Healthcare Equipment & Services	2,100	0.3
Barclays Bank - Nuclear Power Notes 28 Feb 2019[2]	NR/NR	Electricity	1,678	0.2
PuriCore Convertible Loan Notes 6% 31 Dec 2013[3]	NR/NR	Healthcare Equipment & Services	1,500	0.2
Ecofin Water & Power Opportunities 6% 31 Jul 2016	NR/NR	Equity Investment Instruments	465	0.1
Total Other Investments (4)			**5,743**	**0.8**
Total Investments (68)			**683,579**	**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 cash in its 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.

(3) Unquoted security.

TOP TEN INVESTMENTS

AT 31 MARCH 2012

All investments UK listed ordinary shares unless otherwise stated

COMPANY	2012 MARKET VALUE £'000	2012 % OF PORTFOLIO	2011 MARKET VALUE £'000	2011 % OF PORTFOLIO
BT	37,838	5.5	29,890	4.6
Imperial Tobacco	37,375	5.5	27,048	4.2
British American Tobacco	34,594	5.1	29,772	4.6
Reynolds American (US common stock)	33,594	4.9	36,839	5.7
GlaxoSmithKline	31,127	4.6	28,066	4.3
Vodafone	29,075	4.3	29,760	4.6
BG	28,424	4.2	30,012	4.7
AstraZeneca	26,319	3.9	23,903	3.7
Roche (Swiss common stock)	24,859	3.6	10,885	1.7
BAE Systems	23,161	3.4	18,488	2.9
	306,366	45.0	264,663	41.0
Total of other investments	377,213	55.0	380,661	59.0
Total value of investments	683,579	100.0	645,324	100.0

DIRECTORS

Bill Alexander CBE †* (Chairman of the Main Board and of the Management Engagement Committee)
Bill Alexander was appointed to the Board on 28 March 2006 and as Chairman on 19 July 2007. He is currently Non-Executive Chairman of Wigborough Ltd. He was previously Chairman of Xansa plc and Chief Executive of RWE Thames Water plc, and also held non-executive appointments at RMC plc, GB Airways Ltd, Laporte plc and The Henley Festival Limited.

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.

Vivian Bazalgette †*
Vivian Bazalgette was appointed to the Board on 21 May 2007. He is a Non-Executive Director of Henderson High Income Investment Trust plc and Brunner Investment Trust plc. He is a Non-Executive Director of St. James Place plc and Chairman of its Investment Committee and is also an adviser to BAE Systems Pension Fund and to the Nuffield Foundation. He is currently a Governor of Dulwich College and a member of the advisory Board of Greenwich Hospital. 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 from 2000 to 2002.

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

Bob Yerbury
Bob Yerbury was appointed to the Board on 4 December 2008. 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. 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, who is employed by Invesco Perpetual.

†Member of the Audit Committee.

*Member of the Management Engagement Committee.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

With the exception of the Savings Scheme and ISA Administrator, all of the following were in place throughout the year.

Manager, Company Secretary and Registered Office

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

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

Company Number

Registered in England and Wales
Number 3156676

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team, available from 8.30 am to 6.00 pm, Monday to Friday (excluding Bank Holidays). Please feel free to take advantage of their expertise.
☎ 0800 085 8677
www.invescoperpetual.co.uk/investmenttrusts

Registrars

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

If you hold your shares 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).

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 0364.
Calls cost 10p per minute plus network extras.
From outside the UK: +44 20 3367 2691.
Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

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

Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Banker and Custodian

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

Corporate Brokers

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

Savings Scheme and ISA Administrator

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

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

SHAREHOLDER INFORMATION

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

Savings Plan and ISA

The Company is a member of the Invesco Perpetual Investment Trust Savings Scheme and the Invesco Perpetual Investment Trust ISA. The Company's Ordinary and Subscription 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 £11,280 in the shares of the Company in the current tax year. Investors can also choose to make lump sum investments from £500, or regular investments from £20 per month.

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

NAV Publication

The net asset value ('NAV') of the Company is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next 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 under the following:

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

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.

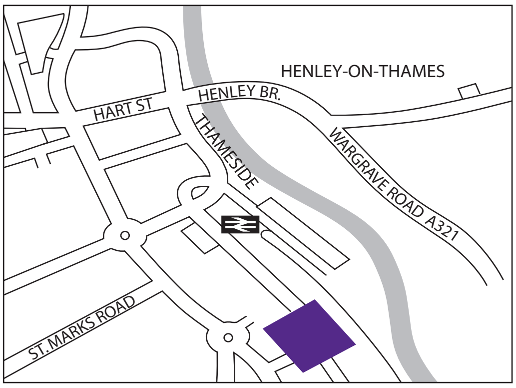
Financial Calendar

The Company publishes information according to the following calendar:

Announcements	
Annual Results	June
Half-yearly Results	November
Interim Management Statements	January/July
Annual General Meeting	July
Year End	31 March
Ordinary Share Dividend Timetable	
1st interim payable	September
2nd interim payable	December
3rd interim payable	March
4th interim payable	June

Location of AGM

To be held at Perpetual Park, Henley-on-Thames, Oxfordshire RG9 1HH on Thursday, 12 July 2012 at 11.00 am.



Subscription Shares

Base cost for the calculation of taxation on capital gains

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

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

Ordinary Shares	190.25p
Subscription Shares	34.50p

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

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

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012

The Directors have pleasure in presenting their Report for the year ended 31 March 2012, which incorporates the Business Review and Corporate Governance Statement.

BUSINESS REVIEW

Business and Status

The Company was incorporated and registered in England and Wales on 2 February 1996 as a public limited company under the Companies Act 2006 (the 'Act') registered number 3156676. It is an investment company as defined by section 833 of the Act and operates as an investment trust within the meaning of the Corporation Tax Act 2010 ('CTA') and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs has approved the Company's status as an investment trust in respect of the year ended 31 March 2011, subject to their being no subsequent enquiry under Corporation Tax Self Assessment. In the opinion of the Directors, the Company has subsequently 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.

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 in companies that offer a combination of good capital growth prospects with the ability to increase dividends over time. The Manager may also invest up to 10% of gross assets in fixed income securities and up to 20% of gross assets in non-UK listed securities. The Manager manages a portfolio that reflects his convictions and best ideas. The Manager does not set out to manage the risk characteristics of the portfolio relative to the FTSE All-Share Index ('benchmark index') and the investment process may result in potentially very significant over or underweight positions in individual sectors versus the benchmark index. The size of weightings will reflect the Manager's view of the attractiveness of a security and the degree of conviction. If a security is not considered to be a good investment, then the Company will not own it, irrespective of its weight in the benchmark index.

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

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

Investment Limits

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

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

All of the above investment limits are taken at the time of acquisition.

Results and Dividends

On 31 March 2012, the mid-market price and the diluted net asset value ('NAV') per ordinary share were 267.7p and 267.4p respectively. The comparable figures at 31 March 2011 were 252.8p and 255.5p.

For the year ended 31 March 2012, three interim dividends of 2.4p each per share were paid on 30 September 2011, 28 December 2011 and 30 March 2012 respectively. A fourth interim dividend of 3.2p per share has been declared for payment on 29 June 2012, giving a total dividend for the year of 10.4p (2011: 9.35p). This represents an increase of 11.2% on the previous year.

Performance

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

- Asset Performance
- Peer Group Performance
- Dividend Policy
- Premium/Discount
- Ongoing Charges

Asset Performance

During the course of the year the NAV total return of the Company rose by 8.4% compared with a rise of 1.4% by the FTSE All-Share Index (total return).

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

Peer Group Performance

There were 21 investment trusts in the UK Growth and Income sector at 31 March 2012. This group, however, is quite diverse in its investment policies and structures. The Board monitors the performance of the Company in relation to both the sector as a whole and to those companies within it which the Board consider to be the peer group that most closely match its investment policy and structure.

As at 31 March 2012, within those companies ranked within the UK Growth and Income sector, the Company was ranked 6th over one year and 12th and 3rd over three and five years respectively by NAV performance (source: JPMorgan Cazenove).

Dividend Policy

It remains the Directors' intention to distribute by way of dividend substantially all of the Company's net income after expenses and taxation. The Manager aims to maximise total return from the portfolio. The Manager believes in strong earnings growth and in the importance of dividends to total return. The portfolio will typically command a yield premium to the market. However, the pursuit of income is not a prime objective and dividend yields are not permitted to constrain investment decisions.

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

Premium/Discount

The Board monitors the premium/discount at which the Company's ordinary shares trade in relation to the assets and how this compares to other investment trusts in the peer group. During the year the Company's ordinary shares traded at both a discount and a premium. The highest premium was 2.7% and the widest discount was 3.8%. At the year end the premium was 0.1% (2011: discount 1.1%). As at 31 March 2012, the average discount of the 21 investment trusts in the UK Growth and Income sector was 2.4% (2011: 4.2%) (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 avoid significant overhang or shortage of ordinary shares in the market the Board asks shareholders to approve resolutions every year which allow for the repurchase of ordinary shares (for cancellation or to be held as treasury shares) and also their issuance. This may assist in the management of the diluted discount.

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

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 were 1.00% (2011: 1.03%) based on management fees (excluding the performance fee) and other expenses of £5,533,000 (2011: £5,267,000).

Borrowings and Debt

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

The debenture was issued in July 1999, is secured by a floating charge over all the Company's assets and has a fixed rate of 6.125%. It is redeemable in July 2014 and interest is payable on 8 January and 8 July.

Future Trends

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Manager's Report on pages 6 and 7. Further details as to the risks affecting the Company are set out below 'Principal Risks and Uncertainties'.

Principal Risks and Uncertainties

Investment Objective

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

Market Risk

As at 31 March 2012, a majority the Company's investments were traded on the London Stock Exchange. The prices of securities and the income derived from them are influenced by many factors such as general economic conditions, interest rates, inflation, political events, and government policies as well as by supply and demand reflecting investor sentiment. In addition, over the coming months there is the risk that European policy makers fail to restore market confidence by implementing an effective and lasting solution to the Eurozone crisis. Such factors are outside the control of the Board and Manager and may give rise to high levels of volatility in the prices of investments held by the Company.

Investment Risk

Bad 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 who undertakes continual analysis of the fundamentals of all holdings and ensures that the Company's portfolio of investments is appropriately diversified. The performance of the portfolio manager is carefully monitored by the Board and the continuation of the management contract is reviewed each year. Past performance of the Company is not necessarily indicative of future performance.

A fuller discussion of the economic and market conditions facing the Company and the current and future performance of the portfolio of the Company are included in the Investment Manager's Report on pages 6 and 7.

Shares

The market value of the shares in the Company may not reflect their underlying net asset value ('NAV') and may trade at a discount to it. 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. As at 31 March 2012 shares in the Company traded at a premium of 0.1% (2011: discount 1.1%).

The value of an investment in the Company and the income derived from that investment may go down as well as up and an investor may not get back the amount invested.

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

Any change in the tax or accounting treatment of dividends or other investment income received by the Company may also affect the level of dividend paid on the shares in future years.

Gearing

Whilst the use of borrowings by the Company should enhance the total return on the ordinary shares where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling.

Regulatory

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.

The Manager reviews compliance with tax and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all perceived risks and the measures in place to control them. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance and internal Audit Officers produce reports regularly for review by the Company's Audit Committee.

Reliance on Third Party Service Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis.

The Company is reliant upon the performance of third party service providers for its executive function. The Company's most significant contract is with the Manager, to whom responsibility both for the Company's portfolio and for the provision of company secretarial and administrative services are delegated. The Company has other contractual arrangements with third parties to act as Auditor, Registrar, Custodian and Broker. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy and expose the Company to reputational risk.

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

The Board seeks to manage these risks in a number of ways:

- The Manager monitors the performance of all third party providers in relation to agreed service standards on a regular basis, and any issues and concerns are dealt with promptly and reported to the Board. The Manager formally reviews the performance of all third party providers and reports to the Board on an annual basis.
- The Board reviews the performance of the Manager at every board meeting and otherwise as appropriate. The Board has the power to replace the Manager and reviews the management contract formally once a year.
- The day-to-day management of the portfolio is the responsibility of Mark Barnett, who has worked in equity markets since 1992 and has been the portfolio manager of the Company since 1999. The Board has adopted guidelines within which the portfolio manager is permitted wide discretion. Any proposed variation outside these guidelines is referred to the Board and the guidelines themselves are reviewed at every board meeting.
- The risk that the portfolio manager might be incapacitated or otherwise unavailable is mitigated by the fact that he works within, and is supported by, the wider Invesco Perpetual UK Equity team.

Other Risks

The Company may be exposed to other business and strategic risks in the future, including fiscal, legal or regulatory changes, and the perceived impact of the designated Investment Manager ceasing to be involved with the Company.

The instruments in which the Company's cash positions are invested are reviewed by the Board to ensure liquidity and concentration risks are adequately managed. Where an Invesco Group vehicle is utilised, it is assessed for suitability against other similar investment options.

There is an ongoing process for the Board to consider these other risks. In addition, the composition of the Board is regularly reviewed to ensure the membership offers sufficient knowledge and experience to, as far as possible, assess and anticipate these risks.

Audit Information

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's 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.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Principles

The UK Listing Authority's Disclosure and Transparency Rules require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code. The provisions of the UK Corporate Governance Code, as issued by the Financial Reporting Council in May 2010, were applicable in the year under review. The Board is committed to maintaining the highest standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

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

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

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

The UK Corporate Governance Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance 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. The Company has therefore not reported further in respect of these provisions.

The terms of reference for the Board and the Audit Committee are reviewed and updated periodically to bring them in line with latest best practice and to ensure compliance with the AIC Code. The Company's Corporate Governance procedures are considered regularly by the Board and amended as necessary.

The Board

The Board comprises five non-executive Directors, four of whom are considered independent. Bob Yerbury is a Senior Managing Director of Invesco Ltd and a Director of IAML and, in accordance with the AIC Code, as a 'recent employee', is not considered independent.

The Board has considered the continued appointment of Sir Martyn Arbib and Antony Hardy in light of their having served on the Board for over nine years and has concluded that they continue, both collectively and individually, to be effective and make valuable contributions to the Board.

Notwithstanding their length of service, the Board consider that they each remain independent, a view which has been demonstrated by their actions on behalf of the Company and their other business interests.

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.

Senior Independent Director

In his role as Senior Independent Director, Antony Hardy provides a sounding board for the Chairman and serves as an intermediary for the other Directors if necessary. He also 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.

Board Balance

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 11.

Appointment, Re-election and Tenure of Directors

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 formulated a formal, rigorous and transparent procedure for the selection and appointment of any new Director to the Board.

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 seeking re-election.

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 system of performance evaluation which is undertaken by the Board annually.

Since the year end, the Directors have undergone an appraisal process to evaluate the performance of the Board as a whole, of the respective Committees of the Board and of individual Directors. The results of the appraisal process were deemed fully satisfactory and the Board confirms that the performance of the Directors continues to be effective and demonstrates commitment to the role and responsibilities.

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

	BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS
Number of meetings	5	2	1
Bill Alexander	5	2	1
Sir Martyn Arbib	5	n/a	1
Vivian Bazalgette	5	2	1
Antony Hardy	5	2	1
Bob Yerbury	5	n/a	n/a

Directors' Remuneration

The Board as a whole reviews Directors' remuneration on a regular basis. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 30 and 31.

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, interim management statements, 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 bribery for and on behalf of the Company.

Supply of Information

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

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

The Board meets on a regular basis at least four 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.

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.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Invesco Asset Management Limited, which is responsible for ensuring that the Board and Committee procedures are followed, 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.

Internal Controls and Risk Management

The Directors acknowledge that they are responsible for the Company's systems of internal financial and non-financial controls ('internal 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 Company's internal controls and risk management systems have been reviewed 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. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Internal Audit and Compliance teams of the Manager. Formal reports are also produced on the internal controls and procedures in place for custodial, company secretarial, investment management and accounting activities, and these are reviewed annually by the Board.

The 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'.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 29. The Independent Auditor's Report appears on pages 32 and 33.

Going Concern

The financial statements have been prepared on a going concern basis. In 2011, the Directors were released from their obligation to convene a meeting in 2012 at which a special resolution for the reconstruction of the Company would be proposed.

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 and ongoing expenses from its assets. The Directors also considered the revenue forecasts for the forthcoming year and future dividend payments in concluding on the going concern basis.

Audit Committee

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

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process: the systems of internal control and management of financial risks; the audit process; relationships with the Auditor; the Company's processes for monitoring compliance with laws and regulations; its code of business conduct; and for making recommendations to the Board. It is responsible for making recommendations to the Board in respect of the appointment, re-appointment and removal of the auditor and for the terms of their audit engagement. The committee is also responsible for reviewing the Manager's whistleblowing arrangements.

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

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Audit Committee has also received a satisfactory report on the Manager's internal operations from the Manager's Compliance and Internal Audit Officers. The Committee has reviewed and accepted the Manager's 'Whistleblowing' policy under which staff can, in confidence, raise concerns about possible improprieties or irregularities in relation to the Company.

The Committee has reviewed the financial statements for the year ended 31 March 2012 with the Manager and Auditor at the conclusion of the audit process.

The Committee has recommended approval by the Board of an audit fee of £25,000, exclusive of expenses and VAT. The committee has considered and is satisfied with the objectivity and the independence of the Auditor. Non-audit fees for the year to 31 March 2012 were £4,000 and related to compliance with the debenture covenants and the debenture trust deed. The Committee does not believe that this has impaired the Auditor's independence and objectivity.

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 interim management statements, monthly factsheets and the NAV of the Company's ordinary shares, which is published daily via the London Stock Exchange and the Manager's website.

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

It is the intention of the Board that the annual financial report and the notice of the AGM be issued to shareholders so as to provide twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card, via the Manager's website or in writing to the Company Secretary at the address given on page 12. 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 Manager's website in order to contact the Directors, Manager and Company Secretary, access copies of annual and half-yearly financial reports, interim management statements, shareholder circulars, 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.

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 (the 'Articles') 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 have declared any potential conflicts of interest to the Company. Any potential conflicts of interest are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The register of potential conflicts of interest is kept at the Registered Office of the Company. The Directors will advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

The Manager

Investment Management Agreement

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

A performance-related fee is payable to the Manager annually in arrears if the Company's performance exceeds 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 0.75% of the value of the Company's net assets at the relevant performance fee calculation date (which is usually the Company's balance sheet date).

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 Investment 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.

The Management Engagement Committee

The Management Engagement Committee comprises Antony Hardy, Bill Alexander and Vivian Bazalgette, all of whom are independent Directors. The Chairman of the Management Engagement Committee is Bill Alexander. The Management Engagement Committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference are reviewed as and when appropriate 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 Managers's website.

The Management Engagement Committee meets annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager and Company Secretary. A statement of IAML's responsibilities as Manager, Administrator and Company Secretary of the Company and the assessment of the Manager and Company Secretary by the Management Engagement Committee can be found on page 24.

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.

Directors

Directors' Disclosable Interests

The interests of the Directors in the ordinary share capital of the Company at 31 March 2012 follow.

	2012		2011	
ORDINARY SHARES	ORDINARY SHARES	SUBSCRIPTION SHARES	ORDINARY SHARES	SUBSCRIPTION SHARES
Bill Alexander	10,000	—	10,000	—
Sir Martyn Arbib	12,000	1,000	12,000	1,000
Vivian Bazalgette	10,000	—	10,000	—
Antony Hardy	11,000	1,000	11,000	1,000
Bob Yerbury	10,000	—	10,000	—

There were no changes in the above interests between 31 March 2012 and 7 June 2012.

Deed of Indemnity

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

A Director may also receive funding of any expenditure incurred in connection with any such liability. A Director will continue to be indemnified under the terms of the indemnity notwithstanding that he may have ceased to be a Director of the Company.

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

The Deed of Indemnity is available for inspection at the AGM and at the registered office at any time.

Share Capital

Capital Structure

At the year end the Company's share capital included 213,816,850 ordinary shares and 16,987,622 subscription shares. During the year 491,203 ordinary shares were issued at 218.94p each following an exercise of subscription shares and 2,425,143 ordinary shares were issued for cash at an average price of 252.80p. There were no further issues or repurchases of ordinary shares since the year end. No shares were bought back during the year and no shares were held in treasury during the year or at the year end.

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 and subscription 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 which the Company is part to 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.

On 31 August (the 'subscription date') 2012 and 2013, subscription shareholders have the right to convert all or any of their subscription shares into fully paid ordinary shares of 10p each on the basis of one ordinary share for every subscription share so converted at a price of 218.94p per share. Not earlier than 56 days or later than 28 days before each subscription date, the Company will give notice in writing to subscription shareholders reminding them of their subscription rights and providing the appropriate information required for conversion. The holders of the subscription shares are not entitled to any right of participation in the profits of the Company but, in the event of a corporate action such as a takeover offer on a winding up resolution, will normally be treated as though subscription rights have been exercised. On a return of capital on liquidation or otherwise the assets of the Company shall be applied, *pari passu* with any payment to the holders of the ordinary shares, in repaying to the holders of the subscription shares a sum equal to the nominal capital paid up or credited as paid up on the subscription shares held by them respectively. The holders of the subscription shares are not entitled to any further right of participation in the assets of the Company.

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.

Subscription shareholders have the right to receive notices of general meetings and to attend, speak and vote at a general meeting only if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the subscription shares and then only on such resolution. Wherever the holders of the subscription shares are entitled to vote at a general meeting, every subscription shareholder has one vote on a show of hands and on a poll one vote for each subscription share held.

The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.

Substantial Shareholders

Details of the substantial shareholders of the Company are disclosed on page 27.

Repurchase Powers

The Board's current powers to repurchase shares and proposals for their renewal are disclosed on page 27.

Substantial Holdings in the Company

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

	AS AT 30 APRIL 2012		AS AT 31 MARCH 2012	
	HOLDINGS	%	HOLDINGS	%
Invesco Perpetual ISA and savings plan (ND)	59,183,507	27.7	59,276,848	27.7
Brewin Dolphin, stockbrokers	13,187,730	6.2	13,023,028	6.1
Hargreaves Lansdown, stockbrokers (ND)	11,720,759	5.5	11,390,304	5.3
Rathbones	10,536,961	4.9	10,527,543	4.9
Charles Stanley, stockbrokers	8,915,735	4.2	8,850,037	4.2
Alliance Trust Savings	7,585,091	3.6	7,443,665	3.5
Legal & General Investment Management	7,226,500	3.4	7,221,868	3.4
F&C Asset Management	6,860,493	3.2	6,860,493	3.2

Special Business at the Annual General Meeting

The notice of the Annual General Meeting ('AGM') of the Company is on pages 52 to 55. In addition to the ordinary business, five resolutions are proposed as special business, one as an ordinary resolution and four as special resolutions.

Share Issuance

The Directors are seeking the authority to issue up to an aggregate nominal amount of £7,120,101 (a third of the Company's issued share capital as at 7 June 2012 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 2013 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 £2,138,168 (10% of the Company's issued share capital as at 7 June 2012) 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 2013 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 32,051,145 shares (14.99% of the Company's issued share capital as at 7 June 2012), subject to the restrictions referred to in the Notice of Meeting of the AGM. This authority will expire at the AGM in 2013 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. The holding of treasury shares is restricted to 10% of the Company's issued share capital and any resale of them 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 Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 12 will propose that the period of notice for general meetings of the Company (other than AGMs) shall not be less than 14 days' notice.

Update to Articles of Association

Resolution 13 is to adopt new articles of association that have been amended to remove the prohibition on making dividend distributions from capital, following the introduction of new investment trust tax rules and incorporate in full the final changes introduced by the Companies Act

2006. The main changes to the articles are summarised in an appendix to the Notice of Annual General Meeting on page 56.

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

Independent Auditor

The Audit Committee has considered the independence of the Auditor and the objectivity of the audit process and is satisfied that Deloitte LLP have fulfilled their obligations to shareholders. Deloitte LLP are willing to continue in office and a resolution, in accordance with Section 489 of the Act, to reappoint them will be proposed at the forthcoming AGM. A separate resolution for the Directors to be authorised to set the Auditor's remuneration will also be proposed at the AGM.

Individual Savings Account ('ISA')

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

Supplier Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors at 31 March 2012 (2011: nil).

Donations

The Company made no political or charitable donations during the year (2011: nil).

By order of the Board
Invesco Asset Management Limited
Company Secretary
30 Finsbury Square
London EC2A 1AG

7 June 2012

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare financial statements in accordance with UK Generally Accepted Accounting Practice. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors 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 responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's 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 s418 of CA 2006.

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

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

Signed on behalf of the Board of Directors

Bill Alexander
Chairman
7 June 2012

DIRECTORS' RENUMERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2012

The Board presents this Remuneration Report which has been prepared in accordance with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 under the Companies Act 2006. An Ordinary Resolution for the approval of this Report will be put to shareholders at the Annual General Meeting ('AGM').

The Company's Auditor is required to audit certain of the disclosures provided in this Remuneration Report. The Auditor's opinion is included in the audit report on pages 32 and 33.

Remuneration Responsibilities

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

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. Individual Directors are not involved in discussions relating to their own remuneration. The Board seeks advice, *inter alia*, from the Company Secretary, Invesco Asset Management Limited, when considering the level of Directors' fees.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Director. It is intended that this policy will continue for the year ended 31 March 2012 and subsequent years.

During the year, the Board has reviewed Directors' remuneration taking into consideration the increasing demands and accountability of the current corporate governance and regulatory environment. They concluded that the current level of Directors' remuneration continues to be appropriate for the time being. Since 1 April 2010, Directors' remuneration per annum has been as follows: £30,000 Chairman; £25,000 Audit Committee Chairman; and £20,000 other Directors. Prior to this increase, the last Directors' remuneration increase was in July 2006.

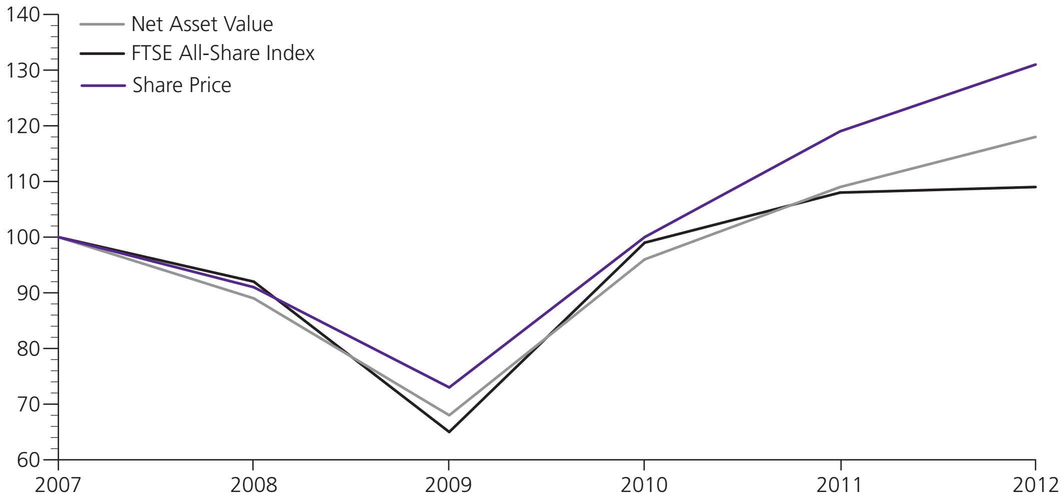
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. As at 31 March 2012, the maximum dictated by the Company's Articles of Association was £200,000 in aggregate per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Directors' Service Contracts

All Directors have letters of appointment which are available for inspection at the Registered Office of the Company and on the Manager's website. Under the Articles of Association of the Company, the terms of the Directors' appointments provide that a Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter. In accordance with the 2010 AIC Code of Corporate Governance, all the Directors will be subject to annual re-election. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

The Company's Performance

The graph overleaf plots the total return net asset value and share price to ordinary shareholders compared to the total return of the FTSE All-Share Index over the five years to 31 March 2012. This index is the benchmark adopted by the Company for comparison purposes. Figures have been rebased to 100 at 31 March 2007.



Directors' Emoluments for the Year (Audited)

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

	2012 £	2011 £
Bill Alexander (Chairman of the Board)	30,000	30,000
Antony Hardy (Chairman of the Audit Committee and Senior Independent Director)	25,000	25,000
Sir Martyn Arbib	20,000	20,000
Vivian Bazalgette	20,000	20,000
Bob Yerbury	20,000	20,000
Total	115,000	115,000

Bill Alexander's emoluments were paid to Marketing 101g Ltd and Bob Yerbury's emoluments were paid to Invesco Asset Management Limited in respect of making available their services as Directors.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 7 June 2012.

Bill Alexander
Chairman

Signed on behalf of the Board of Directors

REPORT OF THE INDEPENDENT AUDITOR

to the shareholders of Perpetual Income and Growth Investment Trust plc

We have audited the financial statements of Perpetual Income and Growth Investment Trust plc for the year ended 31 March 2012 which comprise of the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' 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 (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

- the Directors' Statement, set out on page 22, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review and the required provision of the AIC Code of Corporate Governance; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

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

7 June 2012

Electronic Publication

The annual financial report is published on *www.invescoperpetual.co.uk/investmenttrusts* which is 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

		2012			2011		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments at fair value	9	—	31,275	31,275	—	54,819	54,819
Foreign exchange gains/(losses)		—	19	19	—	(1,064)	(1,064)
Income	2	26,792	112	26,904	24,149	—	24,149
Investment management fees	3	(1,496)	(4,376)	(5,872)	(1,377)	(3,213)	(4,590)
Other expenses	4	(545)	(2)	(547)	(676)	(1)	(677)
Net return before finance costs and taxation		24,751	27,028	51,779	22,096	50,541	72,637
Finance costs	5	(887)	(2,070)	(2,957)	(853)	(1,989)	(2,842)
Return on ordinary activities before tax		23,864	24,958	48,822	21,243	48,552	69,795
Tax on ordinary activities	6	(514)	—	(514)	(421)	—	(421)
Return on ordinary activities after tax for the financial year		23,350	24,958	48,308	20,822	48,552	69,374
Return per ordinary share:							
Basic	7	10.99p	11.75p	22.74p	9.90p	23.09p	32.99p
Diluted	7	10.86p	11.61p	22.47p	9.85p	22.95p	32.80p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with the accounting policies detailed in note 1 to the financial statements. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations and the Company has no other gains or losses therefore no statement of total recognised gains or losses is presented. No operations were acquired or discontinued in the year.

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 31 March 2010	21,005	185,691	269,253	11,778	487,727
Net return on ordinary activities	—	—	48,552	20,822	69,374
Dividends paid – note 8	—	—	—	(13,886)	(13,886)
Issue of new shares	65	1,616	—	—	1,681
Exercise of subscription shares	20	425	—	—	445
At 31 March 2011	21,090	187,732	317,805	18,714	545,341
Net return on ordinary activities	—	—	24,958	23,350	48,308
Dividends paid – note 8	—	—	—	(21,117)	(21,117)
Issue of new shares	243	6,058	—	—	6,301
Exercise of subscription shares	49	1,026	—	—	1,075
At 31 March 2012	21,382	194,816	342,763	20,947	579,908

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

BALANCE SHEET
AS AT 31 MARCH

	NOTES	2012 £'000	2011 £'000
Fixed assets			
Investments at fair value	9	683,579	645,324
Current assets			
Debtors	10	4,413	6,648
Creditors: amounts falling due within one year	11	(78,224)	(76,826)
Net current liabilities		(73,811)	(70,178)
Total assets less current liabilities		609,768	575,146
Creditors: amounts falling due after more than one year	12	(29,860)	(29,805)
Net assets		579,908	545,341
Capital and reserves			
Share capital	13	21,382	21,090
Share premium	14	194,816	187,732
Capital reserve	14	342,763	317,805
Revenue reserve	14	20,947	18,714
Shareholders' funds		579,908	545,341
Net asset value per ordinary share			
Basic	15	271.2p	258.6p
Diluted	15	267.4p	255.5p

These financial statements were approved and authorised for issue by the Board of Directors on 7 June 2012.

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	2012 £'000	2011 £'000
Net cash inflow from operating activities	16(a)	20,989	17,338
Servicing of finance	16(b)	(2,902)	(2,789)
Capital expenditure and financial investment	16(b)	(3,818)	(5,774)
Equity dividends paid	8	(21,117)	(13,886)
Net cash outflow before management of liquid resources and financing		(6,848)	(5,111)
Financing	16(b)	6,483	2,126
Decrease in cash		(365)	(2,985)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

FOR THE YEAR ENDED 31 MARCH

	NOTES	2012 £'000	2011 £'000
Decrease in cash in year		(365)	(2,985)
Exchange movements		19	(1,064)
Debenture stock non-cash movement		(55)	(53)
Movement in net debt in the year		(401)	(4,102)
Net debt at beginning of year		(103,761)	(99,659)
Net debt at end of year	16(c)	(104,162)	(103,761)

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

1. Principal Accounting Policies

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

(a) Basis of Preparation

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 Report of the Directors on page 22 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 account, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

(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. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(f) Expenses and Finance Costs

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

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

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

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

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

	2012 £'000	2011 £'000
Income from investments		
UK dividends	23,216	21,165
Overseas dividends	3,427	2,807
Unfranked investment income	117	94
Scrip dividends	32	83
Total income	26,792	24,149

A GlaxoSmithKline special dividend of £112,800 (2011: nil) has been recognised in capital.

3. Investment Management Fees

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee (i)	1,496	3,490	4,986	1,377	3,213	4,590
Performance-related management fee (ii)	—	886	886	—	—	—
	1,496	4,376	5,872	1,377	3,213	4,590

(i) Invesco Asset Management Limited ('IAML') provides investment management, company secretarial and administration services to the Company under an agreement dated 20 February 1996 and subsequently amended on 27 December 2001. Details of this are contained in the Report of the Directors. At 31 March 2012 £1,284,000 (2011: £1,256,000) 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 2012 £886,000 (2011: nil) was due for the payment in respect of the performance-related fee.

4. Expenses

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' fees	115	—	115	115	—	115
Fees payable to the Company's auditor for:						
– audit of the financial statements	25	—	25	24	—	24
– other services (non-audit)	4	—	4	8	—	8
Other expenses	401	2	403	433	1	434
Costs of Placing and Offer for B Shares	—	—	—	96	—	96
	545	2	547	676	1	677

Fees payable to the Company's Auditor are shown excluding VAT which is included in other expenses. Auditor's other non-audit services includes amounts of £4,000 (2011: £4,000) for debenture covenant compliance.

Any expenses to capital arise from custodian transaction charges.

5. Finance costs

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest payable on borrowings repayable as follows:						
Bank overdraft repayable within 1 year, not by instalments	319	745	1,064	286	667	953
Debenture stock repayable within 5 years, not by instalments	568	1,325	1,893	567	1,322	1,889
	887	2,070	2,957	853	1,989	2,842

Debenture issue costs are amortised on an effective interest basis.

6. Taxation

(a) Current Tax Charge

	2012			2011		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	514	—	514	421	—	421

(b) Reconciliation of Current Tax Charge

	2012 £'000	2011 £'000
Return on ordinary activities before taxation	48,822	69,795
Theoretical tax at UK Corporation Tax rate of 26% (2011: 28%)	12,694	19,542
Effects of:		
– non-taxable gains on investments	(8,132)	(15,349)
– non-taxable losses on foreign exchange losses	(5)	295
– non-taxable UK dividends	(6,053)	(5,926)
– non-taxable scrip dividends	(8)	(23)
– non-taxable overseas dividends	(891)	(786)
– disallowable expenses	5	8
– expenses in excess of taxable income	2,390	2,239
– irrecoverable overseas tax suffered	514	421
	514	421

(c) Factors That May Affect Future Tax Changes

The Company has excess management expenses and loan relationship deficits of £105,579,000 (2011: £96,468,000) that are available to offset future taxable revenue. A deferred tax asset, measured at the standard rate of corporation tax of 24% (2011: 26%), of £25,339,000 (2011: £25,082,000) 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

	2012 £'000	2011 £'000
Returns after tax:		
– revenue	23,350	20,822
– capital	24,958	48,552
– total	48,308	69,374
Weighted average number of ordinary shares in issue during the year:		
– basic	212,400,366	210,315,382
– diluted	215,051,088	211,498,088

The subscription shares are dilutive for the purposes of return per share when they would result in the issue of ordinary shares. This occurs when the average market price of the ordinary shares during the year is greater than the exercise price of 218.94p. The average market price for the year ended 31 March 2012 at 258.13p was dilutive (2011: dilutive at 234.74p).

8. Dividends on Ordinary Shares

Dividends on equity shares paid in the year:

	2012		2011	
	PENCE	£'000	PENCE	£'000
Fourth interim in respect of previous year	2.75	5,800	—	—
First interim paid	2.40	5,093	2.20	4,620
Second interim paid	2.40	5,114	2.20	4,626
Third interim paid	2.40	5,123	2.20	4,640
Return of unclaimed dividends from previous years	—	(13)	—	—
	9.95	21,117	6.60	13,886

Dividends on equity shares payable in respect of the year:

	2012		2011	
	PENCE	£'000	PENCE	£'000
First interim paid	2.40	5,093	2.20	4,620
Second interim paid	2.40	5,114	2.20	4,626
Third interim paid	2.40	5,123	2.20	4,640
Fourth interim payable	3.20	6,842	2.75	5,800
	10.40	22,172	9.35	19,686

During the year, three interim dividends of 2.4p each per share were paid on 27 September 2011, 30 December 2011 and 31 March 2012 respectively. A fourth interim dividend of 3.2p per share was declared on 29 May 2012, for payment on 29 June 2012.

9. Investments at Fair Value

(a) Investments

	2012 £'000	2011 £'000
Investments listed on a recognised stock exchange	668,827	631,693
Unlisted investments	14,752	13,631
Total investments	683,579	645,324
Opening valuation	645,324	586,710
Movements in year:		
Purchases at cost	137,184	140,521
Sales – proceeds	(130,204)	(136,726)
– net realised profits on sales	14,319	18,407
Movement in investment holding gains	16,956	36,412
Closing valuation	683,579	645,324
Closing book cost	(611,619)	(590,320)
Closing investment holding gains	71,960	55,004
Net realised gains based on historical cost	14,319	18,407
Movement in investment holding gains	16,956	36,412
Gains on investments	31,275	54,819

(b) Transaction Costs

The transactions costs included in gains on investments consisted of £673,000 (2011: £808,000) on purchases and £159,000 (2011: £139,000) on sales.

10. Debtors

	2012 £'000	2011 £'000
Amounts due from brokers	33	3,052
Income tax refund	9	—
Proceeds due from issue of new shares	893	—
Prepayments and accrued income	3,478	3,596
	4,413	6,648

11. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank overdraft	74,302	73,956
Amounts due to brokers	1,190	1,079
Performance-related fee	886	—
Accruals	1,846	1,791
	78,224	76,826

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 £100 million. There were no changes to the facility agreement.

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

	2012 £'000	2011 £'000
£30,000,000 6.125% Debenture 2014	29,860	29,805

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

13. Share Capital

(a) Allotted

	2012		2011	
	NUMBER	£'000	NUMBER	£'000
Allotted, called-up and fully paid:				
Ordinary shares of 10p each	213,816,850	21,382	210,900,504	21,090

(b) Share Movements

	2012 ORDINARY NUMBER	2012 SUBSCRIPTION NUMBER	2011 ORDINARY NUMBER	2011 SUBSCRIPTION NUMBER
Number at start of year	210,900,504	17,478,825	210,051,017	17,682,432
Exercise of subscription shares	491,203	(491,203)	203,607	(203,607)
Issue of new shares	2,425,143	—	645,880	—
Number at end of year	213,816,850	16,987,622	210,900,504	17,478,825

	2012 £'000	2011 £'000
Net proceeds from issue of shares	6,301	1,681

Each subscription share of 0.001p carries the right to subscribe for one ordinary share at a price of 218.94p on 31 August in each of the years 2008 to 2013.

14. Reserves

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

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date, totalling a gain of £71,960,000 (2011: £55,004,000). The capital reserve is currently non-distributable however, it can be used to fund share buy-backs.

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

15. Net Asset Value

	2012 £'000	2011 £'000
Shareholders' funds:		
– basic	579,908	545,341
– diluted	617,101	583,609
	NUMBER	NUMBER
Ordinary shares in issue at year end:		
– basic	213,816,850	210,900,504
– diluted	230,804,472	228,379,329
	PENCE	PENCE
Net Asset Value:		
– basic	271.2	258.6
– diluted	267.4	255.5

As the basic NAV per share is greater than the exercise price of 218.94p, the subscription shares are dilutive and subscription shareholders are likely to exercise their option.

16. Notes to the Cash Flow Statement

(a) Reconciliation of Operating Profit to Operating Cash Flows

	2012 £'000	2011 £'000
Total income before finance costs and taxation	51,779	72,637
Scrip dividends received as income	(32)	—
Gains on investments	(31,275)	(54,819)
Foreign exchange (gains)/losses	(19)	1,064
Decrease/(increase) in debtors	109	(1,258)
Increase in creditors	941	135
Tax on overseas income	(514)	(421)
Net cash inflow from operating activities	20,989	17,338

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

	2012 £'000	2011 £'000
Servicing of finance		
Interest paid on overdraft	(1,064)	(953)
Interest paid on debenture	(1,838)	(1,836)
Net cash outflow from servicing of finance	(2,902)	(2,789)
Capital expenditure and financial investment		
Purchase of investments	(137,041)	(139,448)
Sale of investments	133,223	133,674
Net cash outflow from capital expenditure and financial investments	(3,818)	(5,774)
Financing		
Issue of new shares	5,408	1,681
Exercise of subscription shares	1,075	445
Net cash inflow from financing	6,483	2,126

(c) Analysis of Net Debt

	1 APRIL 2011 £'000	CASH FLOW £'000	EXCHANGE MOVEMENTS £'000	DEBENTURE STOCK NON-CASH MOVEMENT £'000	31 MARCH 2012 £'000
Bank overdraft	(73,956)	(365)	19	—	(74,302)
Debt due within five years – debenture	(29,805)	—	—	(55)	(29,860)
Net debt	(103,761)	(365)	19	(55)	(104,162)

17. Contingencies, Guarantees and Financial Commitments

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

18. Related Party Transactions

Invesco Asset Management Limited ('IAML'), a wholly-owned subsidiary of Invesco Limited, acts as Manager, Company Secretary and Administrator to the Company. Details of IAML's services and fees are disclosed in the Report of the Directors. Full details of Directors' interests are set out in the Report of the Directors on page 25. There are no other related party transactions.

19. Financial Instruments

The Company's financial instruments comprise its investment portfolio (as shown on pages 8 and 9), cash, borrowings (including overdraft and debenture), debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

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

> ***Market risk*** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:
>
> > *Currency risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;
> >
> > *Interest rate risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and
> >
> > *Other price risk* – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.
>
> ***Liquidity risk*** – arising from any difficulty in meeting obligations associated with financial liabilities.
>
> ***Credit risk*** – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

Risk Management Policies and Procedures

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

As an investment trust the Company invests in equities and other investments for the long term so as to fulfil 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, as disclosed on page 20. 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, Swiss francs and Swedish kronor.

19. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

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 assets denominated in those currencies.

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

Currency exposure

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

	31 MARCH 2012			31 MARCH 2011		
	US DOLLAR £'000	SWISS FRANC £'000	SWEDISH KRONA £'000	US DOLLAR £'000	SWISS FRANC £'000	SWEDISH KRONA £'000
Forward currency sales	—	—	—	—	—	—
Foreign currency exposure on net monetary items	—	—	—	—	—	—
Investments at fair value through profit or loss that are equities	33,907	34,840	1,291	39,626	10,885	—
Total net foreign currency exposure	33,907	34,840	1,291	39,626	10,885	—

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

The exchange rate of ±2.1% (2011: ± 3.2%) for US dollar and ±4.3% (2011: ±4.0%) for Swiss franc and ±2.0% (2011: n/a) for Swedish krona 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 2012			31 MARCH 2011		
	US DOLLAR £'000	SWISS FRANC £'000	SWEDISH KRONA £'000	US DOLLAR £'000	SWISS FRANC £'000	SWEDISH KRONA £'000
Income statement – profit/(loss) after taxation						
Revenue return	(40)	(66)	—	(74)	(20)	—
Capital return	(713)	(1,503)	(25)	(1,254)	(436)	—
Total loss after taxation for the year	(753)	(1,569)	(25)	(1,328)	(456)	—

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

	31 MARCH 2012			31 MARCH 2011		
	US DOLLAR £'000	SWISS FRANC £'000	SWEDISH KRONA £'000	US DOLLAR £'000	SWISS FRANC £'000	SWEDISH KRONA £'000
Income statement – profit/(loss) after taxation						
Revenue return	40	66	—	74	20	—
Capital return	713	1,503	25	1,254	436	—
Total profit after taxation for the year	753	1,569	25	1,328	456	—

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

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 £100 million. The Company uses the facility when required at levels approved and monitored by the Board. The Company also has in issue a £30 million 6.125% Debenture 2014.

At the year end drawings on the Company's overdraft were £74,302,000 (2011: £73,956,000) and the debenture had an amortised cost of £29,860,000 (2011: £29,805,000). At the maximum overdraft of £100 million, the effect of a +/– 1% in the interest rate would result in a decrease/increase to the Company's income statement of £1 million.

The table below shows the maturity analysis and exposure of the debt securities:

	2012		2011	
	FIXED RATE EXPOSURE £'000	FLOATING RATE EXPOSURE £'000	FIXED RATE EXPOSURE £'000	FLOATING RATE EXPOSURE £'000
Less than one year	—	—	1,500	—
More than one year but less than two years	3,600	—	—	—
More than two years but less than five years	465	—	—	—
More than five years	—	—	470	—
	4,065	—	1,970	—

Fixed rate exposure gives rise to fair value interest rate risk and floating rate exposure gives rise to cash flow interest rate risk. If interest rates were either to increase or decrease by 1%, there would be no effect on revenue as all are fixed; the estimated effect on capital profit after taxation is £17,000 (2011: £26,000), resulting in insignificant effect on the net asset value.

Other price risk

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

Management of other price risk

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

19. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

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 £68.4 million (2011: £64.5 million) respectively.

Liquidity risk

Is minimised as the majority of the Company's investments constitute a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the £100 million bank overdraft facility provides for additional funding flexibility, and this facility was unchanged at the year end.

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 £30 million 6.125% Debenture 2014, based on the offer value at the balance sheet date, is £30,480,000 (2011: £30,480,000).

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 FRS 29 follow.

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

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

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

Categorisation within the hierachy 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 and all quoted fixed income investments Level 2, together with the Company's holding of Barclays Bank Nuclear Power Notes. Level 3 investments at the year end comprise solely of unquoted securities.

2012	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments:				
Debt securities	—	2,143	—	2,143
Equities	666,684	—	—	666,684
Unquoted investments	—	—	14,752	14,752
Total for financial assets	666,684	2,143	14,752	683,579

2011	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments:				
Debt securities	—	2,148	—	2,148
Equities	629,545	—	—	629,545
Unquoted investments	—	—	13,631	13,631
Total for financial assets	629,545	2,148	13,631	645,324

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

	£'000
Opening fair value of Level 3	13,631
Investment purchases	3,794
Movement in holding gains on assets held at the year end	(2,673)
Closing fair value of Level 3	14,752

There were no transfer of assets to Level 3 during the year.

Maturity Analysis of Contractual Liability Cash Flows

The financial liabilities of the Company are shown in notes 11 and 12. At the year end the main liabilities are the £30 million debenture and the bank overdraft of £74.3 million (2011: £74 million), the latter of which is repayable on demand. The £100 million overdraft facility was unchanged. The debenture is repayable in 2014, with interest payable on 8 January and 8 July each year. Other liabilities comprise any amounts due to brokers and accruals. All are paid under contractual terms. For amounts due to brokers, this is usually the purchase date of the investment plus three business days. For accruals, this is normally within 30 business days of invoice or, in the case of management fees, in accordance with the management agreement.

Capital Management

The Company does not have any externally imposed capital requirements. The Company's capital is as disclosed in the Balance Sheet and is managed on a basis consistent with its Investment Policy as disclosed in the Report of the Directors' on page 14. The principal risks and their management are disclosed above.

20. Post Balance Sheet Event

There are no post balance sheet events since the year end.

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, Henley-on-Thames, Oxfordshire RG9 1HH on 12 July 2012 at 11.00 am for the following purposes:

Ordinary Business

1. To receive and adopt the Annual Accounts and Reports for the year ended 31 March 2012.
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 Antony Hardy a Director of the Company.
6. To re-elect Bob Yerbury a Director of the Company.
7. To approve the Directors' Remuneration Report for the year ended 31 March 2012.
8. To re-appoint the Auditor and authorise the Directors to determine its remuneration.

Biographies of Directors seeking re-election are shown on page 11 of the annual financial report.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 9 will be proposed as an Ordinary Resolution and resolutions 10, 11, 12 and 13 will be proposed as Special Resolutions:

9. THAT:

   the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution (the 'Act') to exercise all powers of the Company to allot 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 £7,120,101, 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.

10. 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 9 set out above or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

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

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £2,138,168.

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

11. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of its issued 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 32,051,145;

(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; and

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

12. THAT:

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

13. THAT:

the articles of association produced to the meeting and initialled by the chairman for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

Dated this 7 June 2012

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

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

   The appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST proxy instruction) does not prevent a 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 10 July 2012 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.

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 7 June 2012 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 213,816,850 ordinary shares of 10p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 213,816,850.
11. A copy of this notice (contained within the 2011 annual financial report), and other information required by Section 311A of the Companies Act 2006, can be found at *www.invescoperpetual.co.uk/investmenttrusts*.
12. Shareholders should note that it is possible that, pursuant to requests made by 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 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 2010; or (ii) any circumstance connected with the Auditor of the Company appointed for the financial year beginning on 1 April 2010 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.

Explanatory Notes of Principal Changes to the Company's Articles of Association

1. **Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Former Articles 55, 56 and 57)**

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

2. **Short notice (Former Article 62)**

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

3. **Adjournments for lack of quorum (Article 63.2)**

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

4. **Timing for submission of proxy appointments (Article 79.4)**

   Article 79.4 has been amended to permit the Directors to specify, in a notice of meeting, that in determining the time for delivery of proxy appointments, no account shall be taken of non-working days. This brings the provisions relating to timing for proxy appointments into line with the provisions of Article 131 (see paragraph 7 below) regarding determining which persons may attend and vote at a general meeting.

5. **Use of seals (Former Article 99)**

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

6. **Application of sums standing to credit of capital reserve (Article 124.1)**

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

7. **Record date for right to attend and vote at meetings (Article 131)**

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

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.

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.

Ongoing Charges Ratio

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 fair value) in the period reported.

Shareholders' Funds

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

Total Net Assets

Total assets less current liabilities.

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).

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

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

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

Invesco is one of the largest independent global investment management firms, with funds under management of $668.4 billion.*

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

** Funds under Management as at 30 April 2012*

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

City Merchants High Yield Trust Limited

A Jersey incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments combined with a degree of security. The Company is geared by bank debt.

Invesco Income Growth Trust plc

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

Invesco Leveraged High Yield Fund Limited

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

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio

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

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio

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

Invesco Property Income Trust Limited

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

Keystone Investment Trust plc

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

Perpetual Income and Growth Investment Trust plc

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

The Edinburgh Investment Trust plc

Invests in UK securities with long term objective of achieving:

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

The Company is geared by way of two debenture stocks.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total returns for the Company's shareholders from investment in a broad cross-section of small to medium size UK-quoted companies. The Company may gear by bank debt.

Investing Internationally

Invesco Asia Trust plc

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

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

Aims to provide an attractive and growing level of income return and capital appreciation over the long term, predominately through investment in a diversified portfolio of equities worldwide. The portfolio is geared by bank debt.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Portfolio

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

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

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

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

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

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

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