

# Invesco Income Growth Trust plc

Half-Yearly Financial Report Six Months to 30 September 2010

## KEY FACTS

Invesco Income Growth Trust plc is an investment trust company listed on the London Stock Exchange. The Company is managed by Invesco Asset Management Limited.

### Investment Objective

The Company's investment objective is to provide shareholders with long-term capital growth and real long-term growth in dividends from a portfolio yielding more than the FTSE All-Share Index.

The Company will invest principally in UK equities and equity-related securities of UK companies selected from any market sector. In managing the Company's investment portfolio, the Manager will seek to achieve a total return over the long term in excess of the total return on the FTSE All-Share Index.

Full details of the Company's Investment Policy (incorporating the Company's investment objective) can be found on page 10 of the Company's 2010 annual financial report.

## Performance Statistics

	AT 30 SEPTEMBER 2010	AT 31 MARCH 2010	% CHANGE
<b>Assets</b>			
Net asset value per ordinary share	200.1p	196.1p	+2.0
Mid-market price per ordinary share	184.5p	174.0p	+6.0
Discount per ordinary share	7.8%	11.3%	
<b>Gearing</b>			
Actual gearing – excluding effect of cash	108	112	
Effective gearing – including effect of cash	106	110	
<b>Total Return</b> <i>(includes net dividends reinvested)</i>			
Change in net asset value per ordinary share	+2.0%	+37.0%	
Change in FTSE All-Share Index	+0.2%	+35.7%	
Source: Thomson Datastream			
<b>Revenue and Dividends per ordinary share</b>			
Net revenue after tax (£'000)	2,690	2,689	–
Revenue return – basic	4.6p	4.6p	–
Dividends – first interim	1.90p	1.85p	+2.7
– second interim	1.90p	1.85p	+2.7

## CHAIRMAN'S STATEMENT AND INTERIM MANAGEMENT REPORT

### Performance

During the six months to 30 September 2010, the total return (comprising the movement in the net asset value 'NAV' plus net dividends) from the Company was 2.0%, compared to a 0.2% return from the FTSE All-Share Index. In a period that once again encompassed considerable volatility, this is a creditable return in what was ultimately a flat market. Over the five years to 30 September 2010, the Company has provided a total return of 17.7%, compared to a 24.7% return from the FTSE All-Share.

During the period under review, the mid-market price per share rose by 6% to 184.5p, greater than the net asset value increase of 2%, broadly reflecting a narrowing of the discount. The Investment Manager's Report that follows gives a more detailed account of the period under review, together with a commentary on the investment and portfolio strategy.

### Gearing

The Company's level of gearing which, when prudently used, should enhance the returns to shareholders, remains under review by the Board. As at 30 September 2010, the Company had actual gearing of 108, provided by a bank overdraft of £9.68m. This represents a reduction in the level of gearing during the review period, reflecting both reduced borrowings and the rise in the value of the overall portfolio.

### Dividend

The Board declared a first interim dividend of 1.90p per share in respect of the year ended 31 March 2011. This dividend was paid on 29 October 2010 to shareholders registered on 8 October 2010.

The Board is pleased to declare a second interim dividend of 1.90p per share in respect of the year ended 31 March 2011. This dividend will be paid on 30 December 2010 to shareholders registered on 3 December 2010.

This is consistent with the Board's objective of achieving a better balance between the three interim and the final dividend payments and should not be taken as an indication of the level of the full year's total distribution.

The Company has built up significant revenue reserves in preparation for tougher times such as now. By carefully using these reserves, the Company should be able to fulfil its dividend growth objectives despite temporary pressure on the portfolio's income. This year, a proportion of the reserves are expected to be used to contribute to the dividend payment to shareholders. This is not sustainable forever and the Board expects, that under current forecasts, any shortfall of dividend generated will be eliminated over time.

### Outlook

In the Board's view, the portfolio is well diversified and will benefit from an increased focus on quality businesses with proven track records of delivering strong shareholder returns. We look ahead to the latter part of this year and into the next with a strong belief that the Company is well placed to meet its long-term income and growth objectives.

**John McLachlan**

*Chairman*

29 November 2010

## INVESTMENT MANAGER'S REPORT

### Market Review & Portfolio Strategy

While the gain of 2% in the Company's NAV appears modest, it does represent a stronger return than the benchmark FTSE All-Share Index, which gained by just 0.2% (both figures include reinvested income).

UK stocks ended the period little changed as positive corporate earnings were negated by signs of slowing growth domestically and fragile confidence in the global outlook. Sentiment early in the period supported UK equity markets as confidence in the global recovery remained relatively firm. However, the sovereign debt crisis that engulfed the peripheral Eurozone countries and signs of moderating growth in China and the US saw markets falter during the summer months as investors sought out 'safe-haven' assets. The latter part of the period saw sentiment make tentative steps forward, which benefited stocks, but the fluctuations during the period as a whole reflected the general uncertainty about prevailing economic prospects.

Second quarter GDP data, which was released during the period, indicated that the UK economy expanded by 1.2% from the previous quarter, well ahead of expectations. Falling unemployment was also positive, but weaker retail sales and house price data suggested a mixed outlook. Inflation remained well above target throughout the period, but the Bank of England forecast that it would ease gradually over the next two years. With inflation expected to moderate and significant uncertainty still clouding the economic outlook, interest rates were held at 0.5%, albeit with the Bank's policymakers beginning to show a divergence of opinions.

Largely positive corporate earnings and renewed merger and acquisition activity were supportive of equity markets. Among the companies to benefit from takeover bids were a number of portfolio holdings, including: Arriva, International Power, Rensburg Sheppards and VT Group. Vodafone announced improvements in service and data revenues, as well as the disposal of its stake in China Mobile, while Capita and British American Tobacco released strong results and dividend increases. AstraZeneca also delivered positive earnings and a doubling of its share buyback.

In terms of portfolio activity, the principal theme has been a conscious shift to further improve the quality of businesses in which the Company is invested. The recessionary conditions that we have experienced over the past two years have served to distinguish between those companies able to maintain strong operational performance and those that are more vulnerable in the face of difficult economic conditions. As such, there were holdings within the portfolio where I felt that their prospects had diminished. These included ITV and Dixons, which were both sold. The switch out of these groups, which do not currently pay a dividend, also facilitated a move into attractively valued income generating stocks, such as Ladbrokes, and those that have demonstrated greater capital discipline, including Next. The Lloyds insurance groups Amlin, Beazley, Catlin and Hiscox were sold, as the environment of firming policy rates that I had anticipated has not been realised and I believe that there are stronger opportunities elsewhere in the market. I added a position in oil services company Wood Group, which fell sharply following the Gulf of Mexico disaster. The events in the Gulf had no direct impact on Wood Group and in my view the stock had become materially undervalued.

In respect of the portfolio's position in BP, I reduced the holding as the shares rallied from their lows and switched the proceeds into Royal Dutch Shell, which was trading at a similar valuation, but with none of the concerns that currently apply to BP. Also worthy of note, was the participation in the share flotation of fund management group Jupiter. While I usually do not take part in these share offerings, I feel that Jupiter is a well managed company, with a clear and straightforward business model and in my view the share price rating was very modest at the point of its flotation.

The dividend environment I expected, where a period of cuts would be followed by a return of dividend growth has, broadly, come to fruition. However, this was clearly punctuated by the suspension of dividend payments at BP. This did impact the income generated by the Company, but our exposure was below that of the FTSE All-Share Index, which provided a degree of protection, and the remainder of the portfolio continues to offer healthy dividend growth prospects.

## Outlook

I have a constructive view of the current outlook for UK equity markets. After the turmoil that has characterised the past two years, I think that the economy is in reasonable shape and that equity valuations are not only low in aggregate, but at stock level there are areas of significant value. There are some reasons for caution on the economy; we have seen unprecedented support from governments and central banks and the full implications of large-scale quantitative easing are yet to be seen. We are also entering a period of fiscal consolidation, which brings additional risks, but also potential long-term benefits. As such, I think it is important to maintain a balanced view and to remember that there are always risks and challenges in any economic environment.

From a market perspective, I think this is an attractive time to be in equities. Valuations are low, stocks offer a level of income that compares favourably with other asset classes and the corporate sector is the one area of the economy with sound finances. I believe that in an environment of modest economic expansion, there are a number of companies that can achieve robust earnings growth and that this will translate into rising dividends.

**Ciaran Mallon**  
*Investment Manager*  
29 November 2010

## Related Party

Invesco Asset Management Limited ('IAML'), a wholly owned subsidiary of Invesco Limited, acts as Manager and Company Secretary to the Company. Details of IAML's services and fee arrangements are given in the latest annual financial report, which is available on the Manager's website at [www.invescopetperpetual.co.uk/investmenttrusts](http://www.invescopetperpetual.co.uk/investmenttrusts).

## Principal Risks and Uncertainties

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

- Investment policy;
- Investment process;
- Market movements and portfolio performance;
- Ordinary shares;
- Gearing; and
- Regulatory and tax related

A detailed explanation of these principal risks and uncertainties can be found on pages 13 and 14 of the 2010 annual financial report, which is available on the Manager's website.

In the view of the Board these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

## Going Concern

The half-yearly financial report has been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the Directors took into account the Company's investment objective, its risk management policies, the diversified portfolio of readily realisable securities which can be used to meet funding commitments, the overdraft which can be used for both long-term and short-term funding requirements, the liquidity of the investments which could be used to repay the overdraft in the event that the facility could not be renewed or replaced, and the ability of the Company to meet all of its liabilities and ongoing expenses.

## DIRECTORS' RESPONSIBILITY STATEMENT

### IN RESPECT OF THE PREPARATION OF THE HALF-YEARLY FINANCIAL REPORT

The Directors are responsible for preparing the half-yearly financial report using accounting policies consistent with applicable law and UK Accounting Standards.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the half-yearly financial report have been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Report';
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FSA's Disclosure and Transparency rules; and
- the interim management report includes a fair review of the information required on related party transactions.

The half-yearly financial report has not been audited or reviewed by the Company's auditors.

Signed on behalf of the Board of Directors.

**John McLachlan**  
*Chairman*  
29 November 2010

## TWENTY FIVE LARGEST HOLDINGS AT 30 SEPTEMBER 2010

Ordinary shares unless stated otherwise

COMPANY	ACTIVITY BY SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
British American Tobacco	Tobacco	6,372	5.1
AstraZeneca	Pharmaceuticals & Biotechnology	6,336	5.0
Royal Dutch Shell	Oil & Gas	6,224	4.9
GlaxoSmithKline	Pharmaceuticals & Biotechnology	6,105	4.8
Imperial Tobacco	Tobacco	5,855	4.6
Vodafone	Mobile Telecommunications	5,183	4.1
HSBC	Banks	4,425	3.5
Aviva - Ords and Fltg 5.902% Perpetual Bond	Life Insurance	3,744	3.0
Tesco	Food & Drug Retailers	3,661	2.9
Barclays - Ords and Fltg 14% Perpetual Bond	Banks	3,617	3.0
Scottish & Southern Energy	Electricity	3,324	2.6
BP	Oil & Gas	3,144	2.5
Young & Co Brewery	Travel & Leisure	2,775	2.2
Centrica	Gas, Water & Multiutilities	2,573	2.0
BT	Fixed Line Telecommunications	2,198	1.8
Legal & General	Life Insurance	2,195	1.7
National Grid	Gas, Water & Multiutilities	2,178	1.7
Land Securities	Real Estate	2,104	1.7
Whitbread	Travel & Leisure	2,054	1.6
Croda International	Chemicals	1,933	1.5
Informa	Media	1,913	1.5
Intercontinental Hotels	Travel & Leisure	1,911	1.5
GKN	Automobiles & Parts	1,855	1.5
AMEC	Oil & Gas	1,799	1.4
Euromoney	Media	1,756	1.4
		85,234	67.5
Other investments		41,037	32.5
<b>Total investments</b>		<b>126,271</b>	<b>100.0</b>

## CONDENSED INCOME STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2010			SIX MONTHS TO 30 SEPTEMBER 2009			YEAR TO 31 MARCH 2010
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
(Losses)/gains on investments held at fair value through profit or loss	—	(81)	(81)	—	26,348	26,348	36,247
Income							
UK dividends	2,789	—	2,789	2,776	—	2,776	4,760
UK unfranked investment income	220	—	220	73	—	73	422
Overseas dividends	5	—	5	5	—	5	14
Underwriting commission/other	65	—	65	138	2	140	226
Investment management fee — note 2	(209)	(209)	(418)	(191)	(191)	(382)	(802)
VAT recovered on management fees — note 2	—	—	—	57	58	115	115
Interest on VAT recovered — note 2	—	—	—	11	—	11	11
Other expenses	(135)	—	(135)	(125)	(1)	(126)	(280)
<b>Net return before finance costs and taxation</b>	<b>2,735</b>	<b>(290)</b>	<b>2,445</b>	<b>2,744</b>	<b>26,216</b>	<b>28,960</b>	<b>40,713</b>
Interest payable and similar charges	(45)	(45)	(90)	(55)	(55)	(110)	(214)
<b>Return on ordinary activities before and after taxation</b>	<b>2,690</b>	<b>(335)</b>	<b>2,355</b>	<b>2,689</b>	<b>26,161</b>	<b>28,850</b>	<b>40,499</b>
<b>Return per ordinary share</b>							
— basic — note 4	4.6p	(0.6p)	4.0p	4.6p	44.7p	49.3p	69.2p

The total column of this statement represents the Company's profit and loss account. 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 and therefore no statement of total recognised gains or losses is presented. No operations were acquired or discontinued in the period.

## CONDENSED BALANCE SHEET

Registered number 3141073

	AT 30 SEPTEMBER 2010 £'000	AT 30 SEPTEMBER 2009 £'000	AT 31 MARCH 2010 £'000
<b>Fixed assets</b>			
Investments at fair value	126,271	122,412	128,405
<b>Current assets</b>			
Amounts due from brokers	140	—	201
Prepayments and accrued income	701	566	833
	841	566	1,034
<b>Creditors: amounts falling due within one year</b>			
Bank overdraft	(9,677)	(14,505)	(14,300)
Amounts due to brokers	—	—	(175)
Accruals and deferred income	(263)	(1,206)	(147)
	(9,940)	(15,711)	(14,622)
<b>Net current liabilities</b>	(9,099)	(15,145)	(13,588)
<b>Total assets less current liabilities</b>	117,172	107,267	114,817
<b>Capital and reserves</b>			
Share capital	14,638	14,638	14,638
Share premium	40,021	40,021	40,021
Other capital reserves:			
Capital redemption reserve	2,310	2,310	2,310
Capital reserve	54,313	45,013	54,648
Revenue reserve	5,890	5,285	3,200
<b>Shareholders' funds</b>	117,172	107,267	114,817
<b>Net asset value per ordinary share — note 5 basic</b>	200.1p	183.2p	196.1p

## CONDENSED CASH FLOW STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2010 £'000	SIX MONTHS TO 30 SEPTEMBER 2009 £'000	YEAR TO 31 MARCH 2010 £'000
<b>Net return before finance costs and taxation</b>	2,445	28,960	40,713
Adjustment for losses/(gains) on investments	81	(26,348)	(36,247)
Decrease in debtors	132	1,094	827
Increase/(decrease) in creditors	104	(3)	21
<b>Net cash flow from operating activities</b>	2,762	3,703	5,314
<b>Servicing of finance</b>	(78)	(110)	(214)
<b>Net financial investment</b>			
Purchase of investments	(12,659)	(10,845)	(16,692)
Sale of investments	14,598	9,225	18,952
<b>Equity dividends paid</b>	—	(1,815)	(6,997)
<b>Movement in cash in the period</b>	4,623	158	363
<b>Net debt at beginning of period</b>	(14,300)	(14,663)	(14,663)
<b>Net debt at end of period</b>	(9,677)	(14,505)	(14,300)
<b>Analysis of changes in net debt</b>			
<b>Brought forward:</b>			
Bank overdraft	(14,300)	(14,663)	(14,663)
<b>Net debt brought forward</b>	(14,300)	(14,663)	(14,663)
<b>Movements in period:</b>			
Cash inflow from bank	4,623	158	363
<b>Net debt at end of period</b>	(9,677)	(14,505)	(14,300)

## CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'00	REVENUE RESERVE £'000	TOTAL £'000
<b>For the year ended 31 March 2010</b>						
At 1 April 2009	14,638	40,021	2,310	18,852	5,494	81,315
Return for the year from income statement	—	—	—	35,796	4,703	40,499
Dividends paid	—	—	—	—	(6,997)	(6,997)
At 31 March 2010	14,638	40,021	2,310	54,648	3,200	114,817
<b>For the six months ended 30 September 2010</b>						
Return for the period from income statement	—	—	—	(335)	2,690	2,355
At 30 September 2010	14,638	40,021	2,310	54,313	5,890	117,172
<b>For the six months ended 30 September 2009</b>						
At 1 April 2009	14,638	40,021	2,310	18,852	5,494	81,315
Return for the period from income statement	—	—	—	26,161	2,689	28,850
Dividends paid	—	—	—	—	(2,898)	(2,898)
At 30 September 2009	14,638	40,021	2,310	45,013	5,285	107,267

# Notes to the Condensed Financial Statements

## 1. Basis of preparation

The condensed financial statements have been prepared using the same accounting policies as those adopted in the 2010 annual financial report, which have been prepared under the historical cost convention and are consistent with applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

## 2. Management Fee

### (a) Basis

The investment management fee is calculated and payable monthly in arrears based on the value of the funds under management before deducting borrowings, of 0.7% up to £100 million, 0.6% on the next £50 million, 0.55% on the next £50 million and if in excess of £200 million the fee will be reviewed. This fee is allocated 50% to capital and 50% to revenue.

### (b) VAT on Management Fees

An amount of £115,000 was recognised in the accounts for the periods ending 30 September 2009 and 31 March 2010 in respect of VAT recovered on management fees. This was credited £57,000 to revenue and £58,000 to capital, in the same proportion as originally charged to the income statement. In addition, £11,000 of interest thereon was credited to revenue.

## 3. Tax

The tax effect of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

## 4. Basis of Returns

	SIX MONTHS TO 30 SEPTEMBER 2010 £'000	SIX MONTHS TO 30 SEPTEMBER 2009 £'000	YEAR TO 31 MARCH 2010 £'000
Returns after tax:			
Revenue	2,690	2,689	4,703
Capital	(335)	26,161	35,796
<b>Total</b>	<b>2,355</b>	<b>28,850</b>	<b>40,499</b>
Weighted average number of shares in issue during the period	58,551,530	58,551,530	58,551,530

## 5. Basis of Net Asset Value Per Ordinary Share

	AT 30 SEPTEMBER 2010	AT 30 SEPTEMBER 2009	AT 31 MARCH 2010
Shareholders' funds	117,172,000	£107,267,000	114,817,000
Ordinary shares in issue at period end	58,551,530	58,551,530	58,551,530

## 6. Movements in Share Capital

	SIX MONTHS TO 30 SEPTEMBER 2010	SIX MONTHS TO 30 SEPTEMBER 2009	YEAR TO 31 MARCH 2010
Number of ordinary shares:			
Brought forward	58,551,530	58,551,530	58,551,530
Shares brought back and cancelled	—	—	—
<b>In issue at period end</b>	<b>58,551,530</b>	<b>58,551,530</b>	<b>58,551,530</b>

## 7. Dividends

The first interim dividend of 1.90p for the quarter ended 30 June 2010 was paid to shareholders on 29 October 2010. The second interim dividend of 1.90p for the quarter ending 30 September 2010 will be paid on 30 December 2010.

## 8. Investment Trust Status

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company set out in section 1158 of the Corporation Tax Act 2010.

## 9. Status of Half-Yearly Financial Report

The financial information contained in this half-yearly financial report, which has not been reviewed or audited by the independent auditors, does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2010 and 30 September 2009 have not been audited. The figures and financial information for the year ended 31 March 2010 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Report of the Independent Auditors, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board  
Invesco Asset Management Limited  
Company Secretary  
29 November 2010

# Directors, Advisers and Principal Service Providers

## Directors

John McLachlan, Chairman  
Chris Hills  
Jonathan Silver, Audit Committee Chairman  
Hugh Twiss  
Roger Walsom

All the Directors are members of the Audit, Nomination and Management Engagement Committees.

## Manager, Company Secretary and Registered Office

Invesco Asset Management Limited  
30 Finsbury Square  
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☎ 020 7065 4000

Company Secretarial contact: Karina Bryant

## Company Number

Registered in England and Wales No. 3141073

## Registrars

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

If you hold your shares directly and not through a Savings Plan or ISA and have any queries relating to your holding, you should contact the Registrars on:

☎ 0871 664 0300 between 8.30 am and 5.30 pm every working day.  
Calls cost 10p per minute plus network extras.

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

The Registrars provide a telephone and on-line 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 ☎ 0871 664 0445. Calls cost 10p per minute plus network extras. Lines are open from 8.00 am to 4.30 pm every working day.

## Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to assist you from 8.30 am to 6.30 pm every working day on ☎ 0800 085 8677.

The Invesco Perpetual investment trusts' website is

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

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



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