



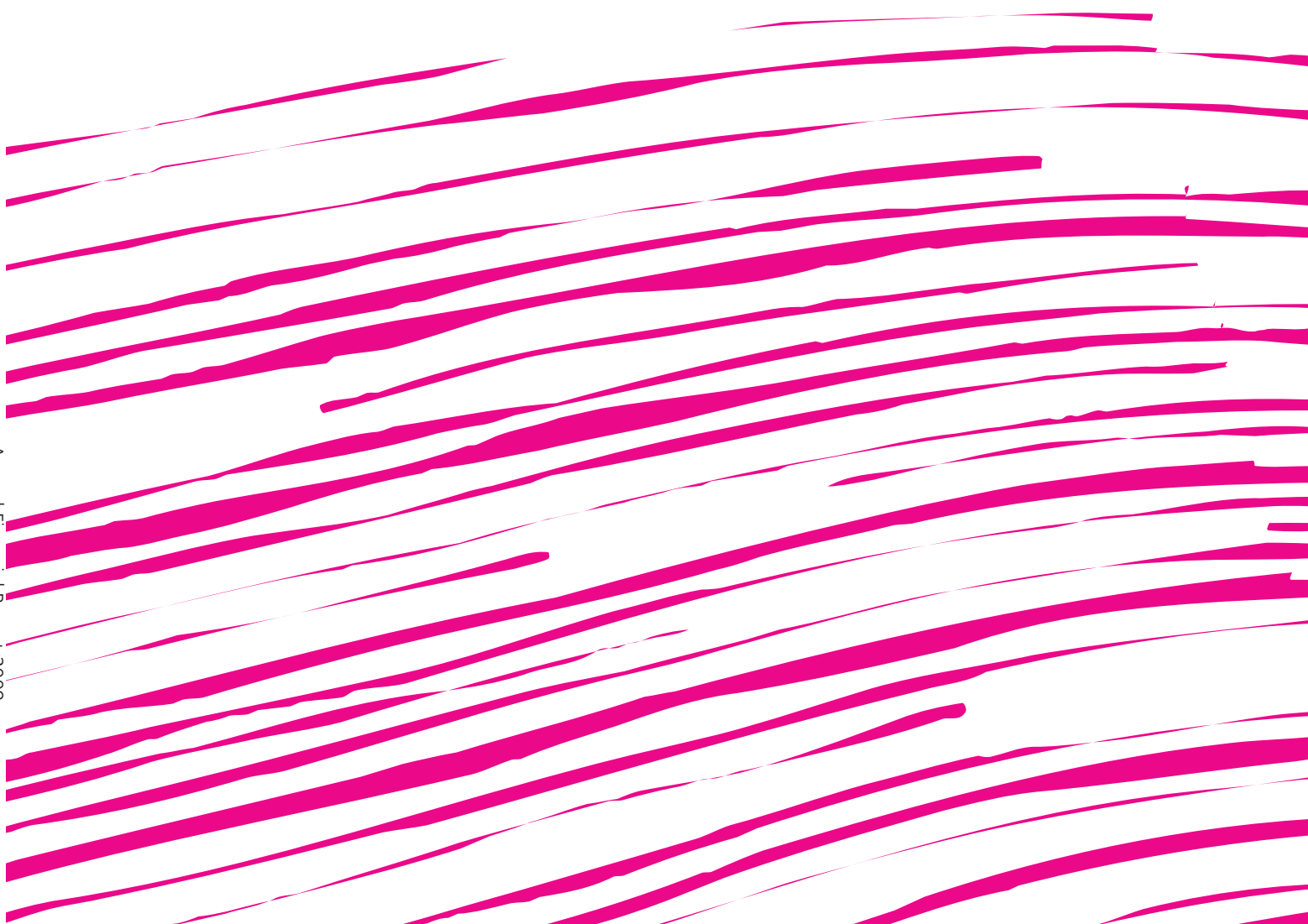
Perpetual Income and Growth  
Investment Trust plc

ANNUAL FINANCIAL REPORT  
YEAR ENDED 31 MARCH 2009

---

Perpetual Income and Growth Investment Trust plc

Annual Financial Report 2009



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 Customer Services Team on

☎ 0800 085 8677

🌐 [www.invescopetual.co.uk/investmenttrusts](http://www.invescopetual.co.uk/investmenttrusts)

*Front Cover: Slate, Metamorphic Rock, Slate Quarry*

## Contents

02	Financial Information and Performance Statistics
05	Chairman's Statement
07	Manager's Report
09	Investments in order of valuation
11	Directors
12	Advisers and Principal Service Providers
13	Shareholder Information
14	Report of the Directors (incorporating the Business Review)
25	Directors' Remuneration Report
27	Corporate Governance Statement
33	Directors' Responsibility Statement
34	Report of the Independent Auditor
36	Income Statement
37	Reconciliation of Movements in Shareholders' Funds
38	Balance Sheet
39	Cash Flow Statement
40	Notes to the Financial Statements
52	Notice of Annual General Meeting
56	Glossary of Terms

## Investment Objective and Policy

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

## Share Capital and Gearing

At the year end, the Company's share capital consisted of 208,404,620 ordinary shares. During the year 46,099 ordinary shares were issued following the exercise of subscription shares and 1,128,540 ordinary shares were issued for cash. Gearing is provided by a £30,000,000 6.125% Debenture 2014 and maximum bank borrowings 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 56 which defines some of the more technical references used in the report.

The Company is a  
member of

**aic**

The Association of  
Investment Companies

## FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

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

	AT 31 MARCH 2009	AT 31 MARCH 2008	% CHANGE
<b>Total return (all income reinvested):</b>			
Diluted net assets <sup>(1)(2)</sup>			-23.7
Benchmark <sup>(1)(2)</sup>			-29.3
<b>Diluted net asset value per ordinary share<sup>(1)</sup>:</b>			
– after charging second interim and special dividend (capital NAV)	176.0p	235.6p	-25.3
– as balance sheet	182.0p	240.3p	-24.3
<b>Shareholders' funds (£'000)<sup>(1)</sup></b>	379,256	501,840	-24.4
<b>Mid-market price per:</b>			
– ordinary share	171.0p	222.5p	-23.1
– subscription share	27.5p	45.5p	-39.6
<b>Discount<sup>(1)</sup> per ordinary share</b>	6.0%	7.4%	
<b>Capital return</b>			
Benchmark <sup>(1)(2)</sup>			-32.2
<b>Return per ordinary share:</b>			
Diluted revenue return	9.2p	8.0p	
Diluted capital return	(57.3)p	(35.2)p	
Diluted total return	(48.1)p	(27.2)p	
<b>Dividend per ordinary share:</b>			
First interim dividend	3.30p	3.10p	
Second interim dividend	5.20p	4.70p	
Special dividend	0.84p	—	
Total dividend	9.34p	7.80p	+19.7
<b>Total Expense Ratio<sup>(1)</sup></b>			
– excluding performance fee	1.0%	1.1%	
– including performance fee	1.2%	1.1%	
<b>Gearing<sup>(1)</sup></b>			
Actual gearing	117	117	
Asset gearing	116	116	

Notes: (1) Defined in the Glossary of Terms.

(2) Source: Datastream and Fundamental Data.

## Historical Record – Last Ten Years

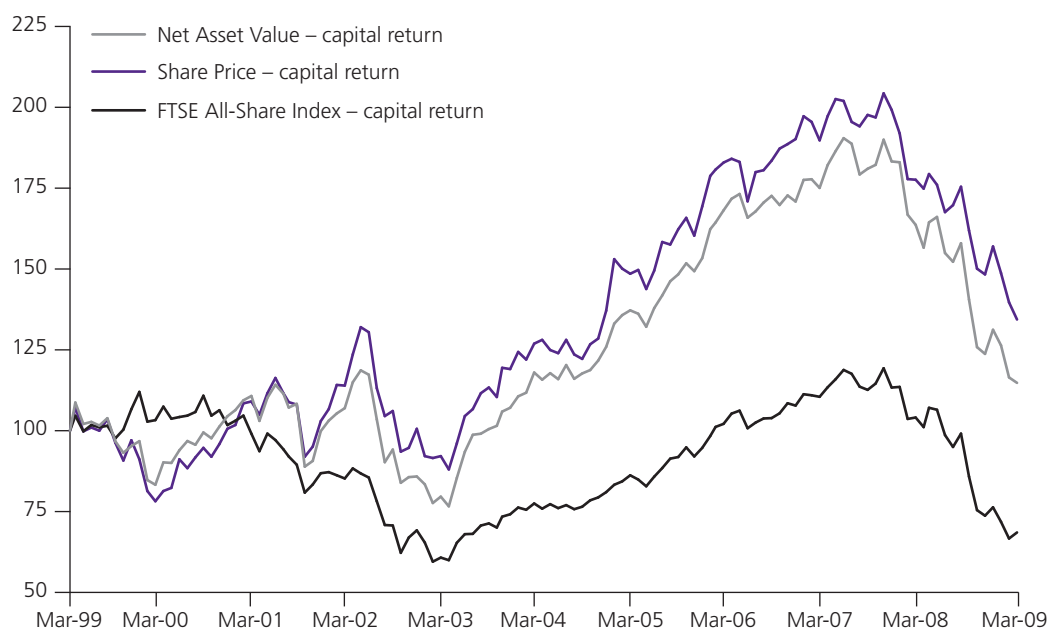
TO 31 MARCH	GROSS REVENUE INCOME £'000	NET REVENUE AVAILABLE FOR ORDINARY SHARES £'000	DIVIDENDS ON ORDINARY SHARES		TOTAL ASSETS LESS CURRENT LIABILITIES £'000	BASIC NET ASSET VALUE PER ORDINARY SHARE p	MID- MARKET PRICE PER ORDINARY SHARE p
			COST £'000	RATE p			
2000	11,383	9,220	7,939	4.50	270,258	136.2	103.5
2001	10,682	8,762	8,212	4.65	306,031	156.6	133.5
2002	10,735	8,683	8,602	4.85	337,397	173.6	157.3
2003	10,635	8,827	8,977	5.00	237,293	115.5	112.0
2004	12,120	10,072	9,566	5.25	348,439	174.8	163.0
2005	13,945	11,178	10,497	5.65	416,743	208.4	197.8
2006	16,025	12,517	11,548	6.00	535,746	262.9	234.3
2007	19,729	15,443	13,653	6.60	606,360	278.8	251.0
2008	22,482	18,017	16,164	7.80	531,508	242.2	222.5
<b>2009</b>	<b>22,717</b>	<b>20,627</b>	<b>19,441</b>	<b>9.34</b>	<b>408,960</b>	<b>182.0</b>	<b>171.0</b>

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

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

From 31 March 1999 to 31 March 2009

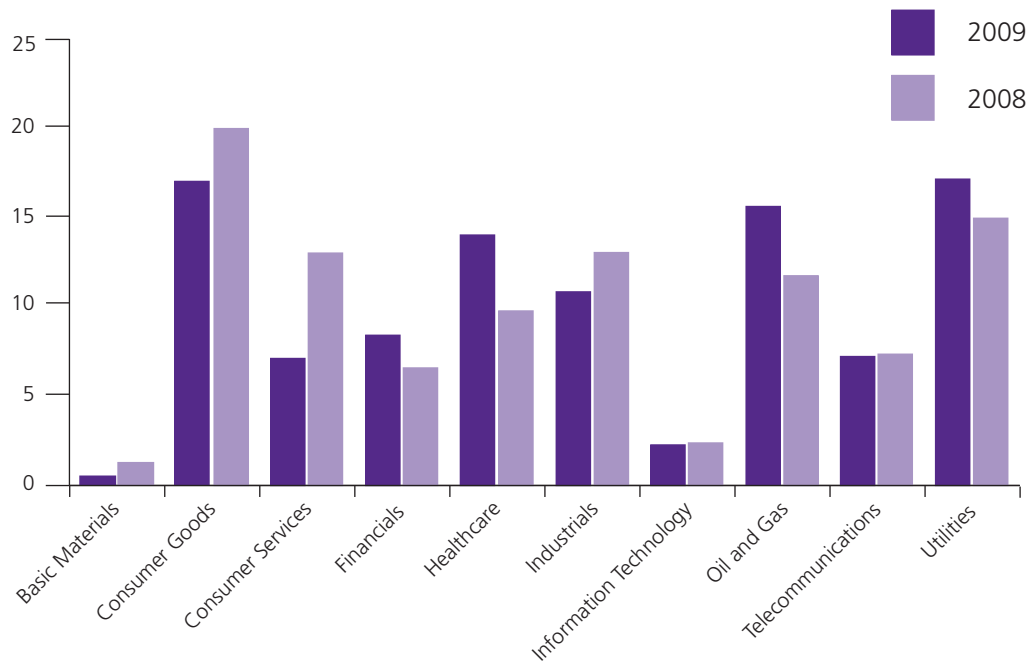
Figures have been rebased to 100 at 31 March 1999.



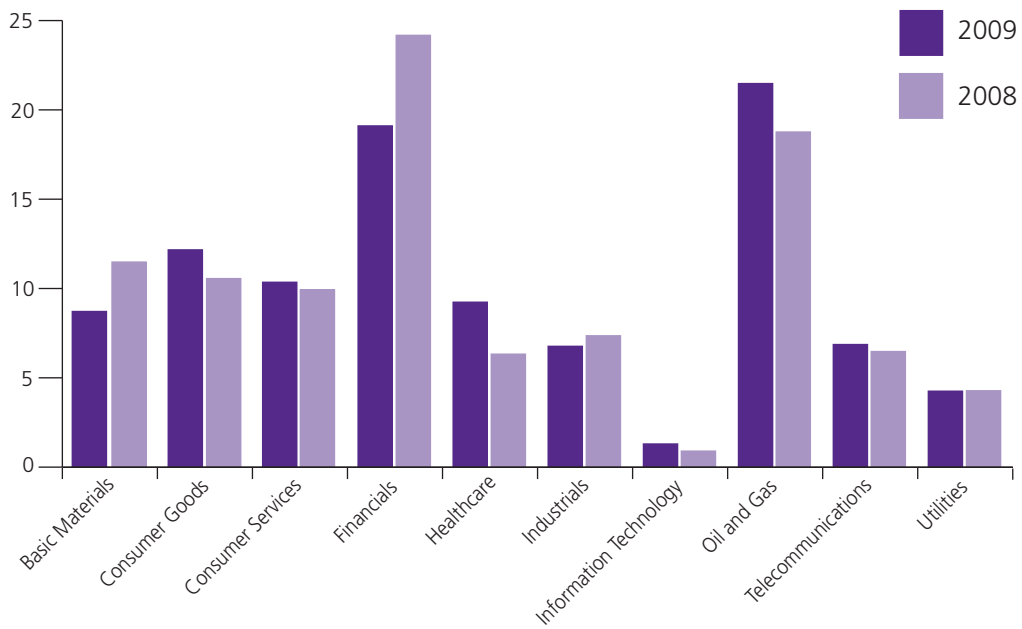
## Sector Analysis

As at 31 March

Allocation of Portfolio by Sector



Allocation of Benchmark by Sector



## CHAIRMAN'S STATEMENT

### Review of the Year

The stockmarket volatility that began in the second half of the last financial year continued and worsened into the year under review, to the extent that calendar year 2008 saw the second biggest fall in the UK stockmarket in the last 100 years. The primary causes of this decline are by now well known.

The Company was not immune to these influences and its diluted net asset value ('NAV') fell by 23.7%, while the Company's chosen benchmark, the FTSE All-Share Index (total return) fell by 29.3%. During the year, the Company's share price fell by 23.1%, reflecting the high volatility in the market which resulted in a narrowing of the discount to NAV at which the shares were traded.

### Outlook

It is perhaps too early to look for results from the Government's recent measures to resuscitate the economy. Further periods of market volatility may reasonably be expected in the remainder of the current calendar year. However, our investment manager took good advantage of the earlier market falls to acquire holdings in sound companies at attractive valuations and it can therefore be expected that the full benefit of these prudent actions will be enjoyed by the Company as and when the recovery becomes more sustained.

### Dividend

An increased first interim dividend of 3.3p (2008: 3.1p) was paid to shareholders on 29 December 2008. The Directors are pleased to declare a second interim dividend of 5.2p (2008: 4.7p). In addition, a special dividend of 0.84p in respect of the recovery of VAT on management fees (detailed below) will be paid, giving total dividends payable for the year of 9.34p (2008: 7.8p), an increase in the total dividend for the year of 19.7% (9% excluding the special dividend). The second interim and special dividends will be paid on 9 July 2009 to shareholders registered on 19 June 2009. The Board's aim is for the Company to maintain its policy of real dividend growth.

### Gearing

Actual gearing of the Company was 17% at the year end (2008:17%). The Board's policy is to allow gearing up to a level of 25%.

### Subscription Share Exercise

During the year under review, subscription shareholders had their second 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 2008. As a result, 46,099 shares were allotted on 11 September 2008. Subscription shareholders will have further opportunities to convert their holdings in each of the years 2009 to 2013.

### Issued Share Capital

The issued share capital of the Company at the time of writing is 208,404,620 ordinary shares of 10p each and 17,720,924 subscription shares.

During the year the rating of the Company's shares remained high and occasionally, its shares traded at a premium to net asset value. At times, demand for shares exceeded supply and your Company responded to two requests for issues of new shares totalling 400,000 in November 2008. It also supplied the Invesco Perpetual ISA Scheme with a further 728,540 new shares in December to satisfy the demands of those investors re-investing their dividends.

### VAT on Management Fees

Following the European Court of Justice ruling that investment trusts should be regarded as special investment funds, no VAT is payable by investment trusts on management fees.

The Manager has been liaising with HM Revenue & Customs to recover on the Company's behalf VAT paid in the past on fees. As a result, £5,250,000 was recovered after the year end from HM Revenue & Customs for the period 2001 to 2007. This has been paid in full to the Company and accordingly has been credited £979,000 to revenue and £4,273,000 to capital, in the same proportion as originally charged to the income statement. In addition, estimated interest thereon of £772,000 has been recognised in revenue. These amounts added 2.9 pence per share to the net asset value, of which 0.84 pence was revenue which will be distributed as a special dividend.

The Board is in discussions with the Manager in relation to additional refunds of VAT and interest thereon for various periods. However, as the amounts involved and the timing of receipts are uncertain, no provision has been made in these accounts.

## CHAIRMAN'S STATEMENT

continued

### Corporate Governance

The Board remains committed to maintaining the highest standards of Corporate Governance and is accountable to you as shareholders for the governance of the Company's affairs. The Directors believe that, during the period under review, they have complied with the provisions of the AIC Code of Corporate Governance as endorsed by the Financial Reporting Council, save in respect of matters discussed in the Corporate Governance statements contained on pages 27 to 32.

### Annual General Meeting ('AGM')

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

#### Share Issuance

1. Your Directors are seeking the usual authority to issue up to an aggregate nominal amount of £6,946,820 (a third of the Company's issued share capital as at 8 June 2009) 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 2010.
2. Your 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 £2,315,606 (10% of the Company's issued share capital as at 8 June 2009) of new ordinary shares disapplying pre-emption rights. This will allow shares to be issued to new shareholders without their having to be offered to existing shareholders first, thus potentially broadening the shareholder base of the Company. This authority will not be exercised at a price below Net Asset Value so that the interests of existing shareholders are not diluted and will expire at the AGM in 2010.

#### Share Buy Backs and Treasury Shares

3. Your Directors are seeking to renew the authority to buy back up to 31,239,852 shares (14.99% of the Company's issued share capital as at 8 June 2009), subject to the restrictions referred to in the Notice of Meeting of the AGM. This authority will expire at the AGM in 2010. Your 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

4. It is expected that the EU Shareholder Rights Directive, when it is brought into force, will increase 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 continue to be held on 14 days' notice. Accordingly, Special Resolution 11 will propose that the period of notice for general meetings of the Company (other than AGMs) shall be not less than 14 clear days' notice.

I am delighted to tell you that Bob Yerbury was appointed to the Board in December 2008. Bob, a qualified actuary, has had a long and distinguished career in investment management. He is currently Chief Investment Officer of Invesco Perpetual. In accordance with the Company's Articles of Association, he will stand for election at this year's AGM. The Directors who will retire by rotation and stand for re-election at this year's AGM are Sir Martyn Arbib, Antony Hardy and myself. James D'Albiac has decided to stand down from the Board and will not seek re-election at the AGM. James has served as a Director for the last thirteen years, recently as Senior Independent Director. His wisdom and sharp intellect will be much missed and I would like to thank him for all his diligence and hard work on behalf of the Company. Antony Hardy will take James's place as Senior Independent Director.

I would like to take this opportunity to thank the Board and the Manager for helping to see the Company through one of the most difficult periods for investment that most people can remember.

The AGM of the Company will be held at The Lanesborough, Hyde Park Corner, London SW1X 7TA on 8 July 2009 at 12.00 noon. I do hope that as many shareholders as possible are able to attend. This will be an opportunity not only to meet the Directors, but also to hear the views of Mark Barnett, who is the investment manager at Invesco Perpetual with the day-to-day responsibility for managing the Company's portfolio.

#### Bill Alexander

Chairman  
8 June 2009

## MANAGER'S REPORT



### Market Review

Global equity markets have endured one of the most turbulent periods on record. Although the effects of the credit crunch were starting to take hold in the first half of 2008, the decision by the US government to allow Lehman Brothers to go bankrupt substantially changed the course of the recession. The aftermath of this decision saw a paralysis of economic activity around the world and very sharp declines in financial markets in the last quarter of 2008.

Policymakers were pushed into aggressive action to assist banks through a variety of measures including outright nationalisation, capital injection and the issuance of state guarantees. While government action across the world ensured that the banking system stabilised, governments were not able to prevent the immediate hit to the real economy from the freeze of credit that followed the Lehman Brothers failure. The sudden withdrawal of credit to corporates and households resulted in a material contraction in GDP in the developed world.

On the domestic front, the Bank of England ('BoE') Monetary Policy Committee cut UK interest rates aggressively during the year in an attempt to mitigate the worst effects of the credit crunch. At the end of March 2009, the Base Rate stood at 0.5%, the lowest level in the BoE's 315-year history. The UK economy, however, continued to deteriorate. GDP growth for Q4 2008 confirmed that the economy had entered a recession, evidenced by data showing that unemployment was starting to rise sharply and that the Government's fiscal position was deteriorating at a much faster pace than expected.

The financial landscape has changed substantially over the last 12 months, with many of the world's largest financial institutions having disappeared or been restructured. Within the UK sector, the changes have been no less dramatic: HBOS was sold to Lloyds TSB following serious concerns about its viability and Bradford & Bingley's mortgage business was nationalised and its savings assets sold off to Spain's Santander. The UK government has assumed a much more prominent role in the financial services industry, part nationalising RBS and the newly formed Lloyds Banking Group, while Barclays opted not to take the government assistance, choosing instead to raise additional funding from Middle Eastern and other private investors.

Putting recent falls into context, the FTSE All-Share Index has declined for seven consecutive quarters, which is worse than the aftermath of the TMT bubble in 2000/01 and the recession of 1973/74.

### Portfolio Strategy and Review

The Company's net asset value, including reinvested dividends, fell by 23.7% during the 12 months to the end of March 2009, compared to a fall of 29.3% from the FTSE All-Share Index (total returns).

In relative terms, the Trust recorded resilient performance even though the negative returns generated by the portfolio are disappointing. This fall in the NAV was not helped by the Manager's strategy to maintain a degree of gearing during the review period. Nevertheless, it is certainly the case that the cautious macroeconomic view was justified and consequently the defensive positioning of the fund, with large holdings in Utilities, Tobacco and Pharmaceuticals, proved to be correct in the falling markets.

There were a number of stocks which showed a positive return during the year, notably pharmaceutical company AstraZeneca, non-life insurer Hiscox, and the UK nuclear generator British Energy, which was taken over by French electricity company EDF. Elsewhere, the strong emphasis on defensive holdings with strong balance sheets and sustainable cashflows delivered resilient performance, despite the challenging equity market environment. By contrast, telecommunications company BT was among the biggest negatives to performance as a result of contractual problems within its Global Services division.

In terms of portfolio activity, International Power and Provident Financial were two of the most prominent new positions introduced to the portfolio over the period. The holding in Provident Financial was built up to take advantage of the increasingly strong position for the company in the domestic sub prime lending market. The company is well funded and highly profitable and has the potential to perform well in a more difficult economic environment. The holding in International Power was initiated to take advantage of its sharply falling share price, the result of concerns over its leveraged balance sheet and exposure to weakening electricity demand in its major markets of the

## MANAGER'S REPORT

continued

UK, US and Australia. These factors forced the stock to fall to an attractive valuation from which a position was established in the portfolio. Elsewhere, opportunities were taken to add to existing positions that became more attractive following the market falls and, as a result, the concentration of the portfolio increased.

### Dividends

One of the Company's objectives is real long-term growth in the dividend. It is concerning therefore that declining profits and stretched balance sheets have necessitated dividend cuts for many companies within the market. However, a reasonable number of companies within the portfolio have continued to grow their dividends and this is an area of ongoing importance to the Manager in stock selection for this portfolio. It is also worth remembering that the Company has built up significant revenue reserves over the last few years in preparation for tougher times. With corporate earnings likely to remain under pressure for some time, lower nominal dividend growth from the portfolio is likely. However, with inflation also subdued, the Company's portfolio should be able to support dividend growth above inflation.

### Outlook

During the last three months, the market has staged a strong recovery with the FTSE All-Share Index registering a gain of 28% from its low point. The recovery has been led by economically sensitive sectors at the expense of defensive holdings. This rally has been based on the premise that the rate of decline in the global economy is slowing. Whilst acknowledging that some economic indicators have illustrated tentative signs of recovery, these may simply prove to be the reversal of some of the extreme trends which were witnessed in reaction to the Lehman Brothers bankruptcy. There are some substantial challenges that remain unresolved as the process of deleveraging continues and the Manager remains sceptical that developed economies can experience a strong recovery by the end of the current year. When the recession does end, the recovery is unlikely to feel much more robust as unemployment will still be rising, the housing market will be subdued and, most importantly, the banks will still make borrowing money difficult.

Against this weak economic backdrop, corporate profitability will remain under pressure, particularly in cyclical areas of the market and sectors which are exposed to the consumer economy; areas which have been avoided in the recent past and which will continue to be avoided in the fund. The focus is therefore on the more defensive parts of the market, on companies that have robust business models, strong balance sheets, visible cash generation and growing dividend streams. The recent performance of the market has offered an extremely attractive opportunity to invest in these kinds of businesses, as a large valuation gap has opened up further undervaluing some of the strongest, most resilient and cheapest stocks in the market.

It is not clear when the mood of the market will shift away from its current preference for cyclical companies but what is certain is that the importance of valuation in constructing this portfolio and analysing the stockmarket over the long term will continue to be the best way to generate superior returns from equity investing.

### **Mark Barnett**

Investment Manager

8 June 2009

## INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2009

Ordinary shares listed in the UK unless stated otherwise

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
<b>Equity Investments</b>			
BG	Oil and Gas Producers	27,270	6.2
Imperial Tobacco	Tobacco	24,545	5.6
BP	Oil and Gas Producers	22,740	5.2
GlaxoSmithKline	Pharmaceutical and Biotechnology	22,483	5.1
AstraZeneca	Pharmaceutical and Biotechnology	21,947	5.0
Reynolds American (US common stock)	Tobacco	21,471	4.9
British American Tobacco	Tobacco	20,986	4.8
Vodafone	Mobile Telecommunications	20,888	4.6
Tesco	Food and Drug Retailers	18,765	4.2
Royal Dutch Shell – B Shares	Oil and Gas Producers	14,832	} 4.2
– A Shares		3,759	
<b>Top ten holdings</b>		<b>219,686</b>	<b>49.8</b>
Capita	Support Services	13,114	3.0
National Grid	Gas, Water and Multiutilities	12,937	2.9
Drax	Electricity	12,832	2.9
Centrica	Gas, Water and Multiutilities	12,580	2.9
Scottish & Southern Energy	Electricity	11,261	2.6
BT	Fixed Line Communications	10,953	2.4
Hiscox	Insurance	10,610	2.4
Rolls Royce – ordinary	Aerospace and Defence	9,561	} 2.2
– C Shares		187	
Balfour Beatty	Construction and Materials	9,501	2.2
International Power	Electricity	8,894	2.0
<b>Top twenty holdings</b>		<b>332,116</b>	<b>75.3</b>
Provident Financial	Finance	8,887	2.0
Pennon	Gas, Water and Multiutilities	7,125	1.6
BAE Systems	Aerospace and Defence	6,643	1.5
Northumbrian Water	Water	6,624	1.5
Sage	Technology Software	6,372	1.4
BTG	Pharmaceutical and Biotechnology	5,937	1.3
Homeserve	Support Services	5,070	1.2
Tate & Lyle	Food Producers	4,933	1.1
British Airways	Travel and Leisure	4,843	1.1
Lombard Medical	Healthcare	4,464	1.1
<b>Top thirty holdings</b>		<b>393,014</b>	<b>89.1</b>
Just Retirement	Insurance	3,959	1.0
Impax Environmental – ordinary	Equity Investment Instruments	3,605	} 0.9
– warrants		93	
ARM	Technology Hardware	3,619	0.8
Climate Exchange	Equity Investment Instruments	2,966	0.7
Vectura	Pharmaceutical and Biotechnology	2,899	0.7
Beazley – ordinary	Property	2,312	} 0.6
– new ordinary		465	
Trading Emissions	Equity Investment Instruments	2,412	0.5
Rentokil	Support Services	2,386	0.5
Fusion	Finance	1,974	0.4
UK Coal	Coal	1,863	0.4
<b>Top forty holdings</b>		<b>421,567</b>	<b>95.6</b>

## INVESTMENTS IN ORDER OF VALUATION

continued

ISSUER	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
<b>Equity Investments</b>			
ITV	Media	1,579	0.4
TUI Travel	Travel and Leisure	1,369	0.3
Macau Property	Property	1,190	0.3
Landkom	Food Producers	1,025	0.2
Renovo	Pharmaceutical and Biotechnology	953	0.2
Puricore	Personal Goods	803	0.2
Brown (N)	General Retailers	775	0.2
Helphire	Finance	570	0.1
Imperial Innovations	Finance	420	0.1
William Hill – ordinary – rights April 2009	General Retailers	298 110	0.1
<b>Top fifty holdings</b>		<b>430,659</b>	<b>97.7</b>
Xcounter AB	Healthcare	324	0.1
XTL Biopharmaceutical (US ADR)	Pharmaceutical and Biotechnology	96	0.0
Napo Pharmaceuticals (US Common Stock)	Pharmaceutical and Biotechnology	50	0.0
Local Radio	Media	28	0.0
Mirada	Technology Software	23	0.0
<b>Total Equity Investments (55)</b>		<b>431,180</b>	<b>97.8</b>

ISSUER AND ISSUE	MOODY/S&P RATING <sup>(1)</sup>	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
<b>Fixed Interest Investments</b>				
Barclays Bank Floating Rate Note February 2019	NR/NR	Electricity	3,356	0.8
British Airways Floating 8.75% August 2016	Ba2/BB	Travel and Leisure	2,088	0.5
ITV 6.125% January 2017	Ba3/BB–	Media	1,471	0.3
Rexam Floating 6.75% June 2067	Ba2/BB	Support Services	1,306	0.3
Linde Finance Floating 8.125% July 2066	Baa3/BBB–	Finance	1,189	0.2
Napo Pharmaceuticals (US stock) 8% May 2009	NR/NR	Pharmaceuticals and Biotechnology	260	0.1
<b>Total Fixed Interest Investments (6)</b>			<b>9,670</b>	<b>2.2</b>
<b>Total Investments (61)</b>			<b>440,850</b>	<b>100.0</b>

Note: (1) Defined in the Glossary of Terms.

## DIRECTORS

### **Bill Alexander CBE †\* (Chairman of the Main Board and of the Management Engagement Committee)**

Bill Alexander is currently non-executive chairman of Wigborough Ltd, and The Henley Festival Limited. He was previously Chairman of Xansa plc and Chief Executive of RWE Thames Water plc, and also held non-executive appointments at RMC plc, and GB Airways Ltd and Laporte plc.

### **Vivian Bazalgette †\***

Vivian Bazalgette is a non-executive director of Henderson High Income Investment Trust plc and Brunner Investment Trust plc. He is also an adviser to BAE Systems Pension Fund and to the Nuffield Foundation and a Trustee of both King's College Hospital Charitable Trust and The Dulwich Estate. He is currently a Governor of Dulwich College. He previously held the position of Chief Investment Officer of M&G between 1996 and 2000 and, following the takeover of M&G by Prudential, was appointed Chief Investment Officer of Prudential from 2000 to 2002.

### **Sir Martyn Arbib**

Sir Martyn was the founder and Chairman of Perpetual plc, which became part of The Invesco Group on 7 December 2000, and left the company in 2002.

### **James D'Albiac †\***

James D'Albiac was a partner in Rowe & Pitman, a director of Mercury Asset Management and a director of Jupiter Asset Management.

### **Antony Hardy †\* (Chairman of the Audit Committee)**

Antony Hardy is a non-executive director of Montanaro UK Smaller Companies Investment Trust plc, 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 is a Senior Managing Director of Invesco Ltd. and Chief Investment Officer of Invesco Perpetual. His investment career now spans 40 years to date, having led the North American team at Invesco Perpetual for 14 years, becoming Chief Investment Officer in 1997 and Chief Executive Officer in 2004. He handed over his CEO responsibilities on 1 September 2008, continuing as CIO of the investment team in Henley and with his wider group responsibilities. He holds an MA in Mathematics from Cambridge University and qualified as an Actuary at Equity & Law Life Assurance Society. He is a Fellow of the Institute of Actuaries (FIA).

All Directors are non-executive.

†Member of the Audit Committee.

\*Member of the Management Engagement Committee.

## ADVISERS AND PRINCIPAL SERVICE PROVIDERS

### 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: Angus Pottinger

### Company Number

Registered in England and Wales  
Number 3156676

### Invesco Perpetual Customer Services

Invesco Perpetual has a Customer Services Team, available to assist you from 8.30 a.m. to 6 p.m. every working day. Please feel free to take advantage of their expertise.

☎ 0800 085 8677  
[www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

### Registrars

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

If you hold your shares directly and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars ☎ 0871 664 0300. Calls cost 10p per minute plus network extras.

The Registrars provide on-line and telephone shareholding services to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.capitadeal.com](http://www.capitadeal.com) or ☎ 0870 458 4577

Shareholders can also access their holding details via Capita's website at [www.capitashareportal.com](http://www.capitashareportal.com) or [www.capitaregistrars.com](http://www.capitaregistrars.com)

### Auditors

Deloitte LLP  
Hill House  
1 Little New Street  
London  
EC4A 3TR

### Custodian

Citibank, N.A.  
Lewisham House  
25 Molesworth Street  
London  
SE13 7EX

### Stockbrokers

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

## SHAREHOLDER INFORMATION

The shares of Perpetual Income and Growth Investment Trust plc are quoted on the UK Stockmarket. Purchases and sales can be arranged in a number of different ways. Here are some examples:

Stockbroker, Bank, Share Shop, On-line Dealing and on-line or telephone dealing at Capita Registrars

### NAV Publication

The NAV 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 under Share Price Listings.

### Share Price Listings

The price of your shares can be found in the following places:

**Financial Times** Investment Companies

**The Times** Investment Companies

**Daily Telegraph** Investment Trusts

**Reuters**  
ordinary shares PLI.L

**Bloomberg**  
ordinary shares PLI:LN  
subscription shares PLIS:LN

### Internet addresses

Trust net [www.trustnet.com](http://www.trustnet.com)  
Interactive Investor [www.iii.co.uk](http://www.iii.co.uk)  
Association of Investment Companies [www.theaic.co.uk](http://www.theaic.co.uk)

### Company Website

The Company's website can be located at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).

### Financial Calendar

In addition, the Company publishes information according to the following calendar:

#### Announcements

Annual Financial Report	June
Half-yearly Financial Report	November
Interim Management Statements	July and October

**Annual General Meeting** July

**Year End** 31 March

#### Ordinary Share Dividends

Each year, dividends are usually paid in:

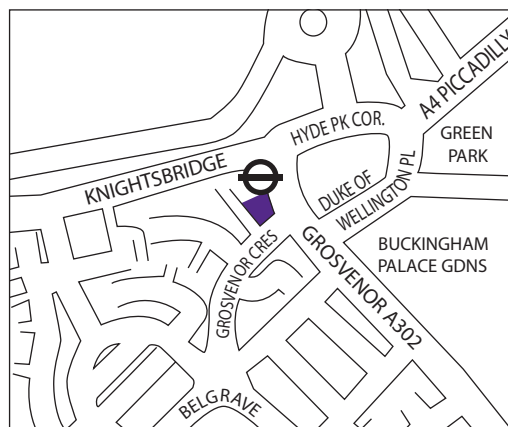
2nd Interim payable	June
1st Interim payable	December

Ordinary share dividends for 2009:

2nd interim payable	9 July
1st interim payable	on or around 29 December

### Location of AGM

To be held at The Lanesborough, Hyde Park Corner, London SW1X 7TA on 8 July 2009 at 12.00 noon. The AGM will be followed by light refreshments.



### Subscription Shares

#### Base cost for the calculation of taxation on capital gains

Trading in the subscription shares issued by the Company to qualifying shareholders commenced at 8.00 a.m. 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 (incorporating the Business Review) FOR THE YEAR ENDED 31 MARCH 2009

### Introduction and Content

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 March 2009.

The Directors Report incorporates the Business Review and expands on the following main areas:

page 14	Nature of the Company;
page 14	Investment Objective and Policy;
page 15	Share Capital Details;
page 16	Revenue and Dividends;
page 17	Key Performance Indicators;
page 18	Current and Future Developments;
page 18	Resources;
page 18	Shareholder Communication;
page 18	Advisers and Principal Service Providers;
page 18	Principal Risks and Uncertainties;
page 20	Financial Position;
page 20	Environmental and Social Policies;
page 21	Manager Details and Assessment;
page 22	Report of the Audit Committee;
page 22	Auditors' Details;
page 22	Substantial Shareholdings; and
page 22	Directors' Details.

### Nature of the Company

The Company was incorporated and registered in England and Wales on 2 February 1996 as a public limited company under the Companies Act 1985 (as amended) registered number 3156676.

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within section 842 of the Income and Corporation Taxes Act 1988 ('ICTA'). HM Revenue and Customs have approved the Company's status as an investment trust, subject to there being no subsequent enquiry under Corporation Tax Self Assessment, in respect of the year ended 31 March 2008. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to maintain such approval.

### Investment Policy

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

#### Investment Objective

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

#### Investment Policy and Risk

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

The Manager will construct a portfolio which reflects his convictions and best ideas. The Manager does not set out to manage the risk characteristics of the portfolio relative to the FTSE All-Share Index ('benchmark index') and the investment process may result in potentially very significant over or underweight positions in individual sectors versus the benchmark index. The size of weightings will

reflect the Manager's view of the attractiveness of a security and the degree of conviction. If a security is not considered to be a good investment, then the Company will not own it, irrespective of its weight in the benchmark index.

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

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

### Investment Limits

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

- the Company will not invest more than 12% of its gross assets in any single investment;
- the Company will not invest more than 15% of its gross assets in other listed investment companies;
- the Company will not invest more than 10% of its gross assets in non-UK equities;
- the Company will not invest more than 10% of its gross assets in fixed interest securities;
- the Company will not invest more than 5% of its gross assets in unquoted investments; and
- gearing may be used to raise equity exposure up to a maximum of 25% of net assets at the time of purchase where it is appropriate.

The Manager monitors the portfolio on a daily basis to ensure adherence to its investment objective, policy and limits.

## Share Capital

### Ordinary Shares

At the year end the Company's share capital included 208,404,620 ordinary shares. During the year 46,099 ordinary shares were issued following an exercise of subscription shares and 1,128,540 ordinary shares were issued at an average price of £2.71.

### Rights Attaching to the Ordinary Shares

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

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

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

No ordinary shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being an ordinary shareholder if he or any person with an interest in ordinary shares has been sent a notice under section 793 of the Companies Act 2006 (which confers the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of

## REPORT OF THE DIRECTORS

continued

a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

The Company is not aware of any agreements between ordinary shareholders that may result in restrictions on the transfer of securities or voting rights.

### Subscription Shares

At the year end the Company's share capital included 17,720,924 subscription shares. During the year 46,099 subscription shares were converted into ordinary shares.

### Rights Attaching to the Subscription Shares

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

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

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

### Restrictions on the Transfers of Ordinary or Subscription Shares

The Directors may refuse to register any transfer of any ordinary or subscription share which is not fully-paid, although such discretion may not be exercised in a way which prevents dealings in the ordinary or subscription classes of shares from taking place on an open or proper basis. As at 31 March 2009, the Company's issued share capital did not include any ordinary or subscription shares that were not fully paid.

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

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

### Share Valuations

On 31 March 2009, the mid-market price and the diluted net asset value (NAV) per ordinary share were 171.0p (2008: 222.5p) and 182.0p (2008: 240.3p) respectively.

### Revenue and Dividends

The results for the year are shown in the Income Statement and Reconciliation of Movements in Shareholders' Funds on pages 36 and 37.

The first interim dividend of 3.3p (2008: 3.10p) per ordinary share was paid on 28 December 2008. For the year ended 31 March 2009, the second interim declared for the year is 5.2p (2008: 4.7p) and will be payable on 9 July 2009 to shareholders on the register on 19 June 2009 together with a special dividend of 0.84p. This gives a total dividend for the year of 9.34p (2008: 7.8p), an increase of 19.7% (9% excluding the special dividend).

## Key Performance Indicators

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

- Relative Asset Performance
- Dividend Policy
- Peer Group Performance
- Premium/Discount
- Total Expense Ratio

### Relative Asset Performance

In reviewing the performance of the assets of the Company's portfolio, 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 fund management approach. It is not the fund management team's philosophy to regard the FTSE All-Share Index as a benchmark for portfolio construction for the Company. This approach can therefore result in a portfolio that is from time to time substantially different from the FTSE All-Share Index but has historically achieved significant outperformance of that index.

During the course of the year the diluted capital NAV of the Company fell by 25.3% compared with a fall of 32.2% by the FTSE All-Share Index (capital).

### Dividend Policy

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

The Manager aims to maximise total return from the portfolio. The Manager believes in strong earnings growth and in the importance of dividends to total return. The portfolio will typically command a yield premium to the market. However, the pursuit of income is not a prime objective and dividend yields are not permitted to constrain investment decisions.

The second interim dividend declared for the year is 5.2p per ordinary share which, together with the special dividend of 0.84p, brings the total for the year to 9.34p per ordinary share, an increase of 19.7% (9.0% excluding the special dividend). This continues the Company's policy of real dividend growth.

### Peer Group Performance

There are currently over 300 investment trusts in the UK of which 21 form the UK Income and Growth sector. This group is quite diverse in its investment objectives 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 objectives and structure.

As at 31 March 2009, out of the 21 investment trusts within the UK Income and Growth sector the Company was ranked number 3 over one year and numbers 1 and 1 over three and five years respectively by NAV performance (source: Cazenove)

### Premium/Discount

The Board monitors the premium/discount at which the Company's ordinary shares trade in relation to the assets and how this compares to other investment trusts in the peer group. During the year the Company's ordinary shares traded to diluted NAV in the range of a discount of 12.6% to a premium of 4.2% and at the year end the discount was 6.0% (2008: 7.4%). As at 31 March 2009, the average discount of the 21 investment trusts in the UK Growth and Income Sector was 6.6% (2008: 7.2%) (source: Cazenove).

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

## REPORT OF THE DIRECTORS

continued

### Total Expense Ratio ('TER')

The expenses of managing the Company are reviewed by the Board at every meeting. It is the intention of the Board to minimise the TER, which provides a guide to the effect on performance of all annual operating costs of the Company.

Expenses for the year excluding performance fees and recoverable VAT on management fees were £4,220,000 (2008: £5,953,000), resulting in a slight fall in the TER from 1.1% for the year to 1.0%.

### Current and Future Development

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

### Resources

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

The day-to-day responsibility for the investment management of the portfolio rests with the Manager. The Board has adopted guidelines within which the Manager is permitted wide discretion; decisions made outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the contract formally every year. The outcome of this review is commented upon on page 21.

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

### Shareholder Communication

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

### Advisers and Principal Service Providers

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

The Company has the following advisers:

- Capita Registrars as Registrar;
- Citibank as Custodian;
- Deloitte LLP as Auditors; and
- Winterflood Investment Trusts as Corporate Broker.

### Principal Risks and Uncertainties

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

#### Investment Objective and Policy

There is no guarantee that the investment policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective.

The Board has established guidelines to ensure that the investment policy that is approved is pursued by the Manager.

### **Investment Process**

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

### **Market Movements and Portfolio Performance**

The majority of the Company's investments are traded on the London Stock Exchange. The principal risk for investors in the Company is of a significant fall in the markets and/or prolonged period of decline in the markets relative to other forms of investment as well as bad performance of individual portfolio investments. The prices of these securities are influenced by many factors including the general health of the economy in the UK; interest rates; inflation; government policies; industry conditions; political and diplomatic events; tax laws; environmental laws; and by the demand from investors for income. The Manager strives to maximise the total return from the securities in which it invests, but these securities are influenced by market conditions and the Board acknowledges the external influences on portfolio performance.

While the Board obviously cannot influence market movements, it is vigilant in monitoring and taking steps to mitigate the effects of falls in markets should they occur. The performance of the Manager is carefully monitored by the Board, and the continuation of the Manager's mandate is formally reviewed each year.

The Board and the Manager maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying NAV and that share repurchase and issuance facilities help the management of this process.

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

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

### **Ordinary Shares**

The market value of an ordinary share, as well as being affected by its NAV, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an ordinary share can fluctuate and may not always reflect its underlying NAV. The market price of an ordinary share may therefore trade at a discount to its NAV. As at 31 March 2009, an ordinary share of the Company traded at a discount of 6.0%. During the year, the Company's shares traded at an average discount of 3.8%.

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

While it is the intention of the Directors to pay dividends to ordinary shareholders twice a year, the ability to do so will depend upon the level of income received from securities and the timing of receipt of such income by the Company. Accordingly, the amount of the twice yearly dividends paid to ordinary 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 ordinary 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. As at 31 March 2009, gearing was provided by a bank overdraft of up to £100 million and the £30 million debenture.

### **Regulatory**

The Company is subject to various laws and regulations by virtue of its status as a Company registered under the Companies Act 1985 (as updated by The Companies Act 2006), as an investment trust, and its listing on the London Stock Exchange.

## REPORT OF THE DIRECTORS

continued

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

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

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

### Financial Position

#### Assets and Liabilities

At 31 March 2009 the Company's net assets were £379 million (2008: £502 million). These comprised a portfolio of equity investments, non-equity investments, cash and other net current liabilities. The Company has a £100 million overdraft facility of which £36.3 million (2008: £53.9 million) was drawn down at the year end. The Company has additional long-term gearing provided by a £30 million 6.125% Debenture with amortised cost at the year end of £29.7 million (2008: £29.7 million).

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sale of investments and the income from investments against which must be set off the costs of borrowing and management expenses. During the year the Company received £101,000 from the issue of 46,099 ordinary shares following the exercise of the same number of subscription shares. The Company also received £2,250,000 from the issue of 1,128,540 new ordinary shares.

#### Financial Instruments

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

#### Gearing Policy

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

#### £30,000,000 6.125% Debenture 2014

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

### Environmental and Social Matters, Employees and Social and Community Issues

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

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

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

## Investment Management Agreement

### Details of Management Fees

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

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

With effect from November 2007, no VAT has been paid on management fees following the ruling of the European Court of Justice that investment trust management fees are exempt.

### Statement of Manager's Responsibilities

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

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

### Assessment of the Investment Manager

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

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

The Board has reviewed the Manager's performance and considers that the continuation of the management contract is in the best interests of shareholders.

### VAT on Management Fees

With effect from late 2007, no VAT is payable by investment trusts on management or performance fees. After the year end IAML paid the Company a refund of £5,252,000 for VAT suffered for the period 1 January 2001 onwards and £772,000 of interest thereon.

The Board is in discussions with the Manager in relation to an additional refund of VAT and interest for various periods. However, as the amounts involved are not material and the timing of receipt is uncertain, no provision has been made in the accounts.

## REPORT OF THE DIRECTORS

continued

### Report of the Audit Committee

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

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

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

The Audit Committee has reviewed the Financial Statements for the year ended 31 March 2009 with the Manager and the Auditors at the conclusion of the audit process.

### Disclosure to Auditors

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

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

This information is given in accordance with the provisions of section 234ZA of the Companies Act 1985.

### Auditors

Deloitte LLP, the Company's Auditors, are willing to continue in office and a resolution in accordance with Section 489(a) of the Companies Act 2006 to re-appoint them will be proposed at the forthcoming AGM. A separate resolution for the Directors to be authorised to set the Auditors' remuneration will also be proposed at the AGM.

### Substantial Holdings in the Company

At 30 April 2009 the Company had been notified of the following holdings of 3% and over of the Company's ordinary share capital:

	HOLDINGS	%
Invesco Perpetual (non-discretionary savings scheme and ISAs)	64,787,231	31.1
Legal & General Investment Management	8,959,908	4.3
Hargreaves Lansdown Asset Management	8,713,977	4.2
Rathbones	8,447,670	4.1
J.P.Morgan Asset Management	6,904,197	3.3

### Directors

The present members of the Board are listed on page 11.

In accordance with the Board's tenure policy set out in the Statement of Compliance with the AIC Code of Corporate Governance on page 29, Sir Martyn Arbib and Antony Hardy will retire at this year's AGM and offer themselves for re-election, having served on the Board for more than nine years. Bill Alexander will retire by rotation at this year's AGM and stand for re-election. James D'Albiac will retire at this year's AGM and will not seek re-election. Bob Yerbury will stand for election, having been appointed to the Board on 4 December 2008.

## Directors' Interests

The interests of the Directors in the ordinary share capital of the Company at 31 March 2009 are set out below.

ORDINARY SHARES	2009		2008	
	ORDINARY SHARES	SUBSCRIBER SHARES	ORDINARY SHARES	SUBSCRIBER SHARES
Bill Alexander	10,000	—	10,000	—
Sir Martyn Arbib	12,000	1,000	12,000	1,000
Vivian Bazalgette	10,000	—	10,000	—
James D'Albiac	12,000	1,200	12,000	1,200
Antony Hardy	11,000	1,000	11,000	1,000
Bob Yerbury	—	—	n/a	n/a

There were no changes in the above interests between 31 March 2009 and 8 June 2009.

## Disclosable Interests

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

## Conflicts of Interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

The Articles of Association of the Company, approved by shareholders at last year's AGM on 9 July 2008, give the Directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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

Going forward, it is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

The Directors have advised that there are currently no potential conflicts of interest with the Company. This is reviewed regularly by the Board and the Directors will advise the Company Secretary as soon as they become aware of any potential conflicts of interest. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.

## Deed of Indemnity

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

## REPORT OF THE DIRECTORS

continued

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 brought 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 Companies Act 2006 or otherwise prohibited by law, if it relates to tax payable on remuneration or other benefits received, or if a liability arises from an act or omission of the Director which is shown to have been in bad faith.

The deed of indemnity is available for inspection at the AGM and at the Registered Office at any time.

### Individual Savings Account ('ISA')

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

### Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business including purchases of investments, and to abide by those agreed terms. There were no trade creditors at 31 March 2009 (2008: nil).

### Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the diversified portfolio of readily realisable securities and the £100 million overdraft facility, both of which can be used to meet funding commitments, and the ability of the Company to meet all of its liabilities, including the £30 million debenture, and ongoing expenses.

### AGM

Shareholders will find on pages 52 to 55 the notice of the forthcoming AGM of the Company to be held on 8 July 2009 at 12.00 noon, an explanation of which can be found in the Chairman's Statement on page 6.

*By order of the Board*

### **Invesco Asset Management Limited**

*Company Secretary*

30 Finsbury Square

London EC2A 1AG

8 June 2009

## DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2009

The Board presents this Remuneration Report which has been prepared under the requirements of Schedule 7A of the Companies Act 1985 and in accordance with the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority. An Ordinary Resolution for the approval of this Report will be put to shareholders at the AGM.

The Company's Auditors are required to audit certain of the disclosures provided in this Report. The Auditors' opinion is included in their report on pages 34 and 35.

### Remuneration Responsibilities

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

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

### Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Director. It is intended that this policy will continue for the year ended 31 March 2010 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 and the additional workload that each Director has and will continue to experience. They have concluded that the current level of Directors' remuneration continues to be appropriate for the year ended 31 March 2010.

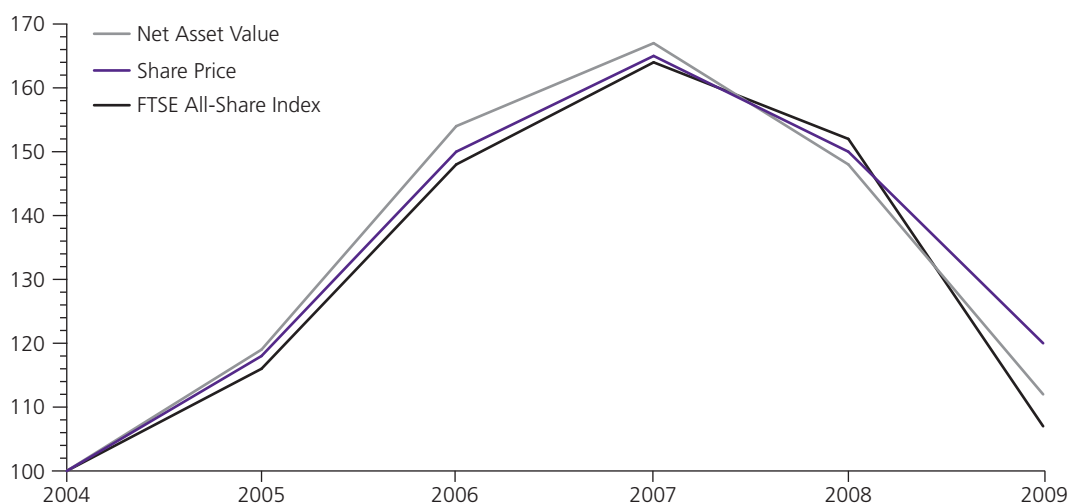
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £150,000 in aggregate per annum. The Directors are not eligible for bonuses, pension benefits, share options 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 or on the Company's website. Under the Articles of Association of the Company, the terms of the Directors' appointment provide that a Director shall retire and be subject to election at the first AGM after appointment and re-election at least every three years thereafter. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

### The Company's Performance

The graph below 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 2009. This index is the benchmark adopted by the Company for comparison purposes. Figures have been rebased to 100 at 31 March 2004.



## DIRECTORS' REMUNERATION REPORT

continued

### Directors' Emoluments for the Year (Audited)

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

	2009	2008
	£	£
Bill Alexander (Chairman of the Board with effect from 19 July 2007)	25,000	23,347
Sir Patrick Sheehy (Chairman until retirement on 19 July 2007)	—	6,714
Antony Hardy (Chairman of the Audit Committee)	20,000	20,000
Sir Martyn Arbib	17,500	17,500
Vivian Bazalgette (Appointed 21 May 2007)	17,500	15,085
James D'Albiac	17,500	17,500
Bob Yerbury (appointed 4 December 2008)	5,658	—
<hr/>		
Total	103,158	100,146

No sums were paid to third parties in respect of any Directors' services.

### Approval

The Directors' Remuneration Report was approved by the Board of Directors on 8 June 2009.

#### **Bill Alexander**

*Chairman*

*Signed on behalf of the Board of Directors*

## CORPORATE GOVERNANCE STATEMENT

Directors' Statement of Compliance with the new Association of Investment Companies Code of Corporate Governance (the 'AIC Code') following the AIC's Corporate Governance Guide for Investment Companies (the 'AIC Guide')

### The Principles

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

In February 2007, the Financial Reporting Council confirmed that AIC Member companies who report against the AIC Code and who follow the AIC Guide were meeting their obligations in relation to the 2006 Combined Code on Corporate Governance (the 'Combined Code') and paragraph 9.8.6 of the Listing Rules of the Financial Services Authority (relating to additional items to be included in the annual financial report). This Statement describes how the principles of the AIC Code, following the AIC Guide, have been complied with in the affairs of the Company. Any reference to the AIC Code in this statement includes references to the AIC guide.

During the year under review, the schedule of matters reserved for the Board, and, where appropriate, the terms of reference of the Audit Committee and the Management Engagement Committee Nomination Committee were reviewed and updated to bring them in line with latest regulatory requirements, 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.

### Directors

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

#### Independence

The Board comprises six non executive Directors, five of whom are considered wholly independent.

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

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

Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details are shown on page 11.

The AIC Code recommends that any director serving on a board for more than nine years should seek re-election annually. The Board has considered the continued appointment of, Sir Martyn Arbib, James D'Albiac and Antony Hardy in light of their having served on the Board for over twelve 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 from the Company's Manager.

#### Chairman

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

#### Senior Independent Director

The AIC Code recommends the appointment of a Senior Independent Director. The Board has therefore appointed James D'Albiac as the Senior Independent Director, who is available to shareholders if they have concerns which contact through the normal channels of Chairman or Manager have failed to resolve or for which such contact is inappropriate. In the light of James D'Albiac's intention to retire from the Board at the conclusion of the AGM on 8 July 2009, the Board has appointed Antony Hardy to take over as Senior Independent Director with effect from that time.

## CORPORATE GOVERNANCE STATEMENT

continued

### Supply of Information

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

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

### Board Responsibilities

All Directors are equally responsible under the law for the proper conduct of the Company's affairs. The Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long term; the need to foster the Company's business relationships with its Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company.

In order to promote the success of the Company, the Board directs and supervises its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for the Board has been established. The schedule of matters was reviewed in May 2009 to ensure compliance with the latest regulatory requirements, best practice and the AIC Code.

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

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

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

The schedule of matters reserved for the Board will be available at the AGM and can be inspected at the Registered Office of the Company. It can also be viewed on the Company's website.

### Manager's Responsibilities

The Manager is responsible for the day-to-day investment management decisions of the Company and for the provision of company secretarial and administration services. A statement of the Manager's responsibilities is shown on page 21.

The Board has reviewed and accepted the Manager's 'whistle-blowing' policy under which staff of IAML can, in confidence, raise concerns about possible improprieties or irregularities in matters affecting the Company.

### Company Secretary

The Board has direct access to the advice and services of the Company Secretary, IAML. The Company Secretary is responsible for ensuring that the Board and Committee procedures are followed and that all applicable regulations are observed. The Company Secretary is also responsible for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met. Finally, the Company Secretary is responsible for advising the Board on all corporate governance matters.

## Appointment, Re-election and Tenure of Directors

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

The Board has formulated a formal, rigorous and transparent procedure for the selection and appointment of new Directors to the Board. To date the Board has not used an executive search consultancy or open advertising when seeking new candidates for appointment as the Directors have considered that the candidates found from sources within the Company and through its advisers have been of a sufficiently high quality. Bob Yerbury was appointed to the Board on 4 December 2008 and, in accordance with the Articles of Association, will seek election at the AGM.

Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company, can be found on the Company's website and will be available at the AGM.

The Articles of Association require that each Director shall retire at an AGM at least every three years after appointment or (as the case may be) last reappointment, and may offer themselves for re-election. No Director serves a term of more than three years before re-election. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders. If this is the case then a long serving Director will stand for re-election annually at the Company's AGM. Due to their length of service, Sir Martyn Arbib and Antony Hardy will seek re-election annually.

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

### Directors' Induction and Training

On appointment to the Board, Directors are fully briefed as to their responsibilities and are kept informed throughout their terms in office of industry and regulatory developments. The Manager and the Board have formulated a programme of induction training for newly appointed Directors, which includes briefings from key members of the Manager. The Board is continually updated with any changes to corporate governance processes, the Listing Rules and other regulatory issues as well as being notified of relevant external training courses available to them.

### 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 25 and 26.

### Board, Committee and Directors' Performance Appraisal

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

### Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 33. The Independent Auditors' Report appears on pages 34 and 35.

### Audit Committee

The Audit Committee is composed of Antony Hardy, James D'Albiac, Bill Alexander and Vivian Bazalgette, all of whom are independent Directors. The Chairman of the Audit Committee is

## CORPORATE GOVERNANCE STATEMENT

continued

Antony Hardy. Audit Committee members consider that collectively they are appropriately experienced to fulfil the role required. The Audit Committee has written terms of reference which are reviewed annually and clearly define its responsibilities. The terms of reference were reviewed in May 2009 to ensure compliance with the latest regulatory requirements, best practice and the AIC Code. 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 can be viewed on the Company's website.

The Audit Committee meets at least twice each year to review the internal financial and non-financial controls, to approve the contents of the draft annual and half-yearly financial reports to shareholders and to review the Company's accounting policies. In addition, the Audit Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of the services of all the service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. At each meeting, representatives of the Manager's Internal Audit and Compliance teams are present. Representatives of Deloitte LLP, the Company's Auditors, attend the Audit Committee meeting at which the draft annual financial report is reviewed.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Annual Financial Report for the year ended 31 March 2009.

### Internal Financial and Non-Financial Controls

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

The Board reviews, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from their review. There are no significant failings or weaknesses that have occurred throughout the year ended 31 March 2009 and up to the date of this annual financial report.

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

### Internal Audit Function

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

### Auditors' Non-audit Services

The Company's Auditors, Deloitte LLP, provided non-audit services to the Company in relation to compliance with the debenture covenant, which amounted to £3,000 (2008: £3,000) excluding VAT.

It is the Company's policy not to seek substantial non-audit services from its Auditors. The scope for non-audit services is reviewed by the Audit Committee and approved prior to the Auditor's engagement.

In particular, the Audit Committee considers whether the skills and experience of the Auditors make them a suitable supplier of the non-audit service and whether there are any safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the Auditors.

## The Management Engagement Committee

The Management Engagement Committee comprises Antony Hardy, James D'Albiac, 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 were reviewed and updated in May 2008 to ensure compliance with the latest regulatory requirements, best practice and the AIC Code. They will be available for inspection at the AGM, the Registered Office of the Company and the Company's website.

The Management Engagement Committee meets annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager. A statement of IAML's responsibilities as Manager, Administrator and Company Secretary of the Company and the assessment of the Manager by the Management Engagement Committee can be found on page 21.

## Attendance at Board and Committee Meetings

All the Directors are considered to have an excellent attendance record at scheduled Board and Committee Meetings of the Company. The following table sets out the number of scheduled meetings held during the year and the number of meetings attended by each Director or member of each Committee.

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		MANAGEMENT COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Bill Alexander	6	6	3	3	1	1
Sir Martyn Arbib	6	6	n/a	n/a	n/a	n/a
James D'Albiac	6	5	3	3	1	1
Vivian Bazalgette	6	5	3	3	1	1
Antony Hardy	6	6	3	3	1	1
Bob Yerbury	1	1	n/a	n/a	n/a	n/a

## 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 bi-annual, interim management statements, monthly factsheet and information on the daily calculation of the NAV of the Company's ordinary shares, which is published via the London Stock Exchange, and the Company's website. A presentation is made by the Manager following the business of the AGM each year. Shareholders have the opportunity to communicate directly with the Board, Chairman and the Chairmen of the Committees of the Board at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the annual financial report and the notice of the AGM be issued to shareholders so as to provide twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card, via the Company's website or in writing to the Company Secretary at the address given on page 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 results. All meetings between the Manager and institutional shareholders are regularly reported to the Board.

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

## CORPORATE GOVERNANCE STATEMENT

continued

### Institutional Voting

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

### Social Responsibility

Your Manager considers many factors when evaluating potential investments. Some are financial ratios and measures, for example, free cash flow, earnings per share, price to book and more. Others are more subjective indicators, which rely more on first hand research, such as 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 risks and the suitability of the company for the portfolio, the Manager does not necessarily preclude an investment being made in that company on these grounds alone.

## 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 that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors, to the best of their knowledge, state that:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 (as and when updated by the Companies Act 2006). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Bill Alexander**

*Chairman*

*Signed on behalf of the Board of Directors*

8 June 2009

## REPORT OF THE INDEPENDENT AUDITORS

### to the Members of Perpetual Income and Growth Investment Trust plc

We have audited the financial statements of Perpetual Income and Growth Investment Trust plc for the year ended 31 March 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Financial Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes the Business Review.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Financial Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Financial Report.

#### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its net return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

### **Deloitte LLP**

*Registered Auditor*

London

8 June 2009

## Electronic Publication

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

## INCOME STATEMENT

### FOR THE YEAR ENDED 31 MARCH

	NOTES	2009 REVENUE £'000	2009 CAPITAL £'000	2009 TOTAL £'000	2008 REVENUE £'000	2008 CAPITAL £'000	2008 TOTAL £'000
Losses on investments at fair value	9	—	(119,109)	(119,109)	—	(71,059)	(71,059)
Foreign exchange (losses)/gains		—	(7,989)	(7,989)	—	286	286
Income	2	22,717	—	22,717	22,482	—	22,482
Investment management fees	3	(1,116)	(3,457)	(4,573)	(1,632)	(3,811)	(5,443)
VAT recoverable on management fees	3	979	4,273	5,252	—	—	—
Other expenses	4	(497)	(3)	(500)	(507)	(3)	(510)
<b>Net return before finance costs and taxation</b>		22,083	(126,285)	(104,202)	20,343	(74,587)	(54,244)
Finance costs	5	(1,150)	(2,684)	(3,834)	(2,015)	(4,705)	(6,720)
<b>Return on ordinary activities before tax</b>		20,933	(128,969)	(108,036)	18,328	(79,292)	(60,964)
Tax on ordinary activities	6	(306)	—	(306)	(311)	—	(311)
<b>Return on ordinary activities after tax for the financial year</b>		20,627	(128,969)	(108,342)	18,017	(79,292)	(61,275)
<b>Return per ordinary share:</b>							
Basic	7	9.9p	(62.1)p	(52.2)p	8.7p	(38.3)p	(29.6)p
Diluted	7	9.2p	(57.3)p	(48.1)p	8.0p	(35.2)p	(27.2)p

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

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

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
<b>At 31 March 2007</b>	20,686	179,789	360,868	15,352	576,695
Return for the year from the income statement	—	—	(79,292)	18,017	(61,275)
Dividends paid – note 8	—	—	—	(14,388)	(14,388)
Exercise of subscription shares	37	771	—	—	808
<b>At 31 March 2008</b>	20,723	180,560	281,576	18,981	501,840
Return for the year from the income statement	—	—	(128,969)	20,627	(108,342)
Dividends paid – note 8	—	—	—	(16,593)	(16,593)
Issue of new shares	112	2,138	—	—	2,250
Exercise of subscription shares	5	96	—	—	101
<b>At 31 March 2009</b>	20,840	182,794	152,607	23,015	379,256

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

## BALANCE SHEET

AS AT 31 MARCH

	NOTES	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Investments at fair value	9	440,850	584,338
<b>Current assets</b>			
Debtors	10	10,016	7,058
<b>Creditors: amounts falling due within one year</b>	11	(41,906)	(59,888)
<b>Net current liabilities</b>		(31,890)	(52,830)
<b>Total assets less current liabilities</b>		408,960	531,508
<b>Creditors: amounts falling due after more than one year</b>	12	(29,704)	(29,668)
<b>Net assets</b>		379,256	501,840
<b>Capital and reserves</b>			
Share capital	13	20,840	20,723
Share premium	14	182,794	180,560
Capital reserve	14	152,607	281,576
Revenue reserve	14	23,015	18,981
<b>Shareholders' funds</b>		379,256	501,840
<b>Net asset value per ordinary share</b>			
Basic	15	182.0p	242.2p
Diluted	15	182.0p	240.3p

These financial statements were approved and authorised for issue by the Board of Directors on 8 June 2009.

**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	2009 £'000	2008 £'000
Net cashflow from operating activities	16(a)	17,943	13,241
Servicing of finance	16(b)	(4,038)	(6,800)
Capital expenditure and financial investment	16(b)	25,449	45,099
Equity dividends paid	8	(16,593)	(14,388)
<hr/>			
Net cash inflow before management of liquid resources and financing		22,761	37,152
Financing	16(b)	2,351	808
<hr/>			
Increase in cash		25,112	37,960
<hr/>			
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash		25,112	37,960
Exchange movements		(7,465)	(186)
Debenture stock non-cash movement		(36)	(3)
<hr/>			
Movement in net debt in the year		17,611	37,771
Net debt at beginning of year		(83,584)	(121,355)
<hr/>			
Net debt at end of year	16(c)	(65,973)	(83,584)

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2009

#### 1. Principal accounting policies

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

##### (a) Basis of preparation

###### (i) *Accounting Standards applied*

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in January 2009. The financial statements are also prepared on a going concern basis. The disclosures on going concern in the Report of the Directors on page 24 form part of the financial statements.

###### (ii) *Changes to presentation*

Following the publication of the new SORP and technical guidance by the Institute of Chartered Accountants in England and Wales in Tech 01/08, capital reserves are now shown in aggregate in the balance sheet and the reconciliation of movements in shareholders' funds. This has no effect on either the net assets or earnings of the Company.

##### (b) Foreign currency

###### (i) *Functional and presentation currency*

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

###### (ii) *Transactions and balances*

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

##### (c) Financial instruments

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

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

###### (ii) *Derecognition of financial assets*

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

###### (iii) *Derecognition of financial liabilities*

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

###### (iv) *Trade date accounting*

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

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

The Company classifies all financial assets as 'fair value through profit or loss'. Financial liabilities are classified as 'fair value through profit or loss' or 'other financial liabilities'.

The classification depends on the purpose for which the financial liability was acquired. The classification of financial instruments is determined on initial recognition.

(1) *Fair value through profit or loss*

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivative financial instruments are also included in this category.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and are subsequently carried at fair value, which for listed investments is their bid value.

(2) *Other financial liabilities*

Other 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, with interest expense recognised on an effective yield basis.

(vi) *Unlisted/illiquid investments*

Where there is no active market, unlisted/illiquid investments are valued at valuations determined by the Directors using an approximate valuation technique, such as earnings multiples, recent arm's length market transactions and net assets.

**(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**

Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. 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 accrual basis.

**(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.

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

**(g) Taxation**

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.

## NOTES TO THE FINANCIAL STATEMENTS

continued

## 1. Principal accounting policies (continued)

## (g) Taxation (continued)

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

## (h) Dividends

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

## 2. Income

	2009	2008
	£'000	£'000
<b>Income from listed investments</b>		
UK dividends	19,592	20,406
Overseas dividends	2,033	2,075
Unfranked investment income	262	—
	21,887	22,481
<b>Other income</b>		
Interest on VAT recoverable on management fees (note 3(iii))	772	—
Bank interest	2	—
Underwriting commission	56	1
	830	1
<b>Total income</b>	22,717	22,482

## 3. Investment management fees

	2009			2008		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee (i)	1,116	2,604	3,720	1,496	3,491	4,987
Performance-related investment management fee (ii)	—	853	853	—	—	—
VAT thereon (prior to 1 October 2007) (iii)	—	—	—	136	320	456
	1,116	3,457	4,573	1,632	3,811	5,443

- (i) Invesco Asset Management Limited ('IAML') provides investment management, company secretarial and administration services to the Company under an agreement dated 20 February 1996 and subsequently amended on 27 December 2001. Details of this are shown in the Report of the Directors. At 31 March 2009 £791,000 (2008: £1,073,000) was due for payment in respect of the investment management fee.
- (ii) A performance-related fee is payable annually in arrears to the Manager, if the Company's performance exceeds the FTSE All-Share Index. Details of this fee are shown in the Report of the Directors.
- (iii) With effect from 1 October 2007, no VAT has been paid on management fees. An amount of £5,252,000 has been recognised in these accounts in respect of VAT recoverable on management fees paid to IAML (this has been credited £979,000 to revenue and £4,273,000 to capital, in the same proportions as originally charged to the income statement) together with £772,000 of interest thereon.

#### 4. Expenses

	2009			2008		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Directors' fees	103	—	103	100	—	100
Fees payable to the Company's auditor for:						
– audit of the financial statements	22	—	22	20	—	20
– other services	3	—	3	3	—	3
Other expenses	369	3	372	384	3	387
	497	3	500	507	3	510

Fees payable to the Company's Auditors are shown excluding VAT which is included in other expenses. Custodian transaction charges amounted to £3,000 (2008: £3,000) and have been allocated wholly to capital.

#### 5. Finance costs

	2009			2008		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest payable on borrowings repayable as follows:						
Bank overdrafts repayable within 1 year but not by installments	588	1,373	1,961	1,438	3,360	4,798
Debenture stock repayable after 5 years but not by installments	562	1,311	1,873	577	1,345	1,922
	1,150	2,684	3,834	2,015	4,705	6,720

Debenture costs are amortised on an effective interest basis.

#### 6. Taxation

##### (a) Current tax charge

	2009			2008		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	306	—	306	311	—	311

##### (b) Reconciliation of current tax charge

	2009 £'000	2008 £'000
Return on ordinary activities before taxation	(108,036)	(60,964)
Theoretical tax at UK Corporation Tax rate of 28% (2008: 30%)	(30,250)	(18,289)
Effects of:		
– Losses on investments which are not taxable	33,351	21,318
– Losses/(gains) on foreign exchange movements	2,237	(86)
– UK dividends which are not taxable	(5,486)	(6,122)
– Expenses in excess of taxable income	148	3,179
– Irrecoverable overseas tax suffered	306	311
	306	311

## NOTES TO THE FINANCIAL STATEMENTS

continued

## 6. Taxation (continued)

## (c) Factors that may affect future tax changes

The Company has excess management expenses and loan relationship deficits of £83,221,000 (2008: £81,537,000) that are available to offset future taxable revenue. A deferred tax asset of £23,302,000 (2008: £22,834,000) has not been recognised in respect of these expenses since they are recoverable only to the extent that the Company has sufficient future taxable revenue.

## 7. Return per ordinary share

Basic revenue, capital and total returns per ordinary share are based on each of the net returns on ordinary activities after taxation and on 207,591,806 (2008: 207,063,473) ordinary shares being the weighted average number of shares in issue.

The diluted revenue, capital and total returns per ordinary share have been calculated by assuming 17,720,924 (2008: 17,767,023) ordinary shares were issued following the exercise of subscription shares at 218.94p per share, giving a weighted average number of shares in issue of 225,333,317 (2008: 224,997,004).

## 8. Dividends on ordinary shares

Dividends on equity shares paid in the year:

	2009		2008	
	PENCE	£'000	PENCE	£'000
Second Interim in respect of previous year	4.70	9,740	3.85	7,964
First interim paid	3.30	6,853	3.10	6,424
	8.00	16,593	6.95	14,388

Dividends on equity shares payable in respect of the year:

Set out below are the dividends payable in respect of the financial year, which is the basis on which the requirements of section 842 Income and Corporation Taxes Act 1988 are considered.

	2009		2008	
	PENCE	£'000	PENCE	£'000
First interim	3.30	6,853	3.10	6,424
Second interim	5.20	10,837	4.70	9,740
Special	0.84	1,751	—	—
	9.34	19,441	7.80	16,164

## 9. Investments at fair value

### (a) Listed investments

	2009	2008
	£'000	£'000
Investments listed on a recognised stock exchange	440,850	584,338
Opening book cost	591,141	572,318
Opening unrealised (depreciation)/appreciation	(6,803)	130,117
Opening valuation	584,338	702,435
Movements in year:		
Purchases at cost	187,945	237,668
Sales – proceeds	(212,324)	(284,706)
– net realised (losses)/gains on sales	(11,893)	65,861
Movement in unrealised depreciation	(107,216)	(136,920)
Closing valuation	440,850	584,338
Closing book cost	554,869	591,141
Closing unrealised depreciation	(114,019)	(6,803)
Closing valuation	440,850	584,338
Realised (losses)/gains based on historical cost	(11,893)	65,861
Movement in unrealised depreciation	(107,216)	(136,920)
Losses on investments	(119,109)	(71,059)

### (b) Transaction costs

The transactions costs, included in gains and losses on investments, amounted to a total of £1,176,000 (2008: £1,984,000) which consisted of £971,000 (2008: £1,504,000) on purchases and £205,000 (2008: £480,000) on sales.

## 10. Debtors

	2009	2008
	£'000	£'000
Amounts due from brokers	1,984	3,739
Unrealised profit on forward currency contracts	—	524
Prepayments and accrued income	2,008	2,795
Recoverable VAT and interest – seen note 3(iii)	6,024	—
	10,016	7,058

## 11. Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Bank overdraft	36,269	53,916
Amounts due to brokers	3,408	4,093
Accruals	1,376	1,879
Performance-related fee	853	—
	41,906	59,888

## NOTES TO THE FINANCIAL STATEMENTS

continued

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

	2009 £'000	2008 £'000
£30,000,000 6.125% Debenture 2014	29,704	29,668

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

## 13. Called up share capital

	2009		2008	
	NUMBER	£'000	NUMBER	£'000
<b>Authorised:</b>				
Ordinary shares of 10p each	300,000,000	30,000	300,000,000	30,000
<b>Allotted, called-up and fully paid:</b>				
Ordinary shares of 10p each	208,404,620	20,840	207,229,981	20,723

During the year 46,099 (2008: 369,344) subscription shares were converted into ordinary shares of 10p each following the exercise of subscription shares and 1,128,540 ordinary shares were issued for cash. Each subscription share of 0.001p each carries the right to subscribe for one ordinary share at a price of 218.94p on 31 August in each of the years 2008 to 2013. At the year end 17,720,924 (2008: 17,767,023) subscription shares remain in issue.

## 14. Reserves

	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000
At 1 April 2008	180,560	281,576	18,981
Net losses on realisation of investments	—	(11,893)	—
Movement in unrealised depreciation on investments	—	(107,216)	—
Foreign exchange losses	—	(7,989)	—
Management and performance fees charged to capital	—	(3,457)	—
VAT recoverable on management fees	—	4,273	—
Other expenses charged to capital	—	(3)	—
Finance costs charged to capital	—	(2,684)	—
Revenue profit retained for the year	—	—	20,627
Equity dividends paid in the year	—	—	(16,593)
Issue of ordinary shares and exercise of subscription shares	2,234	—	—
At 31 March 2009	182,794	152,607	23,015

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

The capital reserve includes the investment holding losses, being the difference between cost and market value at the balance sheet date, totalling a loss of £114,019,000 (2008: loss of £6,803,000). The capital reserve is non-distributable however, it can be used to fund share buy backs.

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

## 15. Net asset value

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

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2009 PENCE	2008 PENCE	2009 £'000	2008 £'000
Ordinary shares				
– Basic	182.0	242.2	379,256	501,840
– Diluted	182.0	240.3	379,256	540,739

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

The number of shares used in the calculation of basic net asset value per share was 208,404,620 (2008: 207,229,981). The number of shares used in the calculation of the diluted net asset value per share was 208,404,620 (2008: 224,997,004).

The exercise price of subscription shares is 218.49p per share. This is greater than the ordinary share price and therefore there is no dilution at 31 March 2009.

## 16. Notes to the cash flow statement

### (a) Reconciliation of operating profit to operating cash flows

	2009 £'000	2008 £'000
Total income before finance costs and taxation	(104,202)	(54,244)
Losses on investments	119,109	71,059
Foreign exchange losses/(gains)	7,989	(286)
Increase in debtors	(5,237)	(121)
Increase/(decrease) in creditors	590	(2,856)
Tax on overseas income	(306)	(311)
Net cash inflow from operating activities	17,943	13,241

### (b) Analysis of cash flow for headings netted in the cash flow statement

	2009 £'000	2008 £'000
<b>Servicing of finance</b>		
Interest paid on overdraft	(2,200)	(4,962)
Interest paid on debenture	(1,838)	(1,838)
Net cash outflow from servicing of finance	(4,038)	(6,800)

	2009 £'000	2008 £'000
<b>Capital expenditure and financial investment</b>		
Purchase of investments	(188,630)	(236,375)
Sale of investments	214,079	281,474
Net cash inflow from capital expenditure and financial investments	25,449	45,099

	2009 £'000	2008 £'000
<b>Financing</b>		
Issue of new shares	2,250	—
Exercise of subscription shares	101	808
Net cash inflow from financing	2,351	808

## NOTES TO THE FINANCIAL STATEMENTS

continued

## 16. Notes to the cash flow statement (continued)

## (c) Analysis of net debt

	1 APRIL 2008	CASH FLOW	EXCHANGE	DEBENTURE STOCK NON-CASH	31 MARCH 2009
	£'000	£'000	MOVEMENTS £'000	MOVEMENT £'000	£'000
Bank overdraft	(53,916)	25,112	(7,465)	—	(36,269)
Debt due after five years – debenture	(29,668)	—	—	(36)	(29,704)
Net debt	(83,584)	25,112	(7,465)	(36)	(65,973)

## 17. Contingencies, guarantees and financial commitments

The Board expects to receive an additional refund of VAT on management fees and interest thereon. However, as the amounts involved are not material and the timing of receipt is uncertain, no provision has been made in these accounts.

There were no other contingencies, guarantees or financial commitments of the Company at the year end (2008: Nil).

## 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 23. There are no other related party transactions.

## 19. Financial instruments

The Company's financial instruments comprise its investment portfolio (as shown on pages 9 and 10), 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.

## Risk management policies and procedures

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

As an investment trust the Company invests in equities and other investments for the long-term so as to meet its investment objective and policies. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. Those related to financial instruments include market risk, liquidity risk and credit risk.

The main risk that the Company faces arising from its financial instruments is market risk – this risk is reviewed in detail below. Since the Company invests in quoted investments traded on recognised stock exchanges, liquidity risk and credit risk are thereby significantly mitigated. Liquidity risk is minimised as the majority of the Company's investments comprise a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the £30 million debenture and £100 million bank overdraft facility provide for additional funding flexibility. Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. This risk is minimised by using only approved counterparties.

## Market risk

The fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Looking at the component parts of market risk, the currency risk component affect is not significant as the Company's financial instruments are mainly denominated in sterling and forward currency contracts can be used to hedge the exposure to currency risk. For the remaining two components of market risk, the Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed on page 31. No other derivative or hedging instruments are utilised to manage market risk. Gearing is used to enhance returns, however, this will also increase the Company's exposure to market risk and volatility.

### 1. Currency risk

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

#### *Management of the currency risk*

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

Forward currency contracts can be used to limit the Company's exposure to anticipated future changes in exchange rates which are used also to achieve the portfolio characteristics that assist the Company in meeting its investment objective and policies. All contracts are limited to currencies and amounts commensurate with the asset exposure to those currencies.

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

#### *Currency exposure*

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

	31 MARCH 2009 US DOLLAR £'000	31 MARCH 2008 US DOLLAR £'000
Forward currency sales	—	(30,408)
Foreign currency exposure on net monetary items	—	(30,408)
Investments at fair value through profit or loss that are equities	21,877	30,325
Total net foreign currency exposure	21,877	(83)

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

#### *Currency sensitivity*

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

The exchange rate of  $\pm 13.5\%$  (2008:  $\pm 1.7\%$ ) has been determined based on market volatility in the year, using the Standard deviation of sterling's fluctuation to the US dollar against the mean.

## NOTES TO THE FINANCIAL STATEMENTS

continued

**19. Financial instruments (continued)**

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

	2009 £'000	2008 £'000
Income statement – profit/(loss) after taxation		
Revenue return	(274)	(35)
Capital return	(2,950)	1
<b>Total loss after taxation for the year</b>	<b>(3,224)</b>	<b>(34)</b>

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

	2009 US\$ £'000	2008 US\$ £'000
Income statement – profit/(loss) after taxation		
Revenue return	274	35
Capital return	2,950	(1)
<b>Total profit after taxation for the year</b>	<b>3,224</b>	<b>34</b>

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

**2. Interest rate risk**

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian, Citibank N.A. plc. The Company has an uncommitted bank overdraft facility based on the lower of 25% of the net asset value ('NAV') of the Company or £100 million. The Company uses the facility when required at levels approved and monitored by the Board. In addition, the Company also has in issue a £30 million 6.125% Debenture 2014.

At the year end drawings on the Company's overdraft were £36,269,000 (2008: £53,916,000) and debentures had an amortised cost value of £29,704,000 (2008: £29,668,000). At the maximum gearing of 25% of NAV, being the lower of 25% of NAV or £130 million and assuming that the debenture remains unchanged, the effect of a +/- 1% in the interest rate would result in a decrease or increase to the Company's income statement of £648,000 (2008: £954,000).

The Company can invest in fixed interest securities and at the year end the level of exposure was £9,670,000 (2008: £nil) with all except £260,000 maturing after more than five years. Of this £7,939,000 (2008: £nil) was exposure to floating interest rates, giving cash flow interest rate risk, and £1,731,000 (2008: £nil) was exposure to fixed interest rates, giving fair value interest rate risk. If interest rates were either to increase or decrease by 1%, there would be little effect on revenue as all but £260,000 of the securities' coupons remain unchanged; the estimated effect on capital profit after taxation is £464,000 (2008: £nil), being 0.2p on the net asset value.

**3. Other price risk**

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

*Management of other price risk*

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

The Company's portfolio is the result of the Manager's investment process and as a result is not correlated with the Company's benchmark or the market in which the Company invests. The value of

the portfolio will not move in line with the market but will move as a result of the performance of the company shares within the portfolio.

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year would decrease by £44.1 million (2008: £58.4 million decrease). If the value of the portfolio rose by 10%, the profit after tax would increase by £44.1 million (2008: £58.4 million increase).

*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 mid-market value at the balance sheet date, is £30,523,000 (2008: £31,308,000).

*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 objective and policies, as disclosed in the Report of the Directors' on pages 14 and 15. The principal risks and their management are disclosed above.

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 affected, for transmission to the purchaser or transferee.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting ('AGM') of Perpetual Income and Growth Investment Trust plc will be held at The Lanesborough, Hyde Park Corner, London SW1X 7TA on 8 July 2009 at 12.00 noon for the following purposes:

### Ordinary Business

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 2009.
2. To re-elect Bill Alexander a Director of the Company.
3. To re-elect Sir Martyn Arbib a Director of the Company.
4. To re-elect Antony Hardy a Director of the Company.
5. To elect Bob Yerbury a Director of the Company.
6. To approve the Directors' Remuneration Report for the year ended 31 March 2009.
7. To re-appoint the Auditors and authorise the Directors to determine their remuneration.

Biographies of Directors seeking election or 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 resolutions 8 and 11 will be proposed as Ordinary Resolutions and resolutions 9, 10, and 12 will be proposed as Special Resolutions:

8. THAT:

the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 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 of £6,946,820, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

9. THAT:

the Directors be and they are hereby empowered, in accordance with Section 95 of the Companies Act 1985 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 90 (1) 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 £2,084,046.

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 IV or V of the Act shall bear the same meanings in this resolution.

10. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued 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 31,239,852;
- (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 AGM of the Company in 2009 or, if earlier, on the expiry of 12 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.

11. THAT:

any shares purchased in accordance with resolution 10, may, subject to the provisions of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) and any applicable regulations of the United Kingdom Listing Authority be held (or otherwise dealt with in accordance with Section 162D of the Companies Act 1985) as treasury shares. The holding of treasury shares will be restricted to 10% of the Company's issued share capital and any reissue of them will only take place on terms that are in the best interests of shareholders.

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.

**Explanatory Notes to Resolution 12**

**Notice of period for general meetings**

This resolution will be decided on a poll (unless passed earlier on a show of hands without any vote being cast against). This resolution is required in contemplation of the EU Shareholder Rights Directive. It is expected that when this directive is brought into force, it will increase the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. A shareholder resolution reducing the period of notice to not less than 14 days must have been passed at the immediately preceding AGM.

## NOTICE OF ANNUAL GENERAL MEETING

continued

Since at the time of printing this notice, it is not known whether any alleviating transitional provisions will be included in the legislation implementing the EU Shareholder Rights Directive, it is prudent to include this resolution in this year's AGM.

Dated this 8 June 2009

By order of the Board

**Invesco Asset Management Limited**  
Company Secretary

### Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. In order to be valid an appointment of proxy must be returned by one of the following methods:
  - via the Capita Registrar's website at [www.capitashareportal.com](http://www.capitashareportal.com)
  - in hard copy form by post, by courier or by hand to the Company's Registrars (Proxies), PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

and in each case to be received by the Company not less than 48 hours before the time of the meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with 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 providers 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 form of appointment of proxy accompanies this Notice. Appointment of a proxy does not prevent a member from attending and voting at this meeting.
 

To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged via [www.capitashareportal.com](http://www.capitashareportal.com) or at the office of the Company's Registrars, Capita Registrars (Proxies), PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR, by not later than 11.30 a.m. on 6 July 2009.
4. A person entered on the Register of Members at close of business on 6 July 2009 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.

5. There are no service contracts between the Directors and the Company.
6. The Register of Directors' interests, the Terms of Reference of the Audit, Management Engagement and Nomination 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.
7. A copy of the current Articles of Association and a draft of the proposed Articles are available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the AGM and will also be available at the AGM for at least 15 minutes prior and during the Meeting.
8. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
9. 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.
10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
11. As at 8 June 2009 (being the last practicable day prior to the publication of this Notice), the Company's issued share capital consists of 208,404,620 ordinary shares of 10p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 208,404,620.

## GLOSSARY OF TERMS

### Benchmark

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

### Discount

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

### Gearing

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

#### Actual Gearing

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

#### Asset Gearing

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

### Market Capitalisation

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

### Net Asset Value

#### Basic Net Asset Value

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

#### Diluted Net Asset Value

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

### Shareholders' Funds

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

### Total Net Assets

Total assets less current liabilities.

### Total Expense Ratio

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

### Total Return

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

## Credit ratings

The definitions for the credit ratings shown in the financial statements are as follows:

### Moody's Ratings

#### Investment grade

- Aaa:** judged to be of the highest quality, with minimal credit risk.
- Aa1, Aa2, Aa3:** judged to be of high quality and are subject to very low credit risk.
- A1, A2, A3:** considered upper-medium grade and are subject to low credit risk.
- Baa1, Baa2, Baa3:** subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

#### Speculative grade (*Non-investment grade*)

- Ba1, Ba2, Ba3:** judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3:** considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3:** judged to be of poor standing and are subject to very high credit risk.
- Ca:** highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C:** lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.
- WR:** withdrawn rating.
- P:** provisional.

### Standard & Poor Ratings

#### Investment Grade

- AAA:** the best quality borrowers, reliable and stable (many of them governments).
- AA:** quality borrowers, a bit higher risk than AAA.
- A:** economic situation can affect finance.
- BBB:** medium class borrowers, which are satisfactory at the moment.

#### Non-Investment Grade

- BB:** more prone to changes in the economy.
- B:** financial situation varies noticeably.
- CCC:** currently vulnerable and dependent on favourable economic conditions to meet commitments.
- CC:** highly vulnerable, very speculative.
- C:** highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations.
- CI:** past due on interest.
- R:** under regulatory supervision due to the company's financial situation.
- SD:** has selectively defaulted on some obligations.
- D:** has defaulted on obligations and S&P believes that the company will generally default on most or all obligations.
- NR:** not rated.





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 \$367 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 2009

# SPECIALIST FUNDS MANAGED BY INVESCO

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

### **Perpetual Income and Growth Investment Trust plc**

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

### **Keystone Investment Trust plc**

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

### **Invesco Income Growth Trust plc**

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

### **Invesco Perpetual Select Trust plc – UK Equity Share Portfolio**

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

### **Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio**

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

### **Invesco Property Income Trust Limited**

The Company is a closed-ended investment company with limited liability incorporated in Jersey. The objective is to provide ordinary shareholders with an attractive level of income together with the prospect of income and capital growth from investing in

commercial properties in the UK and Continental Europe. The Trust is geared by bank debt.

### **City Merchants High Yield Trust plc**

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

### **Invesco Perpetual Recovery Trust 2011 plc**

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

### **The Edinburgh Investment Trust plc**

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

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

The portfolio is geared by way of two debenture stocks.

## Investing in Smaller Companies

### **Invesco English and International Trust plc**

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

### **Invesco Perpetual UK Smaller Companies Investment Trust plc**

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

## Investing Internationally

### **Invesco Asia Trust plc**

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

### **Invesco Perpetual Select Trust plc – Global Equity Share Portfolio**

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

## Investing for Absolute Returns

### **Invesco Perpetual European Absolute Return Trust plc**

Aims to achieve absolute total returns through investment principally in equity, fixed interest and cash securities within continental Europe (ex. UK). Seeks to achieve returns in excess of sterling LIBOR.

### **Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio**

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

## Investing in Multiple Asset Classes

### **Invesco Perpetual Select Trust plc**

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

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

## Other

### **Invesco Perpetual AiM VCT plc**

The Company was launched in August 2004. Its objective is to provide a tax-free dividend return to shareholders invested at

launch primarily through the realisation of capital gains from a portfolio of investments in AIM Qualifying Companies while maintaining the capital value of shares.

Please contact our Customer 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](http://www.invescoperpetual.co.uk/investmenttrusts).



