



Invesco Perpetual AiM VCT plc

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED 31 MAY 2010**

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If you have any queries about Invesco Perpetual AiM VCT plc,  
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*Front Cover: close up of old red sandstone, Orkney.*

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## The Company

Invesco Perpetual AiM VCT plc ('the Company') is a Venture Capital Trust ('VCT').

### Investment Objective

The objective of the Company is to provide a tax free dividend return to shareholders primarily through the realisation of capital gains while maintaining the capital value of the shares. The Company is managed as a VCT in order that shareholders may benefit from the tax reliefs available.

The investment policy, together with investment limits, is shown on pages 11 and 12 of the Report of the Directors.

### Investment Management Approach

Much emphasis is placed on fundamental analysis of investee and potential investee companies, both desk based and through meeting management teams and field visits. The approach is valuation orientated with the share price of a company being constantly compared to the Manager's estimate of its value.

The Manager is stock selective rather than sector selective.

It is the Company's policy to invest no more than 15% of the Company's gross assets in collective investment schemes or investment companies.

### Tax Benefits

The table on page 47 details the tax benefits that were and are available on VCT shares.

### Share Capital

The share capital comprises 43,526,171 ordinary shares of 10p each.

### Glossary of Terms

There is a glossary of terms on page 49 which defines some of the more technical terms used in the report.

The Company is a member of



The Association of  
Investment Companies

## Performance Statistics

	AT 31 MAY 2010	AT 31 MAY 2009	% CHANGE
Net assets £'000	13,881	15,965	-13.1
Net asset value <sup>†</sup> per share – total return <sup>†*</sup>			-1.2
Share price	27.0p	27.5p	-1.8
Discount <sup>†</sup>	15.4%	25.1%	
<b>Returns per share</b>			
Revenue return	(0.2)p	0.2p	
Capital return	0.4p	(23.7)p	
Total return	0.2p	(23.5)p	
<b>Total expense ratio<sup>†</sup></b>	2.5%	2.3%	
<b>Dividends</b>			
Interim paid	2.0p	2.0p	
Final proposed	3.0p	3.0p	
Total	5.0p	5.0p	

\* Source: Thomson Datastream.

Terms marked <sup>†</sup> are defined in the Glossary of Terms on page 49.

## Historical Record – Since Launch

AS AT	NET PROFIT/ (LOSS) £'000	GROSS REVENUE INCOME £'000	DIVIDENDS ON ORDINARY SHARES		NET ASSETS £'000	BASIC NET ASSET VALUE PER ORDINARY SHARE p	MID- MARKET PRICE PER ORDINARY SHARE p
			COST £'000	RATE p			
2 Aug 2004	n/a	n/a	n/a	n/a	1,222	95.0	100.0
31 May 2005	1,249	168	–	–	25,228	100.4	95.0
31 May 2006	1,246	368	1,539	5.0	45,790	104.7	101.0
31 May 2007	4,211	592	2,180	5.0	48,366	110.9	97.5
31 May 2008	(17,736)	289	2,176	5.0	28,350	65.1	46.0
31 May 2009	(10,209)	325	2,176	5.0	15,965	36.7	27.5
<b>31 May 2010</b>	<b>92</b>	<b>139</b>	<b>2,176</b>	<b>5.0</b>	<b>13,881</b>	<b>31.9</b>	<b>27.0</b>

## Net Asset Value and Share Price – Capital

The figures are based on a 100p initial investment and are rebased to 100 at launch (2 August 2004).



The year under review saw world stock markets begin to recover from the slump in prices caused by the global economic crisis and recession. With unprecedented – and now well documented – fiscal and monetary assistance, governments and central banks around the world ensured that the global economy avoided a 1930's style depression. However, the tax increases and spending cuts which governments now have to introduce to rebalance public finances are likely to undermine economic growth in the near term. It will be a long and slow recovery.

Whilst this difficult economic background has undoubtedly had a material impact on investment returns, the fact remains that the absolute level of performance since the launch of the Company has been poor. The Board and the Manager, of course, accept responsibility for this poor performance and, being reasonably significant shareholders in the company ourselves, I and my fellow directors share investors' disappointment at the returns which have been delivered over the Company's life thus far. It has been difficult for the Manager to generate positive returns and despite the more recent rise in stock markets, the level of investor interest in very small companies quoted on AiM remains low. Investors, in aggregate, have withdrawn cash from UK small companies and this has created an unhelpful backdrop, particularly at the smaller end of the sector. However, as explained below and also in the Manager's report, there are good reasons to believe that the Company's portfolio is through the worst. Indeed there are some positive signs for better returns in the future.

### Performance and Dividend

The net asset value per ordinary share ('NAV') of the Company was marginally down over the year under review, after taking account of the dividends paid. The Company's share price was broadly unchanged over the period at 27p but the discount narrowed to 15.4% from 25.1%. The Board is recommending a final dividend of 3p which will be paid on 22 October 2010 to shareholders on the register on 24 September 2010. If approved, this will bring the total for the year to 5p per share. As stated previously your Board is committed to paying 5p per share annually at least until the continuation vote, if necessary drawing on distributable reserves to maintain the payout at that level. VCT dividends are tax-free so an annual distribution of 5p per share equates to 10p for those paying the 50% marginal tax rate.

### Outlook and the Future of the Company

As shareholders will be aware, your Company has invested in early-stage, start-up companies, with approximately 80% of the Company's Qualifying Holdings comprising AiM-traded stocks in accordance with its original investment objectives and VCT rules. This investment approach differs from that of many other VCTs launched at the same time - which invested initially in larger and non-qualifying holdings - and this has been a significant factor in the poor relative performance of the Company. A number of companies in which the Manager invested have failed and disappeared from the portfolio and a number of others are languishing on very low valuations. However the remaining companies in the list are reaching the stage where their prospects are more apparent and their potential is closer to being realised.

These more successful businesses have been growing and therefore now represent a larger proportion of the portfolio; a process which the Manager covers in greater detail in his report.

The Board and Manager have recently conducted a thorough analysis of the largest 15 holdings in the Company's portfolio (accounting for over 50% by value). The Board believes that the prospects for these companies are good, and in some cases outstanding, but it is inevitable that the success of many of them will not be fully realised within the initial 7-year lifespan of this Company. As a result of this analysis, I and my Board colleagues believe that your Company is probably in better shape than it has been for some time and that the prospects for generating good returns from the current low base are good – albeit that these returns will probably not be fully realised before next year's continuation vote. Meantime we expect to continue with our policy of paying out a tax free annual dividend of 5p.

At the 2011 AGM, shareholders will have the opportunity to decide whether or not the Company should continue – possibly for a further, fixed period of three years. The procedure for the continuation vote is set out in more detail on page 12 of the Report.

The Board is keen to learn shareholders' views ahead of this very important vote and so, with this in mind, we have included with this annual financial report a short survey seeking shareholder's views on the future of the Company. I do hope that as many of you as possible will complete and return the survey in the envelope provided as this will greatly assist the Board's planning for the future of your Company.

## CHAIRMAN'S STATEMENT

continued

**Annual General Meeting**

The Annual General Meeting of the Company will be held at the Offices of Invesco Asset Management Limited, 30 Finsbury Square, London, EC2A 1AG on 12 October 2010 at 11.30 am. I hope that shareholders will be able to attend as this will be an opportunity to meet Directors and to hear the latest report from the Manager.

Thank you for your continued support of the Company.

**Julian Avery**

*Chairman*

8 September 2010

## Introduction

The smaller end of the UK smaller companies market has continued to be characterised by a broad lack of investor interest, steady redemptions from UK small company investment vehicles and a continuing migration by small company fund managers away from the smallest companies into larger companies whose shares are more liquid. The area of very small companies where there has been investor interest in recent years has been in the resource sectors, an area where VCTs are generally unable to invest. Furthermore, the recession and the weak nature of the recovery have created an unhelpful economic environment for small companies, which tend to be more domestically focused than their larger counterparts which are more internationally focused.

## Portfolio

The Company has for some time comfortably exceeded the 70% minimum in VCT qualifying investments and therefore new investment activity during the year has been modest. Furthermore, with the continuation vote due in a little over a year's time, purchases have been made only where there is a realistic prospect of a good, realisable return being made before then. The larger new investments made during the year have performed well and include **Green Compliance**, a company involved in the provision of compliance related business support services to companies, specifically water, fire, pest and energy. This acquisitive company is run by an experienced management team, led by Bob Holt who successfully built Mears plc. **Bglobal** is a leader in the rapidly growing market of supplying next generation electricity and gas meters in the UK, and **Rockhopper Exploration**, a non qualifying investment, trebled from purchase after drilling a successful oil well in the North Falkland Basin.

The biggest sale over the year was **Healthcare Locums**, the temporary medical staffing business, which has been a highly successful investment for the Company. **FDM**, the IT staffing business, and **Research Now**, the on line market researcher, were both taken over, again producing excellent profits.

In terms of performance, **Rockhopper**, mentioned above, produced an excellent return. The shares in **Sabien Technology**, which supplies devices which makes heating boilers more efficient, and **Software Radio Technology**, which makes maritime radio identification products, were up 778% and 671% respectively. **Brooks Macdonald**, the wealth manager and a large holding for the Company, was an important contributor, with its share price rising from 301p to 779p over the twelve months. It has continued to win large amounts of new business on the back of strong investment performance and excellent service. The largest unquoted holding, **Oxford Nanopore**, continued to make good progress, and raised further funds in January, at a premium to the price paid by the Company for its holding. This company uses a "nanopore" or very small hole for the direct electrical detection and analysis of single molecules and is working with its partner Illumina on producing a desk top machine to sequence DNA. The successful development of such a product would enable the human genome to be sequenced cheaply and quickly and could revolutionise healthcare.

As is to be expected in a portfolio holding a number of young and early stage businesses some performed disappointingly. Amongst these was **Spinvox**, the voice to text business, which historically had been an important investment. Spinvox was taken over at a price which generated no return for the Company. The investment had been written down by 90% prior to the period under review, but the balance was written off during the year. The **Mission Marketing Group** was another poor performer, as its debt-funded acquisition strategy unravelled in the economic down turn. However, after a change of management and a restructuring of the balance sheet, recovery is now possible. **Illika**, the advanced materials technology business, which had been an unquoted investment for the Company, successfully floated towards the end of the year. While the IPO price was disappointing and below the value that the pre-float rounds had put on the business, the company is now well funded and has continued to make good commercial progress since float. The quality of Illika's partners and customers including Toyota, Shell, Johnson Matthey and NXP are testament to the value of its technology.

## MANAGER'S REPORT

continued

**Outlook**

The portfolio has become more concentrated over time, as the successful investments have grown and the less successful ones shrunk as a proportion of the whole. The five largest investments make up almost a quarter of the portfolio and the top fifteen over half, so the outlook for the Company is dependent on the success or otherwise of these businesses. I am confident that these holdings represent real value, and that this value will become evident over the coming year. For example, Brooks Macdonald continues to exceed market expectation for growth in profits and Oxford Nanopore is developing world leading technology and could be worth a multiple of our carrying value if technical milestones are reached. Given the prospects for the larger holdings in the Company, I am reasonably confident about the outlook for the portfolio.

**Andy Crossley**

Investment Manager

8 September 2010

## INVESTMENTS IN ORDER OF VALUATION

AT 31 MAY 2010

All investments are Ordinary Shares and quoted on AiM unless otherwise indicated.

COMPANY	NATURE OF BUSINESS	COST £'000s	VALUATION £'000s	% NET ASSETS
Oxford Nanopore Technologies <sup>UQ</sup>	Healthcare, Equipment and Services	550	1,027	7.4
Brooks Macdonald	Financial Services	126	691	5.0
Software Radio Technology	Marine Radio Communications	1,077	574	4.1
A J Bell <sup>UQ NQ</sup>	Financial Services	251	500	3.6
Landkom International <sup>NQ</sup>	Food Producer/Processor	721	490	3.5
Kiotech International	Pharmaceuticals	550	475	3.4
Ilika	Materials Discovery	750	468	3.4
Sabien Technology	Energy Efficient Boiler Technology	439	465	3.4
Tristel	Infection Control in Hospitals	350	434	3.1
Energetix	Alternative Energy Products	600	420	3.0
Rockhopper Exploration <sup>NQ</sup>	Oil Exploration	127	393	2.8
Green Compliance	Support Services	180	360	2.6
Cohort <sup>PQ</sup>	Defence Technical Services	443	334	2.4
Brainjuicer	Online Market Research	212	333	2.4
Brulines	Beer Pump Monitors	323	302	2.2
Infrared Integrated Systems <sup>UQ</sup>	Digital Recognition System	300	300	2.2
Antenova <sup>UQ</sup> - ords - 'A' prefs	High Performance Antennae	525	168	1.2
		100	100	0.7
Proactis	Software and Computer Services	344	264	1.9
Mount Engineering	Industrial Machinery	350	250	1.8
Inditherm	Manufacturer of High Technology Temperature Control Materials	400	240	1.7
Publishing Technology	Publishing Technology	442	236	1.7
System C Healthcare	Healthcare Software	324	234	1.7
DM	Premium Rate Phone Based Games	357	228	1.6
Byotrol <sup>PQ</sup>	Infection Control Products	545	223	1.6
Innovidion Research & Technology	RFID Chips Supplier	538	208	1.5
Telephonetics	Software and Computer Services	625	203	1.5
Staffline Recruitment	Blue Collar Recruitment	200	195	1.4
Ffastfill	Application Services Provider for Trading	182	188	1.3
Futura Medical	Medical Devices	150	185	1.3
Hasgrove	Marketing and PR Consultancy	440	183	1.3
Mears	Housing Maintenance and Domiciliary Care	140	173	1.2
Proximagen				
Neuroscience	Biotech	296	172	1.2
Bglobal	Next Generation Electricity and Gas Meters	175	163	1.2
Syntopix	Drug Research	416	163	1.2
Altona Energy	Coal to Liquids	104	160	1.1
Cyan Holdings <sup>PQ</sup>	Semi-conductor	830	150	1.1
Managed Support Services	Suppliers of Quality Building Solutions	150	127	0.9
Neutrahealth	Dietary Supplements	289	119	0.9
Sarantel <sup>PQ</sup>	Antennae for Mobile Devices	438	113	0.8
Getech <sup>PQ</sup>	Oil Services	254	104	0.8
Oxford Catalysts	Clean Fuels Research	250	98	0.7
Petards	Electronic Security Products	158	91	0.7
Sanderson	Information Technology	200	84	0.6
Zamano	Mobile Telecommunication Services	398	83	0.6
Mission Marketing	Regionally Based Advertising Services	760	81	0.6
Angle Consulting	Consulting	242	78	0.6
Shieldtech	Manufacture of Detection and Protection Equipment	650	78	0.6
Legions	Manned Security	300	69	0.5
Adept Telecom <sup>PQ</sup>	Telecom Services	397	57	0.4
Plethora Solutions	Pharmaceuticals	370	56	0.4
Datong	High Performance Surveillance Equipment	169	50	0.4
Brookwell <sup>NQ</sup>	Value Realisation Fund	319	49	0.4

## INVESTMENTS IN ORDER OF VALUATION

AT 31 MAY 2010

continued

COMPANY	NATURE OF BUSINESS	COST £'000s	VALUATION £'000s	% NET ASSETS
Enfis <sup>PQ</sup>	Manufacturer of High Power LEDs	485	48	0.3
Synchronica	Mobile Telecommunication Services	59	41	0.3
Augean	Hazardous Waste Management	300	38	0.3
Synairgen	Biotechnology	214	38	0.3
Allergy Therapeutic	Biotechnology Focusing on Allergies	194	27	0.2
Invocas <sup>PQ</sup>	Personal and Corporate Debt Solutions	202	25	0.2
Invu <sup>PQ</sup>	Electronic Document Management	321	13	0.1
@UK	Local Government Procurement	165	3	—
Intercytex <sup>PQ</sup>	Research in Woundcare and Aesthetic Medicine	796	—	—
SpinVox <sup>UQ</sup>	Voice Mail Conversion to Text	759	—	—
Vivomedica	Medical Devices Company	151	—	—
		23,472	13,222	95.3
Investments written off in full in previous years		6,902	—	—
<b>Total investments</b>		<b>30,374</b>	<b>13,222</b>	<b>95.3</b>
<b>Net current assets less provisions</b>			<b>659</b>	<b>4.7</b>
<b>Net assets</b>			<b>13,881</b>	<b>100.0</b>

NQ: Non-qualifying investments

PQ: Part-qualifying investments

UQ: Unquoted investments

## TOP TEN INVESTMENTS

AT 31 MAY

COMPANY	VALUATION £'000s	% NET ASSETS	2010	2009
			VALUATION £'000s	% NET ASSETS
Oxford Nanopore Technologies	1,027	7.4	937	5.9
Brooks Macdonald	691	5.0	316	2.0
Software Radio Technology	574	4.1	77	0.5
A J Bell	500	3.6	550	3.4
Landkom International	490	3.5	457	2.9
Kiotech International	475	3.4	271	1.7
Ilika	468	3.4	855	5.3
Sabien Technology	465	3.4	38	0.2
Tristel	434	3.1	297	1.9
Energetix	420	3.0	600	3.8

## TOP TEN INVESTMENTS

**Figures extracted from latest annual financial reports.**

**Oxford Nanopore Technologies <sup>uQ</sup> – year ended 30 June 2009**

Turnover £361,000	Loss before tax £7.1m	Net Assets £22.2m
Previously known as Oxford Nanolabs, is developing a proprietary system for DNA sequencing that employs nanopores to process, identify and record DNA bases in sequence.		

**Brooks Macdonald – year ended 30 June 2009**

Turnover £21.8m	Profit for the year £3.2m	Net Assets £8.1m
A provider of a bespoke, fee based, investment management service to high net worth individuals, charities and trusts.		

**Software Radio Technology – year ended 31 March 2009**

Turnover £2.5m	Profit before tax £1.3m	Net Assets £2.7m
The Company is engaged in the research and development of advanced wireless radio communication technology engines and the provision thereof in a variety of flexible formats.		

**A J Bell <sup>uQ</sup> – year ended 30 September 2009**

Turnover £38.5m	Profit before tax £10.4m	Net Assets £17.2m
A provider of private pension administrator and stockbroker services.		

**Landkom International <sup>uQ</sup> – 10 month period ended 31 October 2009**

Turnover \$14.5m	Loss before tax \$42.1m	Net Assets \$50.1m
An acquirer of land leases in the Ukraine for the planting and distribution of arable crops for the biofuel and food markets.		

**Kiotech International – year ended 31 December 2009**

Turnover £10.9m	Profit before tax £1.4m	Net Assets £18.6m
A manufacturer, seller, installer and licensor of specialised heating materials.		

**Ilika – year ended 30 April 2009**

Turnover £916,000	Loss before tax £2.1m	Net Assets £5.0m
A specialist in the development and application of high throughput, combinatorial R & D techniques for the discovery of new materials.		

**Sabien Technology – year ended 30 June 2009**

Turnover £675,000	Loss before tax £825,000	Net Assets £891,000
A leader in the area of boiler energy efficiency.		

**Tristel – year ended 30 June 2009**

Turnover £6.8m	Profit before tax £1.3m	Net Assets £6.6m
The company is engaged in the design, manufacture and sale of special control and water treatment products.		

**Energetix – year ended 31 December 2009**

Turnover £255,000	Loss before tax £4.0m	Net Assets £14.1m
A developer of new energy products. Initially focusing on small scale, deeply embedded generation and combined heat and power and energy storage, the group aims to short cut the new product development cycle by creating products predominantly using existing mass-produced components whilst developing strong intellectual property.		

## DIRECTORS

### **Julian Avery (Chairman)**

Julian Avery is a solicitor and was chief executive of Wellington Underwriting plc until September 2004. He was a non-executive director of Aspen Insurance Holdings Limited until May 2007 and chairman of Equity Insurance Group until its acquisition by the Australian insurance group, IAG in January 2007. He is currently a non-executive director of Warner Estate Holdings plc and Charles Taylor Consulting plc. He is a senior adviser to Fenchurch Advisory Partners and is also a Trustee of the Butler Trust and chairman of St. Michael's Hospice, Hastings.

### **Professor James MacLeod†**

Professor James MacLeod is a Chartered Accountant. He was a partner of Ernst & Young from 1973 to 1998. He is a director of British Assets Trust plc, the Scottish Investment Trust plc and Invesco Perpetual Recovery Trust 2011 plc. He was a professor at the Edinburgh University Law School. He is Chairman of the Audit Committee.

### **Richard Martin†**

Richard Martin is currently strategy adviser to T. Bailey Asset Management Limited, a fund of funds investment manager, having been chief investment officer for nine years. He is chairman of F&C Managed Portfolio Trust plc and a director of Montanaro European Smaller Companies Trust plc as well as adviser to various family groups. He is the designated Senior Independent Director.

### **Christopher Macdonald†**

Christopher Macdonald is chief executive officer of Brooks Macdonald Group plc, a private client fund management group. He is also a director of Brooks Macdonald Asset Management Limited, Brooks Macdonald Financial Consulting Limited, Brooks Macdonald Asset Management (Tunbridge Wells) Limited, Braemar Group Limited and Moulford Preparatory School Trust Limited.

All Directors are non-executive.

† Member of the Audit Committees.

# REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

FOR THE YEAR ENDED 31 MAY 2010

## 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 May 2010.

The Report of the Directors incorporates both the Business Review and the Corporate Governance Statement, and expands on the following main areas:

- Page 11 Nature of the Company
- Page 11 Objective and Investment Policy
- Page 12 Share Capital and Rights
- Page 13 Share Valuations
- Page 13 Revenue and Dividends
- Page 13 Key Performance Indicators
- Page 13 Current and Future Developments
- Page 14 Resources and Relationships
- Page 14 Principal Risks and Uncertainties
- Page 15 Financial Position
- Page 15 Environmental and Social Policies
- Page 15 Manager Details, Responsibilities and Assessment
- Page 16 Report of the Audit Committee
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- Page 17 Directors' Information
- Page 18 Special Business at the Annual General Meeting
- Page 19 Going Concern
- Page 20 Corporate Governance Statement

## Nature of the Company

The Company was incorporated in England and Wales on 6 May 2004, registered number 5121438, and is a public limited company under the Companies Act 2006. It is a Venture Capital Trust ('VCT') as defined by section 274 of the Income Tax Act 2007 ('ITA'). A summary of the main tax benefits of VCTs are shown on page 47.

Approval as a VCT has been given by HM Revenue and Customs for the year ended 31 May 2009 and will be sought for each subsequent year. The Board will continue to conduct the affairs of the Company so as to maintain VCT approval. Approval may be lost if the Company either fails to satisfy the requirements for approval within prescribed time limits or subsequently ceases to comply with them.

## Objective and Investment Policy

### Objective

The objective of the Company is to provide a tax free dividend return to shareholders primarily through the realisation of capital gains while maintaining the capital value of the shares. The Company is managed as a VCT in order that shareholders may benefit from the tax reliefs available.

### Investment Policy

The intention is that substantially all of the funds will be invested in a spread of AiM-traded stocks and unquoted companies, with approximately 80% of the Company's Qualifying Holdings comprising AiM-traded stocks, subject to availability of suitable investment opportunities and market conditions. The remaining investments will be split between PLUS Markets' stocks, fully listed stocks, AiM-traded non-qualifying stocks or unquoted companies and cash.

The Manager adopts an active investment strategy and seeks to moderate risk by careful stock selection and portfolio construction. The Manager tends to invest relatively small amounts across a wide range of companies, to achieve the appropriate balance between risk and reward for the portfolio.

## REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

### Investment Limits

The Board has prescribed other limits on investment policy, including:

- no investment will exceed 12.5% of gross assets when it is made;
- the Company will not invest more than 15% of the Company's gross assets in collective investment schemes or investment companies; and
- borrowings are limited to 15% of gross assets.

### Investment Strategy

The Manager selects stocks for their potential. He is stock selective rather than sector selective and much emphasis is placed on fundamental analysis of investee and potential investee companies, through financial analysis, meetings with management teams, and on-site visits to companies. The approach is valuation orientated with the share price of a company being constantly compared to the Manager's estimate of its value.

### Company Business

The Board does not at present envisage any significant changes to the business of the Company. No important events affecting the Company have occurred since the end of its financial year. A review of the Company's business is provided in the Chairman's Statement on pages 3 and 4 and in the Manager's Report on pages 5 and 6.

The Articles state that the Directors will, at the annual general meeting of the Company in 2011, arrange for an ordinary resolution to be proposed to the effect that the Company shall continue in being as a venture capital trust. If such a resolution is not passed, the Directors will, within nine months of the meeting, convene an extraordinary general meeting of the Company at which a special resolution will be proposed requiring that the Company be wound up voluntarily. The Directors will be entitled to make proposals at the same time for the reconstruction of the Company provided such proposal would provide the shareholders with the opportunity to realise their investment in the Company.

During the year, the Board has continued to review the principal options available to the Company in 2011.

### Share Capital and Rights Attaching to the Company's Shares

On 31 May 2010, the Company's share capital consisted of 43,526,171 ordinary shares of 10p each.

During the financial year and since the financial year end, no shares have been bought back.

Under the Company's Articles of Association, any 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).

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

No 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 a shareholder if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person has 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 will be registered. These restrictions end seven days after receipt by the Company of 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 Directors may refuse to register any transfer of any ordinary share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in the shares from taking place on an open and proper basis. As at 31 May 2010, the Company's issued share capital did not include any ordinary shares that were not fully paid. The Directors may also refuse to register any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of shares in the Company other than restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws).

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

### Share Valuations

On 31 May 2010 the mid-market price and the net asset value per ordinary share were 27p and 31.9p respectively. The comparable figures on 31 May 2009 were 27.5p and 36.7p.

### Revenue and Dividends

The results of the Company are shown in the income statement on page 30. An interim dividend of 2p (2009: 2p) per share was paid on 12 March 2010 to shareholders on the register on 5 February 2010. Subject to shareholder approval at the forthcoming Annual General Meeting ('AGM'), a final dividend of 3p (2009: 3p) per share will be paid on 22 October 2010 to shareholders on the register on 24 September 2010. The historical record of dividends paid is shown on page 2.

### Key Performance Indicators

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

- Asset and Share Price Performance
- Dividend Policy
- Peer Group Performance
- Total Expense Ratio

### Asset and Share Price Performance

In reviewing the performance of the Company's portfolio, the Board monitors the net asset value ('NAV'). At the year end, 78.2% of the portfolio (including cash holdings) was invested in companies quoted on AiM. In the year to 31 May 2010, the capital net asset value performance of the Company was -13.1% and the total return for the year was -1.2%. During the year, the Company's shares traded at a discount to NAV in the range 13.4% to 39.4%. At the year end the discount to NAV was 15.4%.

### Dividend Policy

Details of the dividends paid and proposed for the year are given in the Revenue and Dividends section above.

While the Directors intend to distribute as dividends a substantial proportion of cash returns from the portfolio, including realised capital gains, they will, where necessary, pay dividends from the special reserve.

### Peer Group Performance

According to the Association of Investment Companies ('AIC'), there are currently some 116 VCTs in the UK, of which 21 fall into the AiM VCT category. The Board monitors the performance of the Company in relation to both the sector as a whole and to those companies within its peer group (that is, those which most closely match its objectives and structure).

### Total Expense Ratio ('TER')

The expenses of managing the Company are reviewed at every Board meeting. The TER for the year was 2.5%, up from the previous year's TER (excluding VAT refunds) of 2.3%. This increase arose from the fall in average shareholders' funds from £22.2 million to £14.9 million. Total expenses for the year fell to £371,000, a reduction of £138,000.

### Main Trends and Factors likely to affect the Current and Future Development, Performance and Position of the Company's business

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business are described in the Investment Manager's Report on pages 5 and 6. Further details as to the risks affecting the Company are set out under 'Principal Risks and Uncertainties'.

Portfolio performance is mainly dependent on the performance of the securities of AiM quoted companies. The prices of these securities are influenced by many factors, including the general health of the UK economy, interest rates, inflation, government policies and the level of UK consumer demand. The Manager strives to maximise the total return from the stocks in which it invests, but these returns are influenced by market conditions and the Board acknowledges the external influences on portfolio 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 3 to 6.

## REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

### Resources

The Company is a VCT which outsources its management, company secretarial and administrative functions. As a result the Company has no employees. Through contractual arrangements, a full range of services is available to it. The most important contract is with the Manager, Invesco Asset Management Limited, to which responsibility for the investment management of the portfolio is delegated. The Board reviews the performance of the Manager at every Board meeting and when market conditions dictate.

A statement of the Manager's responsibility is on page 16.

### Relationship with Shareholders

Through the annual and half-yearly financial reports, interim management statements, monthly fact sheets, the Company's webpage at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts), the AGM and the publication of a weekly NAV, the Board endeavours to ensure that shareholders understand the Company's investment objectives and policies and that the Board, both independently and through the Manager, reviews its objectives and policies in the light of feedback from shareholders. The Board monitors and reviews shareholder communications on a regular basis.

### Principal Service Providers and Advisers

In addition to investment management services, company secretarial and administrative support, provided by the Manager, the Company has the following business relationships:

- Matrix Corporate Capital LLP as Corporate Broker;
- Ernst & Young LLP as Auditors;
- Capita Registrars as Registrar;
- The Bank of New York Mellon as Banker and Custodian;
- PricewaterhouseCoopers LLP as VCT status advisers; and
- Dickson Minto W.S. as Solicitors.

These contracts are also reviewed in relation to agreed service standards on a regular basis, and more formally on an annual basis.

Further details of the principal service providers can be found on page 48.

### Principal Risks and Uncertainties

The Board has an ongoing process for identifying, evaluating and managing significant risks. This process is regularly reviewed by the Board and was in place throughout the period under review. The principal risk factors relating to the Company can be divided into the following areas:

#### Investment Risk

The Company's investment objective is described on page 11.

There can be no guarantee that the Company's investment objectives will be achieved. Investment in the Company should be regarded as long-term in nature.

#### Market Movements and Portfolio Performance Risk

The Company's investment portfolio consists mainly of securities traded on AiM. The principal risk for investors in the Company is therefore a significant fall or a prolonged period of decline in the market relative to other forms of investment. Investment in AiM-traded and unquoted companies involves a higher degree of risk than investment in companies traded on the main market of the London Stock Exchange. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for securities in smaller companies is often less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Smaller companies are less likely to have multinational markets for their products or services than larger companies and, as a result, may be more exposed to national economic cycles rather than to global economic cycles.

Other significant risks include consistent underperformance by the Manager or the market rating of the Company's shares failing to reflect net asset value performance.

The performance of the Manager is carefully monitored by the Board, and the continuation of the management contract is reviewed each year.

### Regulatory and Tax Related Risks

The Company is subject to various laws and regulations under the Companies Act 2006 and the Income Tax Act 2007.

Although the Board conducts the affairs of the Company so as to ensure VCT status is retained, there can be no guarantee that this status will be maintained. Following a loss of VCT status a shareholder will be taxed on dividends paid by the Company and a liability to capital gains tax may arise on any subsequent disposal of shares. In addition, a loss of VCT status could lead to the Company being subject to capital gains tax on the sale of the investments in the portfolio.

### Share Price Risk

The market price of shares in the Company may be less than their underlying net asset value and there is no certainty that any dividends will be paid. The value of an investment in the Company and the income derived from it may go down as well as up and an investor may not get back the amount invested.

While it is the intention of the Directors to pay dividends to ordinary shareholders, the ability to do so will depend upon the level and timing of income and realised gains from securities, and on the amount of distributable reserves.

### Financial Position

#### Assets and Liabilities

On 31 May 2010 the Company's net assets, which comprised a portfolio of quoted investments, unquoted investments, cash and short-term debtors less current liabilities and provisions were valued at £13.9 million (2009: £16.0 million).

The Company had no borrowings on 31 May 2010 and there is no intention to borrow in the foreseeable future.

The Company's cash flows arise from the purchase and sale of investments, as well as the income from investments, against which must be set management and other administrative expenses.

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Details of the accounting policies are given in note 1 to the financial statements.

#### Financial Instruments

Details of the use of financial instruments is given in note 16 to the financial statements.

### Environmental and Social Policies

As a Company with no employees, property or activities outside investment management, environmental policy has no direct application.

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

The Company's policy is that, subject to an overriding requirement to pursue the best financial interests of the Company and its shareholders, the Manager should take account of social, environmental and ethical factors in making and holding investments and in the use of voting powers conferred by such investments.

### Investment Management Agreement

Invesco Asset Management Limited ('IAML') was appointed as Manager, Company Secretary and Administrator under an agreement dated 11 June 2004. This agreement may be terminated by either party on one year's notice and immediately in certain other circumstances. IAML receives an investment management fee, calculated and payable quarterly in arrears at a rate of 0.5% of the Company's market capitalisation. Fees earned by the Manager in respect of assets of the Company invested in other funds managed by the Manager are deducted from the management fee payable by the Company. The management fee is subject to a cap of 3.5% of the average of the Company's net asset values at the quarterly valuation dates with any paid excess being repayable in the following year.

In 2009 it was agreed between IAML and the Company that 20% of the management fee from 1 January 2009 be deferred until the date of the Company's AGM in 2011. Payment of this 20% is dependent on total returns to shareholders exceeding 60p per share.

## REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

With effect from 1 June 2007, the Manager is also entitled to receive a performance-related management fee from the Company equal to 20% of the amount by which the aggregate dividends paid by the Company per ordinary share up to that accounting period exceed a hurdle amount of 5p per ordinary share for each accounting period since launch less an amount equal to the aggregate performance-related management fees previously paid. No performance fee is payable for this or the previous years.

Details of the calculation of the investment management fee are given in note 3 to the financial statements.

### Statement of Manager's Responsibilities

The Manager is 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 wide discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies. The Manager has discretion to make purchases and sales, make and withdraw cash deposits, enter into underwriting commitments and exercise all rights over the investment portfolio. The Manager also advises on borrowings.

The Manager provides full company secretarial and administration services, ensuring that the Company complies with all legal, regulatory and corporate governance requirements and attends on the Directors at Board and shareholders' meetings. The Manager maintains records of the Company's investment transactions, the portfolio and monetary transactions, from which interim management statements, half-yearly and annual financial statements are prepared. Day to day responsibility for the portfolio rests with Andy Crossley.

### Assessment of the Manager

The performance of IAML as investment manager, company secretary and administrator is subject to continual review by the Board. The Board having reviewed IAML's performance considers that the continuation of the management contract is in the best interests of the Company and its shareholders.

### Report of the Audit Committee

The Audit Committee is pleased to report that, as a result of reviews carried out in the period, it has not found any weaknesses in the financial reporting process.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board and are regarded as satisfactory.

The audit programme and timetable were drawn up and agreed with the Company's auditors in advance of the Company's financial year end. At that stage, matters for audit focus were discussed and agreed. These matters were given particular attention during the audit process and among other matters they were reported on by the auditors. The audit review was considered by the Audit Committee and discussed with the auditors and the Manager prior to the financial statements being approved.

There were no matters arising from the audit of the financial statements for the year ended 31 May 2010 that needed to be brought to the Board's attention.

Details of the audit fee and fees for taxation services are shown in note 4 to the financial statements.

### Audit Information

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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Auditors

The Audit Committee has considered the independence of the auditors and the objectivity of the audit process and is satisfied that Ernst & Young LLP has remained independent as auditor to the Company.

A resolution proposing the re-appointment of Ernst & Young LLP as the Company's auditor and a resolution to authorise the Directors to determine the auditors' remuneration will be put to the forthcoming AGM.

## Substantial Share Interests

The Company is not aware of any person who, as at 8 September 2010, was directly or indirectly interested in 3% or more of the issued share capital of the Company.

## Directors

Directors are elected by ordinary resolution at a general meeting of ordinary shareholders. The Directors have the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting ('AGM').

Subject to its Articles of Association and the relevant statutory law and to such direction as may be given by the Company in general meeting by special resolution, the business of the Company is managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting.

The members of the Board are shown on page 10.

In accordance with the Company's Articles of Association, Christopher Macdonald and Richard Martin, will retire at this year's AGM and, being eligible, offers themselves for re-election.

Under the UKLA Listing Rules relating to independence of directors, any Director who is also a director of another investment company managed by the same Investment Manager must be subject to annual re-election by the Company's shareholders. Accordingly, Professor James MacLeod, who is also a director of Invesco Perpetual Recovery Trust 2011 plc, an investment trust company managed by Invesco Asset Management Limited, will retire at this year's AGM and offer himself for re-election.

The Board confirms that the performance of these Directors continues to be effective and demonstrates commitment to their respective roles. The Board recommends to shareholders Resolutions 4, 5 and 6 relating to the Directors seeking re-election.

## Directors' Interests

The Directors' beneficial interests in the Company's ordinary share capital are shown below:

	31 MAY 2010	1 JUNE 2009
<b>Ordinary Shares</b>		
Julian Avery	81,310	81,310
Christopher Macdonald	29,660	29,660
Professor James MacLeod	27,825	27,825
Richard Martin	23,388	23,388

As disclosed on page 10, Christopher Macdonald is Chief Executive Officer of Brooks Macdonald Group plc, an investee company of the Company.

No changes in the above interests occurred between the year end and 8 September 2010.

## Disclosable Interests

No Director was a party to or had an interest in any contract or arrangement with the Company at any time during the year. The Company has entered into a Deed of Indemnity with Directors under which Directors are indemnified by the Company for, *inter alia*, costs incurred in defending claims made by third parties.

## Conflicts of Interest

The Companies Act 2006 ('2006 Act') sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests.

The Articles of Association of the Company give the Directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

The Directors have declared any potential conflicts of interest to the Company. The register of potential conflicts of interest is kept at the Registered Office of the Company and is reviewed regularly by the Board. Each Director advises the Company Secretary as soon as he becomes aware of any potential conflicts of interest. A director that has a potential conflict of interest will not take part in any discussion of the matter in which he is potentially conflicted.

## REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

continued

### Deed of Indemnity

A Deed of Indemnity has been executed by the Company on behalf of the Board of Directors.

Directors 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 they are convicted or in defending any civil proceedings brought by the Company in which judgment is given against them. The indemnity does not apply to the extent that a liability is recoverable from any insurers; if it is 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.

### Directors' and Officers' Liability Insurance

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

### 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 May 2010 (2009: Nil).

### Auditors

Details of the audit fee and for Auditor's non-audit services are shown in note 4 to the financial statements.

Resolutions to re-appoint Ernst & Young LLP as the Company's Auditor and to authorise the Directors to determine their remuneration, will be proposed at the forthcoming AGM.

### Special Business at the Annual General Meeting ('AGM')

Shareholders will find on page 43 the Notice of the forthcoming AGM of the Company to be held on 12 October 2010 at 11.30 a.m. In addition to the ordinary business of the Meeting, four resolutions are proposed as special business and will be proposed as one Ordinary and three Special Resolutions as follows:

#### Authority to Allot Shares

Ordinary Resolution 9 seeks to renew the Directors' authority to allot up to one third of the Company's issued ordinary share capital. This will allow the Directors to issue ordinary shares within the prescribed limits should any favourable opportunities arise to the advantage of shareholders. The powers authorised will not be exercised at a price below net asset value of the relevant share so that interests of existing shareholders are not diluted. Special Resolution 10 seeks authority to issue new ordinary shares pursuant to a rights issue or otherwise than in connection with a rights issue of up to an aggregate nominal amount of £435,260 (10% of the issued share capital) disapplying pre-emption rights. This will allow ordinary shares to be issued to new shareholders without having to be offered to existing shareholders first, thus broadening the shareholder base of the Company. These authorities will expire at the AGM in 2011.

#### Authority to Buy Back Shares

Special Resolution 11 seeks the renewal of the Directors' authority to purchase up to 14.99% of the issued share capital of the Company, this being 6,524,573 ordinary shares, subject to the restrictions referred to in the notice of the AGM. The Directors are proposing that ordinary shares bought back by the Company either be cancelled or alternatively, be held as treasury shares with a view to their resale if appropriate, or later cancellation. This authority will expire at the AGM in 2011.

Because of the commitment to the seven year life of the Company, as stated in the Chairman's statement in the 2007 Annual Report and Accounts and announced in August 2007, the Board is unlikely to sanction further buy backs of shares from shareholders.

#### Notice Period for General Meetings

Special Resolution 12 will propose that the period of notice for general meetings of the Company (other than AGMs) shall be not less than 14 days.

The Directors have carefully considered all the resolutions proposed in the Notice of the AGM and in their opinion, consider them all to be in the best interests of shareholders. The Directors therefore recommend that shareholders vote in favour of each resolution.

## Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider that this is appropriate as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which, under accounting standards, is deemed to be 12 months after the signing date of the balance sheet. In reaching this conclusion, the Directors took into account the nature of the Company's business and Investment Policy, its risk management policies, the diversification of its portfolio, the overdraft that can be used for both long-term and short-term funding requirements, the liquidity of the investments and the ability of the Company to meet all of its liabilities and ongoing expenses. In addition, the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future taking into account the current status of the ongoing review of the options available to the Company in 2011.

*By order of the Board*

**Invesco Asset Management Limited**

Company Secretary

30 Finsbury Square

London EC2A 1AG

8 September 2010

## CORPORATE GOVERNANCE STATEMENT

Directors' Statement in relation to the Association of Investment Companies Code of Corporate Governance ('AIC Code') following the AIC's Corporate Governance Guide for Investment Companies ('AIC Guide')

The Corporate Governance Statement forms part of the Report of the Directors.

### 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.

On 3 February 2006, the Financial Reporting Council ('FRC') first confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide would meet their obligations in relation to the Combined Code on Corporate Governance 2008 and paragraph 9.8.6 of the Listing Rules. On 20 February 2009 the FRC provided the AIC with an updated endorsement to cover the 2009 edition of the AIC Code. This statement describes how the principles of the AIC Code and Guide have been complied with in the affairs of the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders. Copies of the AIC Code and AIC Guide can be found on the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk).

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

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

During the year under review, the schedule of matters reserved for the Board and the terms of reference for the Audit Committee were reviewed and these are in line with latest best practice and to ensure compliance with the AIC Code.

The Company's corporate governance procedures and policies are considered regularly by the Board and amended as necessary.

### Directors

#### Independence

The Board comprises four non-executive Directors, all of whom the Board regards as independent of the Company's Manager. Professor James MacLeod, is also a Director of Invesco Perpetual Recovery Trust 2011 plc, an investment trust company managed by Invesco Asset Management Limited, and is therefore not considered independent under the UKLA Listing Rules and seeks re-election annually. The Directors do not consider that this directorship compromises his impartiality in carrying out his duties and responsibilities as Chairman of the Audit Committee and as a Director of the Board. In accordance with the UKLA Listing Rules, Professor James MacLeod will retire at this year's AGM and offer himself for re-election.

The Company has an investment in Brooks Macdonald Group, of which Christopher Macdonald is a director. The Board has concluded that the independence of Christopher Macdonald is not compromised by this relationship.

The 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 of the members of the Board are shown on page 10. All Directors are equally responsible under the law for the proper conduct of the Company's affairs, and for ensuring that their policies and operations are in the best interests of shareholders, creditors and suppliers to the Company.

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.

#### Chairman

The Chairman is Julian Avery, a non-executive Director. Following this year's performance appraisal, the Board concluded that the Chairman's performance continues to be effective.

### **Senior Independent Director**

Richard Martin is the Senior Independent Director. Mr Martin is available to shareholders who have concerns which have not been resolved through the normal channels of Chairman or Manager or for which such contact is inappropriate.

### **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 at least four times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Manager and the Board outside 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**

The Directors are equally responsible under United Kingdom law for the proper conduct of the Company's affairs and promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. 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 among shareholders of the Company.

A formal schedule of matters reserved for decision by the Board was established in September 2004. The schedule of matters is reviewed annually to ensure compliance with latest best practice and the AIC Code. No amendments to the schedule were made during the year. The main responsibilities include: reviewing policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; 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 Audit Committee; reviewing Directors' remuneration; undertaking nomination responsibilities; setting the Company's objectives; and assessing the Manager on an ongoing basis.

There is 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 £10,000, having first consulted the Chairman.

### **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 16 in the Report of the Directors.

The Board has reviewed and accepted the Manager's 'whistleblowing' policy under which staff of Invesco Asset Management Limited 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, Invesco Asset Management Limited. The Company Secretary is responsible for ensuring that the Board and Audit 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.

## CORPORATE GOVERNANCE STATEMENT

continued

### Appointment, Re-election and Tenure

As the Board is considered small for the purposes of the AIC Code, it has resolved that a Nominations Committee is not appropriate. All nomination responsibilities are carried out by the Board. These responsibilities include reviewing the size, structure and skills of the Board and considering any necessary changes or new appointments. No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment, copies of which are available for inspection at the Registered Office of the Company and will be available at the AGM and are also available via Invesco Perpetual's investment trust website at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).

The Articles of Association provide that an individual must be elected as a Director at the AGM following his appointment to the Board. He must be re-elected at intervals of not more than three years thereafter. 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 service 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 annual re-election at the Company's AGM. The Articles of Association provide that, in addition to any power of removal conferred by statute, the Company may, by special resolution, remove any Director before the expiration of his period of office.

### Directors' Induction and Training

On appointment to the Board, Directors are fully briefed as to their responsibilities and are kept regularly informed of industry and regulatory developments. A wide-ranging programme of induction has been formulated for all new Directors, which includes briefings from key members of the Manager. An ongoing training programme has been implemented to ensure that Directors can keep up to date with new legislation and changing risks.

### Board and Directors' Performance Appraisal

The Company has in place a system of performance evaluation, led by the Senior Independent Director, which is undertaken by the Board annually through questionnaires and discussion. During the year, the Directors have undergone an appraisal process led by the Senior Independent Director to evaluate the performance both of the Board as a whole and its Audit Committee and of individual Directors. The results of the appraisal process confirmed that the performance of the Board and of each Director continues to be effective.

### Attendance at Board and Audit Committee Meetings

All Directors are considered to have a good attendance record at Board and Audit Committee meetings of the Company. The following table sets out the number of scheduled meetings held during the year under review and the number of meetings attended by each Director or member of the Audit Committee. In addition, Board members also attend a number of ad-hoc meetings as required between scheduled meetings.

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Julian Avery	4	4	2	2*
Christopher Macdonald	4	4	2	2
Professor James MacLeod	4	4	2	2
Richard Martin	4	3	2	2

\* Julian Avery is not a member of the Audit Committee. However, he attended the Audit Committee meetings at the invitation of the Chairman of the Audit Committee.

### Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 27. The Report of the Independent Auditor appears on pages 28 and 29.

### **Audit Committee**

The Audit Committee comprises Professor James MacLeod, Christopher Macdonald and Richard Martin. The Chairman of the Committee is Professor James MacLeod. The Committee meets twice yearly.

It has written terms of reference which clearly define its responsibilities and duties. The terms of reference were reviewed to ensure compliance with best practice and the AIC Code. Committee members believe that collectively they have recent and relevant financial experience to fulfil the role required. The terms of reference of the Audit Committee, including its role and authority, will be available for inspection at the AGM, at the Registered Office of the Company and are also available via Invesco Perpetual's investment trust website at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).

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

The Audit Committee meets at least twice each year to review the internal financial and non-financial controls, to approve the contents of the half-yearly and annual financial reports to shareholders and to review the 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 Ernst & Young LLP, the Company's Auditors, attend the Audit Committee meeting at which the draft annual financial reports are reviewed and are given the opportunity, should they wish, to speak to Audit Committee members without the presence of representatives of the Manager.

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 Officer.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Annual Financial Report.

### **Internal Financial and Non-Financial Controls**

The Directors acknowledge that they are responsible for ensuring that the Company maintains a sound system of internal controls 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 controls 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 its review. There are no significant failings or weaknesses that have occurred throughout the year ended 31 May 2010 and up to the date of this Annual Financial Report.

The Board meets regularly, at least four times a year, and reviews financial reports and performance against revenue forecasts, stock market indices and the Company's peer group. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Internal Audit and Compliance Departments 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 consider that, as it is a VCT, such a function is not necessary.

## CORPORATE GOVERNANCE STATEMENT

continued

### **Auditors' Non-Audit Services**

The Company's auditors, Ernst & Young LLP, provided tax compliance services to the Company at a cost of £4,000 exclusive of VAT. The Directors do not consider that the provision of this service impaired the auditors' independence during the period.

The Audit Committee has considered the non-audit services provided by the auditors and has concluded that they do not impinge on the objectivity of the audit process or affect the independence of the auditors.

Normally, it is the Company's policy not to seek substantial non-audit services from its auditors. The scope for any non-audit services is reviewed by the Audit Committee and approved prior to the auditors' engagement.

### **VCT Status Adviser**

The Company has retained PricewaterhouseCoopers ('PwC') to advise it on compliance with VCT requirements. PwC review new investment opportunities, and review bi-annually the investment portfolio of the Company. PwC work closely with the Manager, but report directly to the Board.

### **Management Engagement Responsibilities**

As the Board is considered small for the purposes of the Code, it has resolved that a Management Engagement Committee is not appropriate. Management Engagement responsibilities are carried out by the Board as a whole.

A statement of Invesco Asset Management Limited's responsibilities as Manager, Company Secretary and Administrator of the Company and the assessment of the Investment Manager by the Board can be found on page 16.

### **Relations with Shareholders**

Shareholder relations are given high priority by both the Board and the Manager. The media by which the Company communicates with shareholders are the half-yearly financial and annual financial reports and the bi-annual interim management statements. These aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the weekly publication of the net asset value of the Company's ordinary shares and by a monthly factsheet. 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, the Chairman and the Chairman of the Audit Committee 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 at least 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 or in writing to the Company Secretary at the address given on page 48.

Shareholders can also visit Invesco Perpetual's website at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts) in order to obtain copies of annual and half-yearly financial reports, interim management statements, shareholder circulars, Company factsheets, Stock Exchange announcements, schedule of matters reserved for the Board, terms of reference for the Audit Committee, the Company's share price and any proxy voting results.

### **Institutional Voting**

The Board considers that the Company has a responsibility as a shareholder in 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 these standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are always exercised on an informed and independent basis and are not simply passed back to the company concerned for discretionary voting by its chairman.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2010

25

The Board presents this Report which has been prepared under the requirements of Schedule 8 to the Large and Medium-sized Companies and Group Regulations 2008 and in accordance with the Directors' Remuneration 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 Annual General Meeting.

The Company's auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The auditors' opinion is included in their report on pages 28 and 29.

## Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is part of the Board's responsibilities.

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice from the Manager and the Broker, when considering the level of Directors' fees which were last increased on 1 January 2006.

## 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 Directors. It is intended that this policy will continue for the year ending 31 May 2011. The Board reviews Directors' remuneration annually, although such review will not necessarily result in any change in the levels of remuneration.

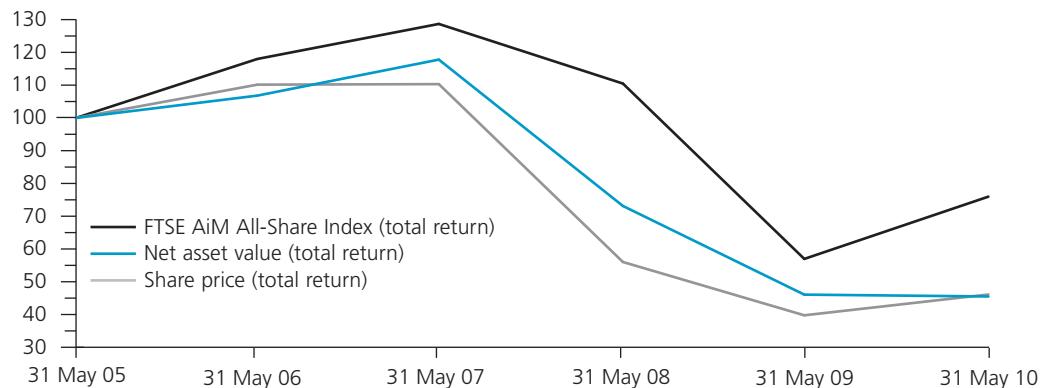
Fees for the Directors are determined by the Board within the limits of £100,000 per annum as stated in the Company's Articles of Association. For the year ended 31 May 2010, the Chairman's fee was £22,000, the Audit Committee Chairman's fee was £16,000 and the Directors' fees were £14,000 each. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

## Directors' Terms of Service

All Directors have letters of appointment which are available for inspection at the Registered Office of the Company and on the Company's website. The terms of appointment provide that a Director shall retire and be subject to election at the first annual general meeting after appointment and to re-election at most every three years thereafter. The terms also provide that a Director may be removed from office without notice and that no compensation is payable on leaving office.

## Company's Performance

The Company has not adopted a formal benchmark index, however it uses the FTSE AiM All-Share Index as a measure for performance of AiM traded stocks. The Company's total return net asset value, share price and FTSE AiM All-Share Index performance, for the five years ended 31 May 2010, are provided below (rebased to 100 at 31 May 2005):



## 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:

	2010 £	2009 £
Julian Avery (Chairman)	22,000	22,000
Professor James MacLeod (Chairman of the Audit Committee)	16,000	16,000
Christopher Macdonald	14,000	14,000
Richard Martin	14,000	14,000
David Norwood (resigned on 31 December 2008)	–	8,167
<b>Total</b>	<b>66,000</b>	<b>74,167</b>

## Approval

The Directors' Remuneration Report on pages 25 and 26 was approved by the Board of Directors on 8 September 2010.

**Julian Avery***Chairman*

Signed on behalf of the Board of Directors

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the annual financial report

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

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

Signed on behalf of the Board of Directors

**Julian Avery**

*Chairman*

8 September 2010

### Electronic Publication

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

## REPORT OF THE INDEPENDENT AUDITOR to the members of Invesco Perpetual AiM VCT plc

We have audited the financial statements of Invesco Perpetual AiM VCT plc for the year ended 31 May 2010 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 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibility Statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### Opinion of Financial Statements

In our opinion the financial statements:

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

### Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

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

## Matters on which we are required to report by exception

We have nothing to report in respect of the following.

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 19, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review.

**Julian Young** (Senior Statutory Auditor)

for and on behalf of

**Ernst & Young LLP**

*Statutory Auditor*

London

8 September 2010

## INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTES	REVENUE £'000	2010 CAPITAL £'000	TOTAL £'000	REVENUE £'000	2009 CAPITAL £'000	TOTAL £'000
Loss on realisation of investments	8	–	(1,861)	(1,861)	–	(3,490)	(3,490)
Movement in investment holding gains/(losses)	8	–	2,185	2,185	–	(6,852)	(6,852)
Income	2	139	–	139	325	–	325
Investment management fee	3	(42)	(124)	(166)	(65)	(194)	(259)
VAT recovered on management fees	3	–	–	–	79	238	317
Other expenses	4	(190)	(15)	(205)	(236)	(14)	(250)
<b>Return on ordinary activities before taxation</b>		(93)	185	92	103	(10,312)	(10,209)
Tax on ordinary activities	5	–	–	–	–	–	–
<b>Return on ordinary activities after tax for the financial year</b>		(93)	185	92	103	(10,312)	(10,209)
<b>Return per share</b>							
– basic	6	(0.2)p	0.4p	0.2p	0.2p	(23.7)p	(23.5)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 and losses is presented. No operations were acquired or discontinued in the year.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	NOTES	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	SPECIAL RESERVE £'000	PROFIT AND LOSS ACCOUNT £'000	TOTAL £'000
At 31 May 2008		4,353	19,525	23	17,924	(13,475)	28,350
Cancellation of share premium		–	(19,525)	–	19,525	–	–
Dividends paid	7	–	–	–	(2,176)	–	(2,176)
Return for the year from the income statement		–	–	–	–	(10,209)	(10,209)
At 31 May 2009		4,353	–	23	35,273	(23,684)	15,965
Dividends paid	7	–	–	–	(2,176)	–	(2,176)
Return for the year from the income statement		–	–	–	–	92	92
<b>At 31 May 2010</b>		<b>4,353</b>	<b>–</b>	<b>23</b>	<b>33,097</b>	<b>(23,592)</b>	<b>13,881</b>

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

## BALANCE SHEET

AT 31 MAY

	NOTES	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Investments held at fair value	8	13,222	14,997
<b>Current assets</b>			
Debtors	9	95	211
Cash and short-term deposits		1,006	1,079
		1,101	1,290
<b>Creditors: amounts falling due within one year</b>	10	(353)	(154)
<b>Net current assets</b>		748	1,136
<b>Total assets less current liabilities</b>		13,970	16,133
<b>Provisions</b>			
Trail commission	11(a)	(89)	(149)
Deferred management fee	11(b)	–	(19)
<b>Net assets</b>		13,881	15,965
<b>Capital and reserves</b>			
Share capital	12	4,353	4,353
Capital redemption reserve	12	23	23
Special reserve	12	33,097	35,273
Profit and loss account	12	(23,592)	(23,684)
<b>Total Shareholders' funds</b>		13,881	15,965
<b>Net asset value per share</b>			
– basic	13	31.9p	36.7p

These financial statements were approved and authorised for issue by the Board of Directors on 8 September 2010.

**Julian Avery**

*Chairman*

Signed on behalf of the Board of Directors

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTES	2010 £'000	2009 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	14(a)	(198)	83
<b>Capital expenditure and financial investment</b>	14(b)	2,361	1,962
<b>Equity dividends paid</b>	7	(2,176)	(2,176)
<b>Cash outflow before management of liquid resources and financing</b>		(13)	(131)
<b>Financing</b>	14(b)	(60)	(61)
<b>Management of liquid resources</b>	14(b)	65	175
<b>Decrease in cash</b>		(8)	(17)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease in cash		(8)	(17)
Cash outflow from movement in liquid resources	14(b)	(65)	(175)
<b>Movement in net funds in the year</b>		(73)	(192)
Net funds at beginning of year		1,079	1,271
<b>Net funds at end of year</b>	14(c)	1,006	1,079

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

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting Policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

**(a) Basis of Accounting**

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.

**(b) Valuation of Investments**

Investments are accounted for on the date they are traded, and classified at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in value, listed equities and fixed income securities are designated at fair value through profit or loss on initial recognition and at subsequent reporting dates at fair value, which is the bid price. Unquoted investments are stated at Directors' Valuation, in accordance with the International Private Equity and Venture Capital Valuations Guidelines published in September 2009.

**(c) Income Statement**

The revenue column of the income statement includes all income and expenses other than the proportion of the management fee charged to capital and other capital expenses. The capital statement accounts for the realised profit and loss on investments, increases and decreases in the valuation of investments, the proportion of the management fee charged to capital and other capital expenses (including VCT monitoring fees).

**(d) Income**

All dividends receivable are taken into account on the date investments are marked ex-dividend. Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. Other income from investments is accounted for on an accruals basis.

**(e) Expenses**

All expenses are accounted for on an accruals basis.

The investment management fee has been allocated 75% to capital and 25% to revenue in line with the Board's expected long-term split of returns in the form of capital gains and income respectively, from the investment portfolio of the Company. VCT monitoring fees are allocated wholly to capital as the Directors believe that the monitoring of the investment portfolio for VCT qualifying investments is conducive to maintaining the VCT status of the Company.

**(f) Taxation**

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

**(g) Dividends**

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

**(h) Trail Commissions**

Independent Financial Adviser ('IFA') trail commission was recognised as issue costs on the initial issue of the shares and the estimated full amount due was recognised as a charge directly to share premium account with a corresponding provision in the balance sheet. IFA trail commission paid is now set-off against the provision in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### (i) 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 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 disposed of. Any remaining interest in the transferred financial asset which 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 or cancelled or have 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.

### (j) Segmental Reporting and Functional Currency

The Directors are of the opinion that the Company is engaged in a single segment business of investing in shares and securities issued by companies operating and generating revenue mainly in the UK and, therefore, segmental reporting is not required.

The Company's functional currency is sterling as its operating activities are based in the UK and all of its income and expenses are in sterling.

## 2. Income

	2010 £'000	2009 £'000
<b>Income from investments</b>		
UK dividends	131	245
Overseas dividends	8	56
	139	301
<b>Other income</b>		
Interest on VAT recovered on management fees	–	23
Deposit interest	–	1
Total income	139	325

## 3. Investment Management Fees

	2010			2009		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fee	42	124	166	65	194	259

Details of the Investment Management Agreement are shown in the Report of the Directors on page 15. At 31 May 2010, £44,000 (2009: £41,000) was owed in respect of investment management fees.

From 1 January 2009 20% of the management fee was deferred until the date of the 2011 AGM and its payment is dependent on total return to shareholders exceeding 60p per share. The total return at 31 May 2010 was 53.9p and the deferred amount was £65,000. No provision has been made as it is unlikely that this will become payable (2009: total return was 53.7p and a provision of £19,000 was made).

### VAT recovered on management fees

The recovery of VAT suffered on management fees was recognised in the year ended 31 May 2009.

#### 4. Other Expenses

	2010			2009		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Other expenses (a)	98	15	113	136	14	150
Directors' fees (b)	66	—	66	74	—	74
Fees payable to the Company's auditor for the audit of the financial statements (c)	22	—	22	22	—	22
Fees payable to the Company's auditor for other services: tax compliance (c)	4	—	4	4	—	4
	190	15	205	236	14	250

- (a) Included in other expenses and allocated wholly to capital are VCT monitoring fees of £12,000 (2009: £12,000) and custodian transaction charges of £3,000 (2009: £2,000).
- (b) The maximum aggregate Directors' emoluments authorised by the Articles of Association is £100,000 per annum.
- (c) Fees payable to the Company's auditors are shown excluding VAT which is included in other expenses.

#### 5. Tax on Ordinary Activities

The current tax charge for the year is nil (2009: nil), as allowable expenses exceed taxable income.

##### Reconciliation of current tax charge

	2010 £'000	2009 £'000
Return on ordinary activities before taxation	92	(10,209)
Theoretical tax at UK Corporation Tax rate of 28% (2009: 28%)	26	(2,859)
Effects of:		
– Non taxable income	(37)	(69)
– (Gain)/loss on investments not taxable	(91)	2,897
– Expenses in excess of taxable income	101	31
– Disallowed expenses	1	—
Tax payable	—	—

The Company is exempt from tax on capital gains (and does not qualify for relief for capital losses) so long as it is a venture capital trust. Accordingly, no tax asset or liability has been recognised in respect of capital gains or losses on investments.

##### Factors that may affect future tax charges

There is an unrecognised deferred tax asset of £809,000 (2009: £708,000) which relates to surplus management expenses of £2,889,000 (2009: £2,530,000). The Directors believe that there will be no taxable profits in the future against which the deferred tax assets can be offset and therefore the asset has not been recognised.

## NOTES TO THE FINANCIAL STATEMENTS

continued

## 6. Return per Share

	2010			2009		
	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
Return per share:						
– basic	(0.2)p	0.4p	0.2p	0.2p	(23.7)p	(23.5)p

Basic revenue, capital and total returns per ordinary share are based on the respective net return on ordinary activities after tax and on 43,526,171 (2009: 43,526,171) shares being the number of shares in issue during the year.

## 7. Dividends

Subject to shareholder approval at the forthcoming AGM, a final dividend of 3p per share will be paid on 22 October 2010 to shareholders on the register on 24 September 2010.

	2010		2009	
	RATE	£'000	RATE	£'000
(a) Dividends paid in year:				
Final dividend in respect of the previous year	3p	1,306	3p	1,306
Interim dividend for the current year	2p	870	2p	870
	5p	2,176	5p	2,176
(b) Dividends declared in respect of the year:				
– Interim	2p	870	2p	870
– Final	3p	1,306	3p	1,306
	5p	2,176	5p	2,176

## 8. Investments

	2010		
	QUOTED INVESTMENTS £'000	UNQUOTED INVESTMENTS £'000	TOTAL INVESTMENTS £'000
(a) Analysis of investments			
Opening valuation	12,011	2,986	14,997
Movements in year:			
Stock transfer	854	(854)	–
Purchases at cost	1,574	–	1,574
Sales – proceeds	(3,467)	(206)	(3,673)
– realised (loss)/profit	(1,916)	55	(1,861)
Movement in investment holding loss	2,071	114	2,185
Closing valuation	11,127	2,095	13,222
Closing book cost	25,627	4,747	30,374
Closing investment holding loss	(14,500)	(2,652)	(17,152)
Closing valuation	11,127	2,095	13,222
Realised losses on sales	(1,916)	55	(1,861)
Movement in investment holding loss in year	2,071	114	2,185
Gain on investments	155	169	324

## (b) Transaction costs

Transaction costs on purchases of £2,000 (2009: £1,000) and on sales of £7,000 (2009: £6,000) are included in losses on investments.

## 9. Debtors

	2010 £'000	2009 £'000
Amounts due from brokers	68	145
Prepayments and accrued income	27	66
	<b>95</b>	<b>211</b>

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

	2010 £'000	2009 £'000
Amounts due to brokers	185	–
Accruals	119	105
Trail commission due	49	49
	<b>353</b>	<b>154</b>

## 11. Provisions

### (a) Trail commission

The following provision relates to trail commission on the initial issue of the ordinary shares.

	2010 £'000	2009 £'000
Opening provision	149	210
Charge for the year	(60)	(61)
	<b>89</b>	<b>149</b>

The Company pays trail commission to IFAs provided that the IFA continues to act for the Shareholder and the Shareholder continues to hold the ordinary shares. Trail commission is based on 0.375% per annum of the amount invested by the Shareholder and is payable on the first and each subsequent anniversary up to and including the sixth anniversary of the date of allotment of ordinary shares to the Shareholder. Trail commission is not paid to the extent that the cumulative trail commission would exceed 2.25% of the initial net asset value per share.

### (b) Deferred management fee

The following provision relates to the deferred management fee (see note 3).

	2010 £'000	2009 £'000
Opening provision	19	–
Write off provision	(19)	19
	<b>–</b>	<b>19</b>

## 12. Share Capital and Reserves

	2010 £'000	2009 £'000
<b>Authorised:</b> 100,000,000 ordinary shares of 10p each (2009: 100,000,000)	10,000	10,000
<b>Allotted, called-up and fully paid:</b> 43,526,171 ordinary shares of 10p each (2009: 43,526,171)	4,353	4,353

On 5 February 2009 the Company successfully applied to the High Court to cancel the share premium account. Subsequently, the balance of £19,525,000 on this account was transferred to the special reserve, which is a distributable reserve.

The capital redemption reserve maintains the equity share capital from the buy back and cancellation of shares. The capital redemption reserve and share capital are non-distributable.

Movements in the share capital and reserves are shown in the Reconciliation of Movements in Shareholders' Funds.

## NOTES TO THE FINANCIAL STATEMENTS

continued

The profit and loss account is a distributable account and arises from both capital and revenue items as shown in the following analysis:

The profit and loss account is represented by:

	CAPITAL ACCOUNT £'000	REVENUE ACCOUNT £'000	PROFIT AND LOSS ACCOUNT £'000
At 31 May 2009	(23,702)	18	(23,684)
Movement in investment holding gains	2,185	–	2,185
Loss on realisation of investments	(1,861)	–	(1,861)
Expenses charged to capital	(139)	–	(139)
Revenue returns for the year	–	(93)	(93)
At 31 May 2010	(23,517)	(75)	(23,592)

### 13. Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable at the year end calculated in accordance with the Articles of Association were as follows:

	2010		2009	
	NET ASSET VALUE PER SHARE p	NET ASSETS ATTRIBUTABLE £'000	NET ASSET VALUE PER SHARE p	NET ASSETS ATTRIBUTABLE £'000
Ordinary shares				
– basic	31.9	13,881	36.7	15,965

Net asset value per ordinary share is based on net assets at the year end and on 43,526,171 (2009: 43,526,171) ordinary shares, being the number of ordinary shares in issue at the year end.

### 14. Notes to the Cash Flow Statement

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

	2010 £'000	2009 £'000
Total profit/(loss) before taxation	92	(10,209)
Loss on realisation of investments	1,861	3,490
Movement in investment holding gains/(losses)	(2,185)	6,852
Decrease/(increase) in debtors	39	(4)
Decrease in creditors and provisions	(5)	(46)
Net cash (outflow)/inflow from operating activities	(198)	83

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

	2010 £'000	2009 £'000
<b>Capital expenditure and financial investment</b>		
Purchase of investments	(1,389)	(1,358)
Sale of investments	3,750	3,320
	2,361	1,962
<b>Financing</b>		
Trail commissions paid to IFAs	(60)	(61)
	(60)	(61)
<b>Management of liquid resources</b>		
Cash recalled from short-term deposits	65	175
	65	175

**(c) Analysis of changes in net funds**

	31 MAY 2009 £'000	CASH FLOW £'000	31 MAY 2010 £'000
Cash	9	(8)	1
Short-term deposits	1,070	(65)	1,005
Net funds	1,079	(73)	1,006

**15. Related Party Transactions**

Invesco Asset Management Limited ('IAML'), a wholly owned subsidiary of Invesco Ltd, acts as Manager, Company Secretary and Administrator to the Company. Details of IAML's services and fees are given in note 3 and on page 15 of the Report of the Directors. Full details of Directors' interests are set out in the Report of the Directors. There are no other related party transactions.

**16. Financial Instruments**

The Company's financial instruments comprise its investment portfolio (as shown on pages 7 and 8), cash, 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 of, and the basis of measurement applied to, 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 a VCT, 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. These policies are summarised below and have remained substantially unchanged for this year and the previous year.

The main risks that the Company faces arising from its financial instruments are market risk and liquidity risk – these risks are reviewed in detail below. 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, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £2.5 million with any one depositary, with only approved depositaries being used, and a maximum of £2 million with AIM Short-Term Investment Company (Global Series) plc, a triple-A rated money market fund. At the year end, the Company had a cash balance of £1,000 (2009: £9,000) and a short-term deposit of £1,005,000 (2009: £1,070,000).

**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. The currency risk is not relevant as the Company's financial instruments are denominated in sterling. 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 in the Board Responsibilities on page 21. No derivative or hedging instruments are utilised to enhance returns or to reduce the Company's exposure to market risk and volatility.

**1. Interest Rate Risk**

The Company's portfolio is not directly exposed to interest rate risk. Interest rate movements may affect the level of income receivable on cash deposits. Cash balances are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the custodian. As the Company's portfolio is mainly invested in equities, interest rate risk is minimal.

## NOTES TO THE FINANCIAL STATEMENTS

continued

The Company has a bank overdraft facility of 10% of net assets, which is for settlement purposes only. At the year end drawings on this were nil (2009: nil).

### 2. 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, and it is the business of the Manager to manage the portfolio to achieve the best return that he can.

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 the value of the portfolio will change as a result of the performance of the investments within the portfolio.

If the value of the portfolio had fallen by 10% at the balance sheet date, the profit after tax for the year would have decreased by £1.3 million (2009: £1.5 million). If the value of the portfolio had risen by 10%, profit after tax and equity would have increased by the £1.3 million (2009: £1.5 million).

### Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

### Management of Liquidity Risk

The Company's assets are investments in quoted and unquoted investments and cash. The quoted investments comprise mainly AiM traded investments. The Board has imposed limits as to the maximum amount of the Company's resources that should be invested in any one holding. The investments the Company holds are primarily quoted on AiM where the liquidity is generally below that of securities quoted on the main market. The ability of the Company to realise investments will be restricted when there are no willing purchasers at the Company's valuation.

The Company also holds unlisted investments which are not traded on a recognised exchange and which generally could be considered illiquid. These unquoted investments are disclosed on pages 7 and 8 in order of valuation.

The Manager ensures that there is cash available to settle all prospective purchases, taking into account recent and proposed disposals of investments and current cash balances. Through the budgetary process, working capital is closely monitored both for amounts and timing of cash flows. The payment of dividends by the Company will be decided by the Board using its knowledge of the Company. As a closed ended vehicle, liquidity requirements will comprise purchases of investments, working capital requirements and dividend payments. In addition, it is the policy of the Company to retain sufficient cash to fund working capital, including dividend payments, for at least 12 months.

Other liabilities at 31 May were as follows:

	2010			
	3 MONTHS OR LESS £'000	3 MONTHS TO 1 YEAR £'000	MORE THAN 1 YEAR £'000	TOTAL £'000
<b>Creditors: amounts falling due within one year</b>				
Accruals	304	—	—	304
Trail commission	49	—	—	49
			—	353
<b>Provisions:</b>				
Trail commission	—	60	29	89
Deferred management fee	—	—	—	—
	353	60	29	442

	2009			
	3 MONTHS OR LESS £'000	3 MONTHS TO 1 YEAR £'000	MORE THAN 1 YEAR £'000	TOTAL £'000
<b>Creditors: amounts falling due within one year</b>				
Accruals	65	40	–	105
Trail commission	49	–	–	49
	114	40	–	154
<b>Provision:</b>				
Trail commission	–	60	89	149
Deferred management fee	–	–	19	19
	114	100	108	322

### Fair Values of Financial Assets and Financial Liabilities

FRS 29 'Financial Instruments: Disclosures' is applicable for reporting periods beginning on or after 1 January 2009. The three levels set out in FRS 29 are:

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

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

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

Categorisation within this hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The valuation techniques used by the Company are explained in the accounting policies note. Unquoted investments are all deemed to be Level 3 as described below. Quoted investments have been reviewed on a stock-by-stock basis and have been shown in Level 1 where there is an active market. Quoted investments where the market is not active, that is where the Company's holding would take more than 60 days to realise based on average market turnover, have been shown in Level 2.

	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value				
through profit or loss:				
Quoted investments	6,555	4,572	–	11,127
Unquoted investments	–	–	2,095	2,095
Total for portfolio	6,555	4,572	2,095	13,222

A reconciliation of the fair value movements in Level 3 investments is set out below:

	£'000
Opening fair value of Level 3	2,986
Sales at cost	(151)
Transfer to Level 1	(854)
Movement in holding gain	114
	2,095

### Maturity Analysis of Contractual Liability Cash Flows

Creditors falling due within one year are shown in note 10, and provisions in note 11. Creditors comprise amounts due to brokers and to accruals. All are paid under contractual terms. For amounts due to brokers, this is usually the purchase date of the investment plus three business days. For accruals, this is normally within 30 business days of invoice or, in the case of management fees, in accordance with the management agreement.

## NOTES TO THE FINANCIAL STATEMENTS

continued

**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. The principal risks and their management are disclosed above.

**17. Contingencies, Guarantees and Financial Commitments**

As disclosed in note 3, 20% of the management fee has been deferred until the 2011 AGM, and its payment is dependent on total returns to shareholders exceeding 60p. The value of this is £65,000 (2009: £19,000) at the year end. During the year total returns have only risen 0.2p from 53.7p to 53.9p and, given the shortening timescale to achieve a 60p return, the Directors are of the opinion that it is no longer probable that the required return will be met and no provision has been made in these financial statements (2009: £19,000 provision was made and no contingent liability noted).

THIS NOTICE OF ANNUAL GENERAL MEETING 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 Invesco Perpetual AiM VCT plc, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the sixth Annual General Meeting ('AGM') of Invesco Perpetual AiM VCT plc will be held at 30 Finsbury Square, London EC2A 1AG, on 12 October 2010 at 11.30 a.m. for the following purposes:

### Ordinary Business

1. To receive the Annual Report and Accounts for the year ended 31 May 2010.
2. To declare a final dividend.
3. To approve the Directors' Remuneration Report for the year ended 31 May 2010.
4. To re-elect Christopher Macdonald a Director of the Company.
5. To re-elect Richard Martin a Director of the Company.
6. To re-elect Professor James MacLeod a Director of the Company.
7. To re-appoint Ernst & Young LLP as Auditors to the Company.
8. To authorise the Directors to determine the Auditors' remuneration.

### Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 9 will be proposed as an ordinary resolution and resolutions 10, 11 and 12 will be proposed as special resolutions.

9. THAT: in substitution for any existing authority under Section 551 of the Companies Act 2006 (the 'Act') the Directors be generally and unconditionally authorised in accordance with Section 551 of the Act as amended from time to time prior to the date of the passing of this resolution, to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £1,450,870, 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 shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.
10. THAT: subject to the passing of resolution number 9 and in substitution for any existing authority under Sections 570 and 573 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby empowered, in accordance with Sections 570 and 573 of the Act as amended from time to time prior to the date of the passing of this resolution to allot equity securities, within the meaning of Section 560(1), (2) and (3) of the Act for cash, either pursuant to the authority given by resolution 9 set out above or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:
  - (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and
  - (b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £435,260, this being 10% of the Company's issued ordinary share capital as at 8 September 2010

## NOTICE OF ANNUAL GENERAL MEETING

continued

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 of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this resolution.

11. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 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 14.99% of the Company's issued ordinary shares, this being 6,524,573 as at 8 September 2010;
- (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 per cent. of the average of the middle market quotations for a Share taken from and calculated by reference to the London Stock Exchange Daily Official List for five business days immediately preceding the day on which the Share is purchased;
- (iv) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);
- (v) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or on 31 March 2012, if earlier, unless the authority is renewed at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

12. THAT the period of notice required for general Meetings of the Company (other than AGMs) shall be not less than 14 days.

### Explanatory Notes to Resolution 12

#### Notice of period for general meetings

This resolution is required as the implementation of the EU Shareholder Rights Directive has increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days. To ensure that the Company's general meetings (other than AGMs) may be held on 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.

Dated this 8 September 2010

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, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
  - via Capita Registrars website [www.capitashareportal.com](http://www.capitashareportal.com); or
  - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below
 and in each case to be received 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 Euroclear UK & Ireland Limited'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. After this time any change of instructions to proxies through CREST should be communicated to the appointee through other means. 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 Euroclear UK & Ireland Limited 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. The CREST Manual can be reviewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST).
3. A form of appointment of proxy is enclosed. Appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction) does not prevent a member from attending and voting at 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 at the office of the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.30 a.m. on 10 October 2010.
4. A person entered on the Register of Members at close of business on 10 October 2010 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.
5. The Terms of Reference of the Audit Committee and the Letters of Appointment for Directors will be available at the AGM for at least 15 minutes prior to and during the meeting.
6. A copy of the Articles of Association 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 to and during the Meeting.

## NOTICE OF ANNUAL GENERAL MEETING

continued

7. 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.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
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 September 2010 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 43,526,171 ordinary shares of 10p each carrying one vote each.
12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).
13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006 (the '2006 Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning on 1 June 2009; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 June 2009 ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

## SHAREHOLDER INFORMATION

The shares of Invesco Perpetual AiM VCT plc are quoted on the UK Stock Market. Purchases and sales can be arranged in a number of different ways.

### Share Price Listings

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

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

#### Ordinary Shares

Reuters IPA.L  
Bloomberg IPA.LN

#### Internet addresses

Invesco Perpetual	www.invescoperpetual.co.uk/investmenttrusts
TrustNet	www.trustnet.co.uk
Interactive Investor	www.iii.co.uk
Association of Investment Companies	www.aic.co.uk

### NAV Publication

The NAV is published weekly in the aforementioned newspapers. The basic NAV is calculated as at the close of business each Wednesday and notified to the Stock Exchange the next business day.

### Financial Calendar

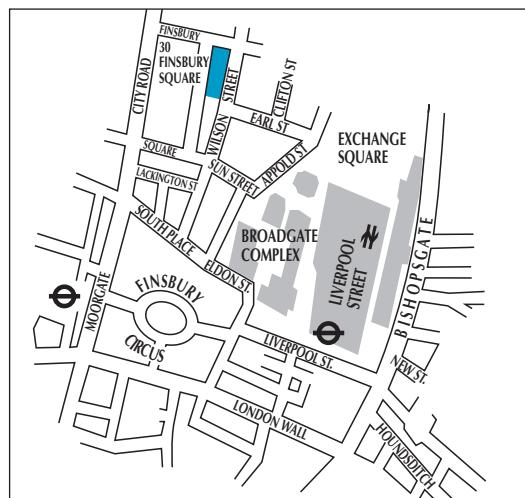
In addition, the Company publishes information according to the following calendar:

#### Announcements

Half-yearly unaudited report	January
Interim Management Statements	September/March
Annual Financial Report	August/September
<b>Annual General Meeting</b>	October
<b>Year End</b>	31 May

### Location of Annual General Meeting

30 Finsbury Square, London EC2A 1AG to be held at 11.30 a.m. on 12 October 2010.



### Tax Benefits for Individuals

A Venture Capital Trust ('VCT') provides a tax efficient investment vehicle with substantial income tax advantages for individuals aged 18 or over, who are UK tax resident and who have not invested more than their annual VCT allowance of £200,000.

INVESTMENT <sup>(1)</sup>	INCOME TAX RELIEF		CAPITAL GAINS TAX RELIEF On Disposal <sup>(3)</sup>
	On Acquisition <sup>(2)</sup>	On Dividends	
On subscription for new shares	2004/05	40%	✓
	2005/06		✓
	2006/07 to date	30%	✓
On purchase in the market		✗	✓

Notes:

- <sup>(1)</sup> No more than £200,000 acquired by subscription or purchase in any one tax year.
- <sup>(2)</sup> Shares must be held for a minimum of 3 years (post 5 April 2006: 5 years) to obtain relief.
- <sup>(3)</sup> Company must have been a VCT at time of acquisition and disposal to obtain relief.

**Shareholders and potential investors should consult their own appropriately qualified professional adviser regarding the tax reliefs available in their personal circumstances.**

## PRINCIPAL SERVICE PROVIDERS

**Manager; Administrator; Company Secretary and Registered Office**

Invesco Asset Management Limited  
30 Finsbury Square  
London EC2A 1AG  
☎ 020 7065 4000

Company Secretarial contact: Carolyn Ladd

**Registered in England and Wales**

Number 5121438

**Invesco Perpetual Investor Services**

Invesco Perpetual has an Investor Services Team available to you from 8.30 am to 6 pm 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 have queries relating to your shareholding you should contact the Registrars on:

☎ 0871 664 0300

Calls cost 10p per minute plus network extras.

Lines are open from 8.30 am to 5.30 pm every working day.

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

Capita Registrars provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.capitadeal.com](http://www.capitadeal.com) or

☎ 0870 664 0454

Calls cost 10p per minute plus network charges.

lines are open from 8 am to 4.30 pm every working day.

**Stockbroker**

Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

**Solicitors**

Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh  
EH2 4DF

**Custodian**

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

**Auditors**

Ernst & Young LLP  
Registered Auditor  
1 More London Place  
London  
SE1 2AF

**VCT Status Adviser**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

**Discount**

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

**ITA**

Income Tax Act 2007.

**Market Capitalisation**

For a company is calculated by multiplying the stockmarket price of an ordinary share by the number of ordinary shares in issue.

**Net Asset Value**

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

**Total Expense Ratio**

Total expenses (excluding interest and VAT recovered on management fees) incurred, including those charged to capital, as a percentage of average Shareholders' Funds.

**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 venture capital trusts with different dividend policies. Any dividends 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).

**Venture Capital Trust (VCT)**

As defined in Part 6 of ITA, VCTs are listed public companies which provide a tax efficient opportunity to investors who wish to invest in new and expanding companies, but do not wish to do so directly. Tax reliefs are available by investing in shares in VCTs which hold a portfolio of shares and securities in qualifying companies.



The Manager of Invesco Perpetual AiM VCT 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 \$580.3 billion.\*

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

*\*Funds under Management as at 31 July 2010*

## SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

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

### Invesco Merchants High Yield Trust plc

Aims to generate a high level of income from a variety of fixed income instruments combined with a degree of security. The Trust is geared by bank debt.

### Invesco Income Growth Trust plc

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

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

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

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

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

### Invesco Property Income Trust Limited

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

### 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 yielding 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.

### The Edinburgh Investment Trust plc

Invests in UK securities with long term objective of achieving:

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

The portfolio is geared by way of two debenture stocks.

## Investing in Smaller Companies

### Invesco Perpetual UK Smaller Companies Investment Trust plc

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

