

# Invesco Income Growth Trust plc

Annual Financial Report for the  
Year ended 31 March 2016





If you have any queries about Invesco Income Growth Trust plc, or any of the other investment companies managed by Invesco Perpetual, please contact the Client Services Team on

☎ 0800 085 8677

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

The Company is a  
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**aic**

The Association of  
Investment Companies

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

**The Board believes that many investors will be attracted by the prospect of income and capital growth superior to that of the UK stock market and by dividends paid quarterly that, over time, grow above the rate of inflation.**

## Highlights

	2016	2015
Net asset value total return <sup>†</sup>	-2.1%	+10.3%
FTSE All-Share Index total return <sup>†</sup>	-3.9%	+6.6%
Share price total return <sup>†</sup>	-7.8%	+9.9%
Discount	11.5%	5.3%
Dividend	+2.0%	+2.5%

<sup>†</sup> Source: Thomson Reuters Datastream.

## Investment Objective

The Company's investment objective is to produce income and capital growth superior to that of the UK stock market and dividends paid quarterly that, over time, grow above the rate of inflation.

## Principal Investment Aims

The Company aims to:

- have a portfolio yielding more than the FTSE All-Share Index in order to generate sufficient income;
- provide shareholders with dividend growth in excess of inflation over the longer term;
- achieve capital growth in excess of the FTSE All-Share Index over the longer term;
- reduce risk by diversifying investments across a wide range of companies and sectors; and
- enhance returns by utilising borrowings, when appropriate.

## Manager's Investment Approach

The Manager aims to exploit stock market inefficiencies. A strong emphasis is placed on:

- Analysis - focusing on the fundamentals of a company; its business model, sales growth, pricing power, market position, profit margins, financial characteristics and management strategy, including dividend outlook;
- Valuation - to ensure a stock offers an appropriate investment opportunity at its current share price.

## Borrowings

Gearing is provided by a bank overdraft facility and will not exceed 25% of the net asset value of the Company.

## Nature of the Company

The Company is a public listed UK investment company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 11), with the aim of spreading investment risk and generating a return for shareholders. The Company may use bank borrowings, the proceeds from which can also be invested with the aim of enhancing returns to shareholders. Such additional investment increases the potential risk to shareholders should the value of the investments fall.

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

## Strategy

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# Strategy

## Financial Information and Performance Statistics

### Total Return<sup>†</sup> (includes net dividends reinvested)

	Year Ended 31 March 2016	Year Ended 31 March 2015
Net asset value <sup>†</sup> per ordinary share*	-2.1%	+10.3%
FTSE All-Share Index*	-3.9%	+6.6%
Share price*	-7.8%	+9.9%

The Company's benchmark<sup>†</sup> is the FTSE All-Share Index.

	At 31 March 2016	At 31 March 2015	Change %
<b>Capital</b>			
Net asset value <sup>†</sup> per ordinary share	293.9p	309.2p	-4.9
FTSE All-Share Index*	3,395.2	3,663.6	-7.3
Share price*	260.0p	292.8p	-11.2
Discount <sup>†</sup> per ordinary share	11.5%	5.3%	

<b>Gearing</b>			
Gross gearing <sup>†</sup> - excluding the effect of cash	8.6%	8.3%	
Net gearing <sup>†</sup> - including the effect of cash	8.6%	8.3%	

### Revenue and Dividends

	Year Ended 31 March 2016	Year Ended 31 March 2015	Change %
Net revenue after tax (£'000)	6,763	6,398	+5.7
Revenue return per ordinary share	11.5p	10.9p	+5.5
Dividends:			
- first interim	2.15p	2.10p	
- second interim	2.15p	2.10p	
- third interim	2.20p	2.15p	
- final	3.80p	3.75p	
	10.30p	10.10p	+2.0
Retail Price Index - annual change	1.6%	0.9%	
Ongoing charges <sup>†</sup>	0.81%	0.88%	

#### Notes:

Terms marked <sup>†</sup> are defined in the Glossary on page 65.

\*Source: Thomson Reuters Datastream.



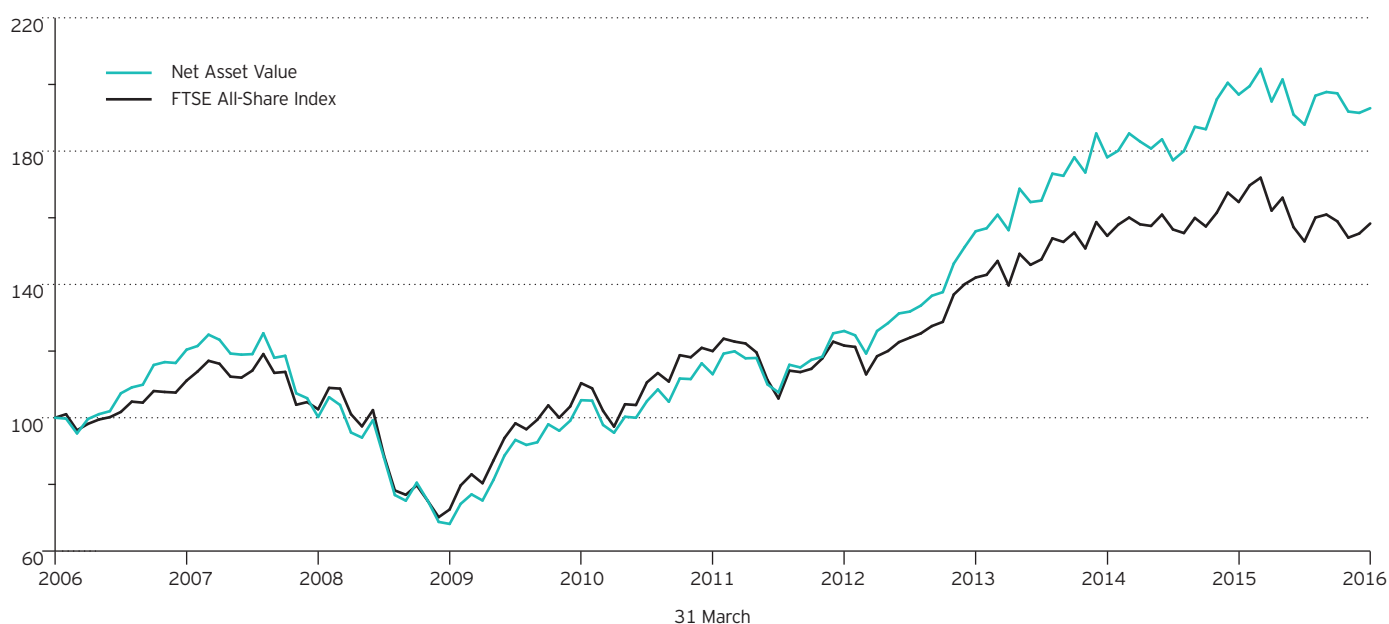
## Ten Year Historical Information

To 31 March	Income (revenue account) £'000	Net revenue available for ordinary shareholders £'000	Dividend on ordinary shares Cost £'000	Rate p	Shareholders' funds £'000	Net asset value per ordinary share p	Share Price p
2007	5,789	4,598	4,483	7.75	158,078	262.8	240.0
2008	6,128	4,855	4,831	8.25	124,552	212.7	199.0
2009	5,913	5,401	5,064	8.65	81,315	138.9	122.5
2010	5,422	4,703	5,182	8.85	114,817	196.1	174.0
2011	5,346	4,538	5,269	9.00	121,767	208.0	191.3
2012	6,369	5,510	5,387	9.20	129,831	221.7	213.8
2013	6,447	5,545	5,592	9.55	153,971	263.0	245.5
2014	6,783	5,786	5,767	9.85	169,530	289.5	276.0
2015	7,411	6,398	5,913	10.10	181,033	309.2	292.8
2016	7,778	6,763	6,031	10.30	172,061	293.9	260.0

During the year ended 31 March 2008, the Company bought back 1,610,506 ordinary shares leaving 58,551,530 ordinary shares in issue.

## Ten Year Total Returns

Rebased to 100 at 31 March 2006





# Strategy

## Financial Information and Performance Statistics

### Net Asset Value, Share Price and FTSE All-Share Total Return Performance

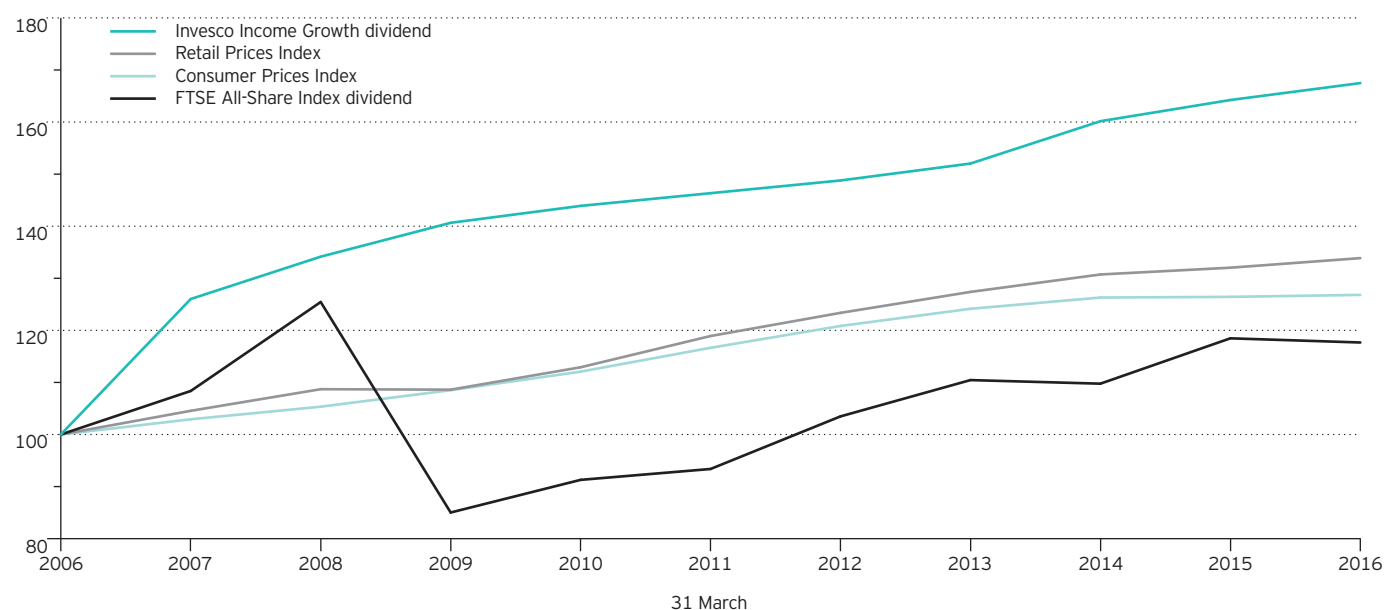
Total Returns to 31 March 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yr	5yr	10yr
NAV per ordinary share %	20.4	-16.8	-32.0	54.5	7.4	11.5	23.7	14.2	10.3	-2.1	23.7	70.6	92.9
FTSE All-Share %	11.1	-7.7	-29.3	52.3	8.7	1.4	16.8	8.8	6.6	-3.9	11.4	31.9	58.3
Share Price %	19.4	-11.6	-35.2	52.7	13.3	17.0	19.7	16.7	9.9	-7.8	18.2	65.6	95.9

Source: Thomson Reuters Datastream.

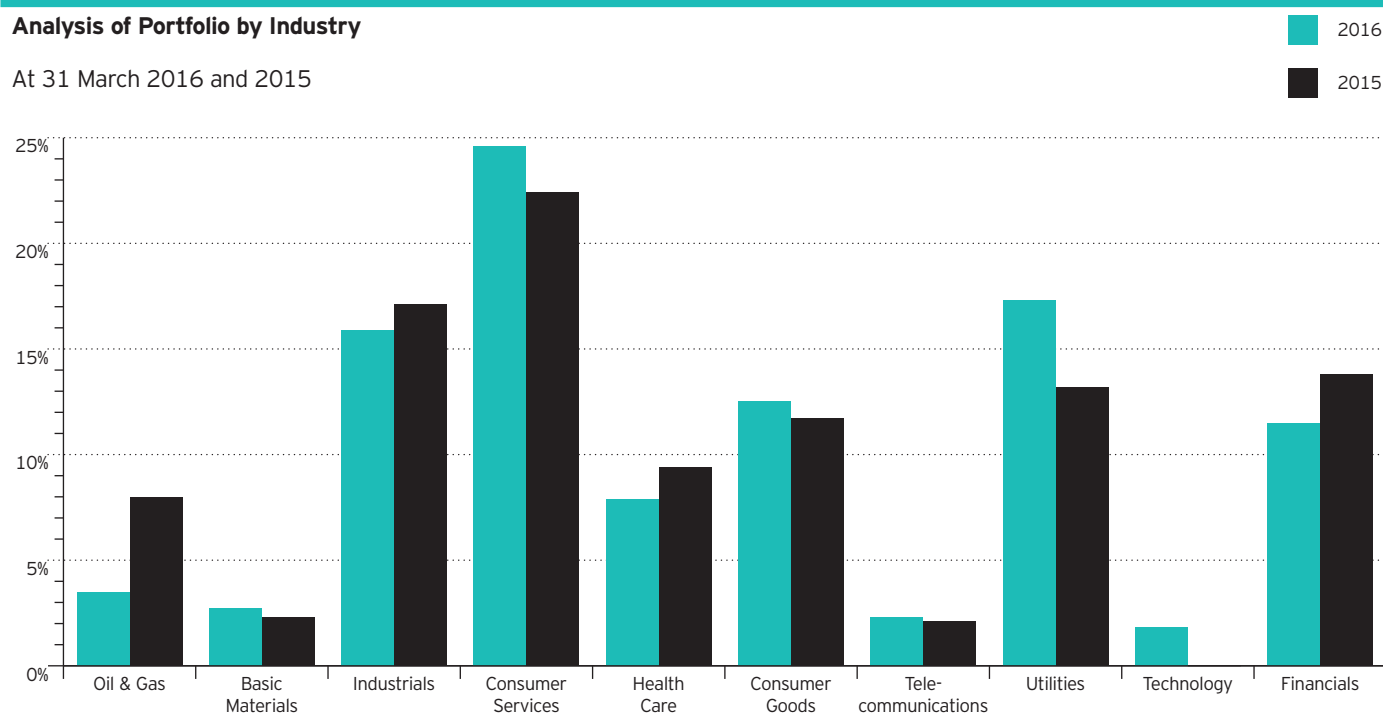
### Ten Year Company Dividend, FTSE All-Share Dividend, RPI and CPI Growth

Rebased to 100 at 31 March 2006



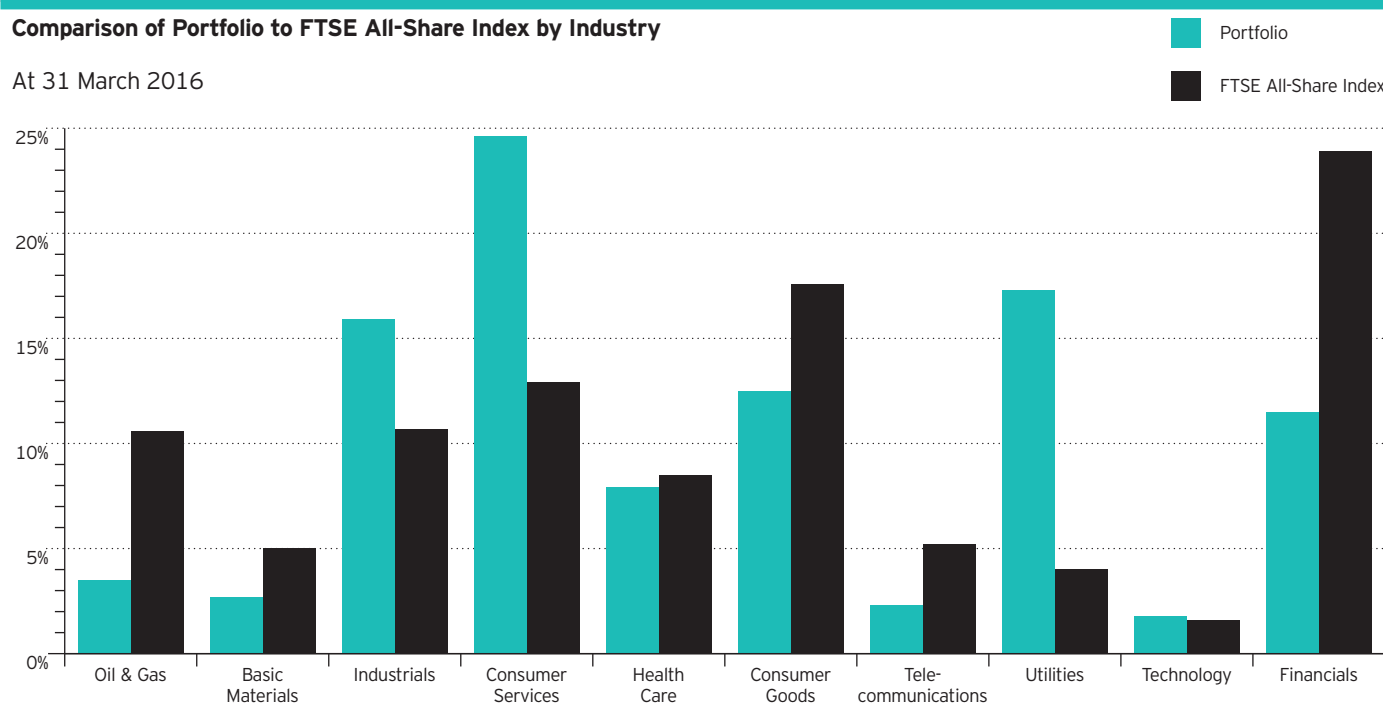
### Analysis of Portfolio by Industry

At 31 March 2016 and 2015



### Comparison of Portfolio to FTSE All-Share Index by Industry

At 31 March 2016





## Strategy Chairman's Statement



**Hugh Twiss MBE**  
Chairman

16 June 2016

### Performance

In my interim statement I said that I saw no immediate prospect that Ciaran Mallon, our portfolio manager, was going to find his job any less challenging in the second half of the year than he had in the first, and this proved to be the case. The total return on our net asset value over the year to 31 March 2016 was -2.1%, which compares with our benchmark's equivalent return of -3.9%. However, what was more disappointing was that our share price's total return was -7.8% as a result of the discount to NAV widening to 11.5% at the end of the year from 5.3% last year. This significant widening which developed at the end of the period was, I understand, principally as a result of a decision by Aviva to liquidate a sizeable portfolio of investment trusts, which included a large holding in our Company, following its acquisition of Friends Life. This affected the market prices of most of the investment trusts in the AIC UK equity sectors, as well as our Company's, and will, we believe, be a temporary feature.

Whilst any negative return is always unwelcome, it should be seen in the context of the positive returns that we have enjoyed in recent years and the

excellent longer term performance record that Ciaran has established, as can be seen from the statistics on page 6. This has helped us to meet our longer term investment objective and has provided us, the shareholders, with superior capital and income growth to that of the UK stock market and real growth of our dividends. Ciaran will give more details on the past year in his own report, which follows.

### Revenue and Dividends

In a year that has seen some high profile dividend cuts in the UK stock market, it is encouraging to be able to report that during the year, earnings increased to 11.5p per share from 10.9p, once again helped by some special dividends received. We are, therefore, pleased to be able to recommend a final dividend of 3.8p per share, which together with aggregate interim dividends paid of 6.5p, gives a total dividend per share for the year of 10.3p (2015: 10.1p), an increase of 2.0%. This exceeds the annualised inflation rate for the year to 31 March 2016 of 1.6% (as measured by RPI) and is consistent with our objective of growing the dividend at above the rate of inflation. If approved by shareholders, the final dividend will be paid on 29 July 2016 to shareholders on the register on 24 June 2016.

### The Board

As I reported in my last annual statement, Chris Hills will retire from the Board at the conclusion of this year's AGM. The Company has been very fortunate to have had Chris as a director since 1999 and to have been able to benefit from his considerable experience and wise counsel, particularly through the various testing times which we have seen in this period. I and, I know, the rest of the Board, will particularly miss him both as a respected colleague and for his insightful contributions to our deliberations. I would, therefore, like to take this opportunity, on behalf of all shareholders, to thank him for his long and distinguished service to the Company.

I am pleased to report that we have been fortunate to be able to appoint Mark Dampier, who joined the Board with effect from 1 March 2016, as Chris's replacement. Mark has over 30 years' experience in the investment management industry, is currently head of investment research for the largest private investor platform in the UK, Hargreaves Lansdown, and is a leading commentator on the sector. I strongly recommend his election by shareholders at the AGM in July.

### Outlook

I am having to write this statement just ahead of the EU referendum, the result of which, as I write, is still very unclear. However it finally plays out, it is causing increasing uncertainty, which is likely to continue if the result is to leave. This, together with its possible impact on an already fragile Europe and the prospect of uncertain political changes in the USA, all means that we are probably facing a period of increased uncertainty, the very thing that markets do not like. When combined with slower economic growth around the world, it would suggest that stock markets may not enjoy the experience. However, one consequence is likely to be continued very low interest rates for some time to come. So challenges are again what Ciaran faces, but he has risen to them before and I remain confident he will do so again. He may find positive returns hard to eke out for a while, but his concentration on investing in companies with strong fundamentals will, I am confident, ensure that the returns over the longer term will remain positive and that we can continue to meet our objective of growing the dividend in real terms.

### Annual General Meeting (AGM)

This year's AGM will be held at Invesco Perpetual's West End office, 1st Floor, 43-45 Portman Square, London W1H 6LY at 3pm on 27 July 2016. The Notice of the AGM of the Company is on pages 60 to 62 and a summary of the resolutions is set out in the Directors' Report on pages 33 and 34. Whilst I urge all shareholders to vote in favour of these resolutions by returning their completed voting papers or voting online, I do hope that as many shareholders as possible will attend the AGM in person and have the opportunity of hearing from Ciaran about the portfolio and his views on the outlook, as well as meeting myself and my fellow directors.

In the meantime, I would encourage shareholders to look at our section of our Manager's website at [www.invescopetual.co.uk/incomegrowth](http://www.invescopetual.co.uk/incomegrowth) which, in addition to hosting an electronic version of this annual financial report and a wealth of other useful information, features a video interview of our portfolio manager, Ciaran, that gives some insight into his investment style.

# Strategy Strategic Report Manager's Report

For the year ended  
31 March 2016



**Ciaran Mallon**  
Portfolio Manager

16 June 2016

## Portfolio Strategy and Review

The UK equity market was volatile over the 12 months under review, particularly towards the end of the period. The FTSE All-Share index reached an all-time high in April 2015, only to hit its lowest level since 2012 some 10 months later.

The introduction of quantitative easing in the eurozone and further stimulus from Japan drove a strong start to the period. However, equity market sentiment swung sharply negative as concerns grew over slowing economic growth in China and the impact of the strengthening US dollar on emerging market debt.

After a yuletide stock market rally, following the first increase in US interest rates for seven years, the start of 2016 saw the FTSE All-Share index fall back sharply to a multi-year low. Commodity prices hit 10 year lows and oil and mining companies cut profit guidance and, in some cases, dividends. Turbulence moderated as oil and metals prices showed some recovery and the ECB surprised financial markets by cutting interest rates in the eurozone to zero and stepping up the pace of quantitative easing. Nevertheless, worries persisted over the profitability of banks in a zero interest rate world. Towards period end, Janet Yellen, Chairman of the US Federal Reserve, provided a boost to equities by stating that the US central bank should proceed cautiously with interest rate rises.

The Company's net asset value, including reinvested dividends, delivered a return of -2.1% during the 12 months to 31 March 2016, outperforming its benchmark FTSE All-Share Index, which delivered a total return of -3.9%.

Against a highly volatile market backdrop, it was pleasing to see positive performances from a range of the portfolio's long term holdings. Notable amongst these was Imperial Brands (formerly Imperial Tobacco). As part of on-going consolidation in the industry, Imperial Brands acquired certain US brands, including Winston, and production facilities – a purchase which Imperial anticipates will be positively incremental to earnings. Dividend growth and profit margins remain healthy across the tobacco sector, driven by product innovation, tobacco quality

improvements and cost rationalisation, in spite of the continuing volume decline.

The holding in Young & Co's Brewery delivered impressive sales growth against a declining beer market, as the company continued to benefit from the sale of its London brewery and its focus on the acquisition and roll out of premium pubs. Croda International saw its shares perform strongly, as the company's niche position in speciality chemicals enables it to deliver organic revenue growth, rising margins and cash returns in the form of special dividends.

Other holdings which contributed positively to the portfolio's performance included Bunzl, Informa, Nichols, National Grid, RELX (formerly Reed Elsevier) and Severn Trent. All of the companies named above have been held in the portfolio for at least the past five years, and in some cases very much longer.

A relative newcomer to the portfolio is veterinary services company CVS, which was added in 2014. The company continues to expand rapidly and profitably through acquiring businesses in the highly fragmented and growing veterinary market. The increased prevalence of pet insurance, which drives demand for higher cost services, as well as the company's online animal pharmacy, labs and crematoria businesses, is underpinning levels of growth in the medium term. The shares rose by over 50% in the year.

The performance of the portfolio relative to its FTSE All-Share Index benchmark benefited from the portfolio's underweighting of the banks sector but, within the oil & gas sector, the absence of a holding in BG Group detracted from performance. The zero weighting in the mining sector, where share prices demonstrated exceptional swings, was a positive over the period as a whole, although a negative over the final quarter.

However, there were also some negative contributors amongst companies held. The holding in Amec Foster Wheeler, a company which provides project management services to the energy industry, weighed on performance. While I had expected that this business would be able to weather the industry downturn, it became increasingly clear that the scale of the downturn would make business for oil services companies difficult through 2016. Consequently,



For the year ended  
31 March 2016

the holding in Amec, and also that in another energy services company, John Wood, were sold.

The holding in G4S fell over the period, despite good results and a management delivering on their turnaround plans. I believe the valuation looks attractive and have added to the portfolio's holding.

Next and Whitbread are two holdings which had recently delivered consistent positive performance. However, the past 12 months saw both disappoint, in a challenging retail environment. Next warned that it was facing the "toughest year since the 2008 financial crisis" and Whitbread blamed weak high street footfall on lower sales at Costa Coffee. Both companies have business models that can withstand near term pressures and should create significant shareholder value in years to come.

Pearson has endured a bumpy ride over the past few years, as it migrates its educational business model to a digital proposition. Despite the sale of the company's Financial Times business for an attractive price, the shares again underperformed over the year. We continue to believe that the company's unrivalled positioning in the global educational market should stand it in good long term stead.

In terms of other portfolio activity, Friends Life was taken over by Aviva in an all share offer and the consequent holding in Aviva has been retained. New investments were made in Micro Focus International and Softcat, while Spectris and Ultra Electronics were sold.

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### **Outlook**

Notwithstanding its recent volatility, the UK stock market has risen strongly over the last six years. Market valuations, in terms of historic dividend yields and price earnings ratios, are near long term average levels, suggesting that the long term outlook for returns from investing in the stock market are still attractive. However, there remains the possibility of further dividend cuts, while earnings growth for many companies and sectors remains elusive, or even negative, against a back drop of subdued economic growth and other uncertainties.

I believe it is sensible to remain conservative in my investment approach and seek to invest in companies whose prospects are not dependent on an improving economic outlook. I remain confident in the long term return potential of the holdings in my portfolio.

## Strategy and Business Model

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

The business model the Company has adopted to achieve its objective has been to contract the services of Invesco Fund Managers Limited (IFML or the 'Manager') to manage the portfolio in accordance with the Board's strategy and under its oversight. The Manager is also responsible for providing company secretarial, marketing, accounting and general administration services. In practice, many of these services are performed under delegated authority by Invesco Asset Management Limited (IAML), a company related to IFML. References to the Manager in this annual financial report should consequently be considered to include both entities. Invesco Perpetual is a business name of both IFML and IAML. The portfolio manager responsible for the day to day management of the portfolio is Ciaran Mallon.

All administrative support is provided by third parties under the oversight of the Board. In addition to the management and administrative functions of the Manager, the Company has contractual arrangements with Capita Asset Services to act as registrar and BNY Mellon Trust & Depositary (UK) Limited as depositary. The depositary has delegated safekeeping of the Company's investments to The Bank of New York Mellon (London Branch).

### Investment Policy

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

### Investment Objective

The Company's investment objective is to produce income and capital growth superior to that of the UK stock market and dividends paid quarterly that, over time, grow above the rate of inflation.

### Principal Investment Aims

The Company aims to:

- have a portfolio yielding more than the FTSE All-Share Index in order to generate sufficient income;
- provide shareholders with dividend growth in excess of inflation over the longer term;
- achieve capital growth in excess of the FTSE All-Share Index over the longer term;
- reduce risk by diversifying investments across a wide range of companies and sectors; and
- enhance returns by utilising borrowings, when appropriate.

### Investment Policy and Risk

The Company invests principally in quoted UK equities and equity-related securities of UK companies selected from any market sector.

At certain times some exposure to fixed interest securities may be considered desirable by the Manager whereby the main criteria for inclusion will be income, liquidity and credit quality.

The Company utilises borrowings when appropriate in order to seek to enhance its returns but the associated risks will be mitigated by limiting the maximum amount of borrowings that can be utilised and by investing predominantly in liquid investments so that any gearing can be managed in a timely way.

One of the Company's principal characteristics is that it diversifies its investments across a wide range of companies and sectors, so minimising the risks associated with having too much invested in one stock or sector. The Manager's aim is to have a broad cross-section of the best-performing stocks that he can find consistent with this characteristic.

### Investment Limits

The Board has prescribed limits on the Investment Policy, among which are the following:

- no more than 10% of gross assets will be held in a single investment;
- no more than 15% of gross assets will be held in other listed investment companies;
- no more than 5% of gross assets will be held in unquoted investments; and
- borrowings may be used to raise market exposure up to a maximum of 25% of net assets.



Except for borrowings, all of the preceding limits are measured at the time of investment.

The Company does not currently use derivative instruments, but could potentially do so for efficient portfolio management purposes, subject to specific sanction of the Board.

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## Performance

### Key Performance Indicators

The Board and Manager work closely together to achieve the Company's investment objective. To help shareholders understand how this is achieved and monitored, the following key performance indicators are used:

- the income available to be paid as dividends compared to Retail Price Inflation (RPI);
- the net asset value performance;
- the Company's total return performance compared to inflation, its benchmark and its peer group;
- the premium or discount to net asset value at which the Company's shares trade; and
- ongoing charges (the total cost to shareholders incurred by the Company).

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### Dividends

The Board aims to pay a sustainable level of base dividend that grows at least in line with the Company's investment objective to provide shareholders with real long-term growth in dividends. Additional dividend payments above the sustainable level may be paid on a case by case basis as special dividends.

For the year ended 31 March 2016, three interim dividends have been paid and shareholder approval is being sought at this year's AGM to pay a final dividend of 3.80p (2015: 3.75p) per share. The first two interim dividends were of 2.15p (2015: 2.10p) each per share and were paid on 30 October 2015 and 31 December 2015. The third interim dividend was 2.20p (2015: 2.15p) and was paid on 15 March 2016. If approved by shareholders, the final dividend will be paid to shareholders on 29 July 2016. In total, the Directors have declared and recommended dividends of 10.30p, an increase of 2% over the previous year. Further details on the dividend payment history can be found on page 5.

The Board keeps under review the income generated by the portfolio. The average

yield of the portfolio during the year was approximately 4.0%, a premium of 0.4% over the average yield of the FTSE All-Share Index over the same period, which was 3.6%. Whilst the portfolio's yield has been, and is anticipated to continue to be, at a premium to the index the premium has narrowed in recent years. This is partly because of the strong capital return from the portfolio, leading to a concomitant fall in dividend yield. Also, many of the large, higher yielding companies in the benchmark index have dividends which are not well covered by earnings. Inclusion in the portfolio takes account not only of current dividend yield, but also dividend safety and growth prospects.

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### Asset Performance

On 31 March 2016, the share price and the net asset value (NAV) per share were 260.0p and 293.9p respectively. The comparable figures for 31 March 2015 were 292.8p and 309.2p.

The Board monitors the Company's NAV and compares its performance with relevant indices, principally the FTSE All-Share Index, which is the Company's benchmark. The NAV total return of the Company for the year was -2.1% compared with a total return of -3.9% for the FTSE All-Share Index, -7.2% for the FTSE All-Share 5% Capped Index, -8.8% for the FTSE 100 Share Index and -7.5% for the FTSE 350 High Yield Index.

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### Peer Group Performance

The Board monitors the performance of the Company in relation to both the AIC UK Equity Income sector as a whole and, as this sector is quite diverse in its objectives and structures, to those companies within it which the Board considers to be the peer group that most closely matches it.

As at 31 March 2016, out of the 22 investment trusts ranked within the AIC UK Equity Income sector, the Company was ranked 13<sup>th</sup> over one year, 11<sup>th</sup> over three years and 7<sup>th</sup> over five years by NAV performance (source: JPMorgan Cazenove).

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### Discount

The Board monitors the discount at which the Company's shares trade in relation to the value of the underlying assets and how this compares to other investment trusts in the AIC UK Equity Income sector. During the year the Company's shares traded at a discount between 2.1% and 11.6%. At the year end the discount was

11.5% (2015: 5.3%) and the average discount of the sector was 4.5% (2015: 2.5%) (source: JPMorgan Cazenove). The wide discount at the year end is thought to be a temporary feature caused by market indigestion after a large holder of this and other investment companies changed its investment policy.

The Board and Manager closely monitor movements in the Company's share price and dealings in the Company's shares. In order to avoid significant overhang or shortage of shares in the market, the Board asks shareholders to approve resolutions every year authorising the repurchase of shares (for cancellation or to be held as treasury shares) and also their issuance. This may assist in the management of the discount. These authorities were not utilised in the year.

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

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#### Ongoing Charges

The expenses of managing the Company are reviewed by the Board at every meeting. The Board aims to minimise the ongoing charges figure, which provides a guide to the effect on performance of all annual operating costs of the Company. The ongoing charges figure is calculated by dividing the annualised ongoing charges, including those charged to capital, by average net asset value during the year, expressed as a percentage.

Ongoing charges for the year totalled £1,437,000 (2015: £1,528,000) and the ongoing charges figure was 0.81% (2015: 0.88%).

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#### Financial Position

At 31 March 2016, the Company's net assets were valued at £172 million (2015: £181 million). The portfolio consisted of equity investments, fixed rate securities and cash.

The Company has an overdraft facility, which is limited to the lesser of 25% of net asset value and £25 million. At the balance sheet date, drawings were £14.9 million (2015: £14.9 million). Note 11 to the financial statements gives details of the facility.

Due to the readily realisable nature of the Company's assets, cash flow does not

have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments and the income from investments, against which must be set the costs of borrowing and management expenses. The Company's use of financial instruments is disclosed in note 1C and note 15 to the financial statements.

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#### Future Trends

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Manager's Report section of this Strategic Report on pages 9 and 10. Further details as to the risks affecting the Company are set out below under 'Principal Risks and Uncertainties'.

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#### Principal Risks and Uncertainties

The audit committee regularly undertakes a robust assessment of the risks the Company faces, on behalf of the Board (see Audit Committee Report on page 24).

The following are considered to be the most significant risks to shareholders in relation to their investment in the Company. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 15 to the financial statements.

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#### Investment Objective

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

The Board monitors the performance of the Company and has established guidelines to ensure that the investment policy is followed.

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#### Market Risk

All of the investments held in the year traded on the London Stock Exchange. The prices of securities and the income derived from them are influenced by many factors such as general economic conditions, interest rates, inflation, political events and government policies, as well as by supply and demand reflecting investor sentiment. Such factors are outside the control of the Board and Manager and may give rise to high levels of volatility in the prices of investments held by the Company, although the risk to the Company's performance can be mitigated to an extent by adjusting the level of borrowing or holding cash balances.

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#### Investment Risk

There is a risk that the performance of stocks selected for the portfolio might disappoint. Any poor performance of individual investments is mitigated by the diversification of the portfolio and the continual analysis of all holdings by the portfolio manager. The portfolio of investments held at 31 March 2016 is set out on pages 16 and 17.

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#### Shares

Shareholders are exposed to certain risks in addition to risks applying to the Company itself. The market value of the shares in the Company may not reflect their underlying net asset value (NAV) and they may trade at a discount to it. The Board and the Manager monitor the market rating of the Company's shares and both share repurchase and issuance powers are in place that can be used to help in its management and are intended to be renewed at the AGM.

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

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

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#### Gearing Arising from Borrowings

Whilst the use of borrowings by the Company should enhance the total return on the shares where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the shares. The Board and the Manager keep the level of borrowing under review.

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#### Regulatory

The Company is subject to various laws and regulations by virtue of its status as a public limited company registered under section 833 of the Companies Act 2006, its status as an investment trust, and its listing on the Official List of the UK Listing Authority.

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

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

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#### Reliance on Third Party Service Providers

The Company has no employees and the Directors are all appointed on a non-executive basis. The Company is reliant upon the performance of third party service providers for its executive functions. In particular, the Manager performs services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its Investment Policy.

The Manager may be exposed to reputational risks, in particular, the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation.

Any damage to the reputation of the Manager could result in potential counterparties and third parties being unwilling to deal with the Manager and by extension the Company.

The Board regularly reviews the quality of services provided. The Company's main service providers are listed on page 64.



## Viability Statement

The Company is an investment company operating as an investment trust, as defined by sections 1158 and 1159 of the Corporation Tax Act 2010. As such, the Company is a collective investment vehicle rather than a commercial business venture and is designed and managed for long term investment. Long term for this purpose is considered to be at least five years and so the Directors have assessed the Company's viability over that period. However, the life of the Company is not intended to be limited to that or any other period.

In assessing the viability of the Company the Board considered the principal risks to which it is exposed, as set out on pages 13 and 14, together with mitigating factors. The risks of failure to meet the Company's investment objective, and contributory market and investment risks were considered to be of particular importance. The Board also took into account the capabilities of the Manager and the varying market conditions already experienced by the Company since it commenced operations in 1996.

In terms of financial risks to viability, the investments comprising the portfolio are all listed on the London Stock Exchange and readily realisable. The Company has no long term liabilities and the portfolio's total value is many times the value of its short term liabilities and annual operating costs. Consequently, there appears little to no prospect of the Company being unable to meet its financial obligations as they fall due in the next five years.

Based on the above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

## Board Diversity

The Company's policy on diversity is set out on page 28. The Board currently comprises six non-executive directors of whom one is a woman, thereby constituting 17% female representation. The number of male directors will revert to four following the annual general meeting. Summary biographical details of the Directors are set out on page 20. The Company has no employees.

## Social and Environmental Matters

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

The Company is an investment vehicle and does not provide goods or services in the normal course of its business, or have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

This Strategic Report was approved by the Board on 16 June 2016

Invesco Asset Management Limited  
Company Secretary

# Strategy Investments in Order of Valuation

At 31 March 2016

UK listed ordinary shares unless otherwise stated

Holdings	Company	Activity By Sector	Value £'000	% of Portfolio
232,817	Imperial Brands (formerly Imperial Tobacco)	Tobacco	8,994	4.9
208,341	British American Tobacco	Tobacco	8,521	4.6
787,943	Pennon	Gas, Water & Multiutilities	6,382	3.4
625,844	National Grid	Gas, Water & Multiutilities	6,176	3.3
425,960	GlaxoSmithKline	Pharmaceuticals & Biotechnology	6,010	3.2
262,206	Severn Trent	Gas, Water & Multiutilities	5,695	3.1
407,568	RELX	Media	5,270	2.8
626,800	Young & Co's Brewery - Non voting	Travel & Leisure	5,171	2.8
167,023	Croda International	Chemicals	5,066	2.7
129,626	AstraZeneca	Pharmaceuticals & Biotechnology	5,059	2.7
<b>Top ten holdings</b>			<b>62,344</b>	<b>33.5</b>
2,143,494	Legal & General	Life Insurance	5,039	2.7
126,790	Wolseley	Support Services	4,994	2.7
709,518	Informa	Media	4,921	2.7
510,873	United Utilities	Gas, Water & Multiutilities	4,713	2.5
232,000	Bunzl	Support Services	4,693	2.5
1,114,328	Jupiter Fund Management	Financial Services	4,557	2.5
995,939	Aviva	Life Insurance	4,542	2.5
113,993	Whitbread	Travel & Leisure	4,514	2.4
584,369	CVS	General Retailers	4,494	2.4
357,190	Experian	Support Services	4,443	2.4
<b>Top twenty holdings</b>			<b>109,254</b>	<b>58.8</b>
297,350	SSE	Electricity	4,433	2.4
358,693	Compass	Travel & Leisure	4,405	2.4
78,369	Next	General Retailers	4,228	2.3
953,404	BT Group	Fixed Line Telecommunications	4,200	2.3
956,462	HSBC	Banks	4,150	2.2
1,609,665	MITIE	Support Services	4,137	2.2
316,651	Nichols	Beverages	4,009	2.1
478,843	Essentra	Support Services	3,962	2.1
366,234	Capita	Support Services	3,812	2.0
127,488	InterContinental Hotels	Travel & Leisure	3,658	2.0
<b>Top thirty holdings</b>			<b>150,248</b>	<b>80.8</b>

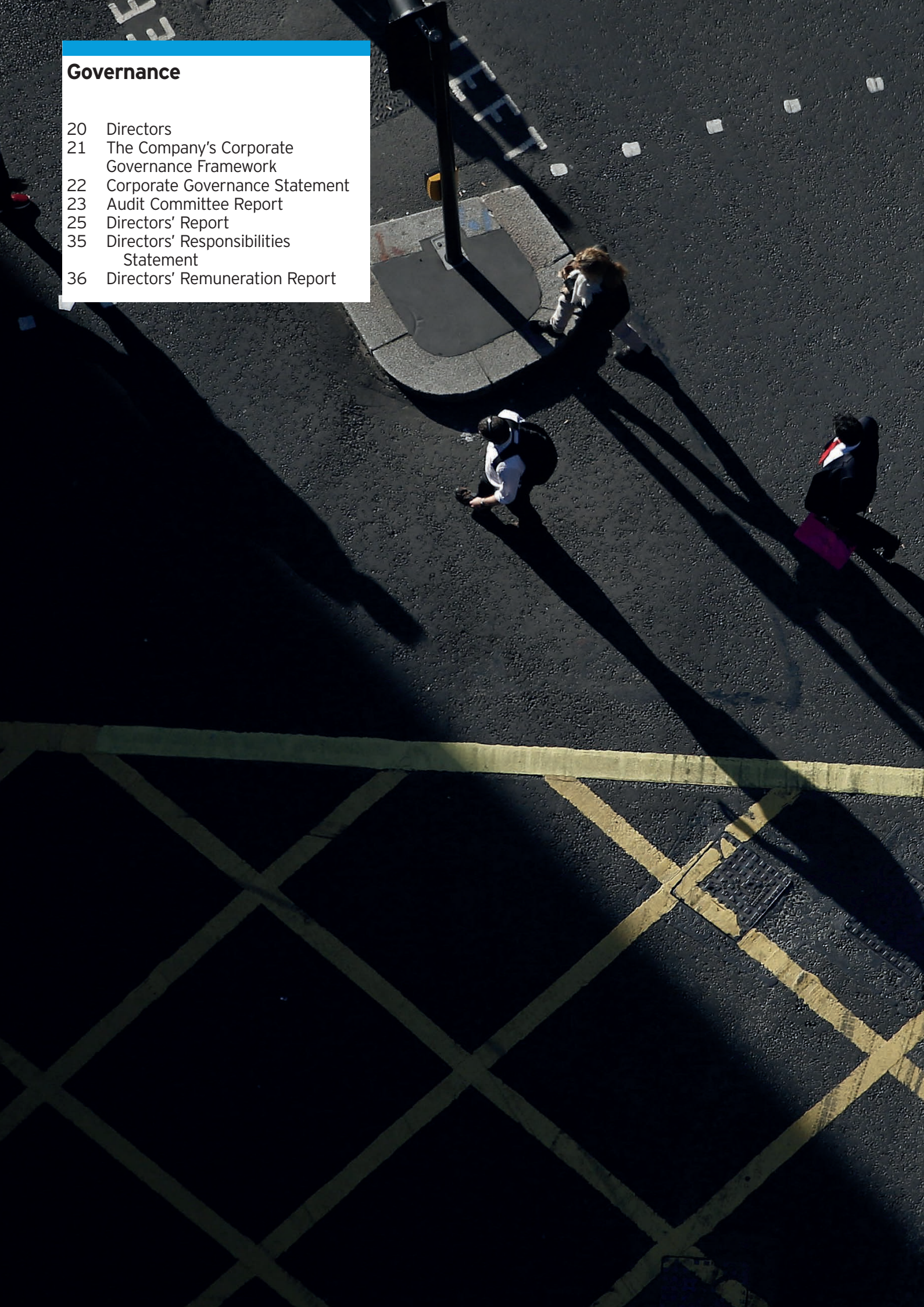
Holdings	Company	Activity By Sector	Value £'000	% of Portfolio
316,645	Smith & Nephew	Health Care Equipment & Services	3,632	2.0
1,587,425	Centrica	Gas, Water & Multiutilities	3,613	1.9
963,243	BP	Oil & Gas Producers	3,373	1.8
185,141	Royal Dutch Shell B Shares	Oil & Gas Producers	3,147	1.7
353,058	Pearson	Media	3,089	1.7
327,693	Euromoney Institutional Investor	Media	3,087	1.7
875,837	N Brown	General Retailers	2,859	1.5
1,489,362	G4S	Support Services	2,839	1.5
614,493	Softcat	Software & Computer Services	1,914	1.0
569,483	GKN	Automobiles & Parts	1,645	0.9
<b>Top forty holdings</b>			<b>179,446</b>	<b>96.5</b>
131,843	Land Securities	Real Estate Investment Trusts	1,450	0.8
91,959	Micro Focus International	Software & Computer Services	1,443	0.8
409,260	Drax	Electricity	1,114	0.6
333,396	Senior	Aerospace & Defence	760	0.4
<b>Total ordinary shares (44)</b>			<b>184,213</b>	<b>99.1</b>
1,300,000	Barclays Bank 14% Perpetual (BB)*	Banks	1,638	0.9
<b>Total fixed income investments (1)</b>			<b>1,638</b>	<b>0.9</b>
<b>Total value of investments (45)</b>			<b>185,851</b>	<b>100.0</b>

Note: \*Standard & Poors Long term Credit Rating; investment grade range is from BBB to AAA, non-investment (speculative) grade is BB and below.



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## Governance

### The Directors

**Hugh Twiss MBE**



Mr Twiss was appointed to the Board on 23 November 2001. He became Chairman of the Company on 13 July 2012 and also chairs the Nomination Committee. He undertakes various charity and consultancy work, the latter including working with Trust Associates, and was Chairman of Henderson High Income Trust plc until he retired from that office this year. He was formerly a Director of Fleming Investment Management for many years.

**Davina Curling**



Ms Curling was appointed to the Board on 1 March 2011. She is also a Non-Executive Director of BlackRock Greater Europe Investment Trust plc and is a member of the Investment Committee of St. James' Place. Prior to this she was Managing Director and Head of Pan European Equities at Russell Investments and before this of F&C Asset Management. Ms Curling started her career at Kleinwort Benson in 1987 before moving to run the European desks at Nikko, RSA and then ISIS Asset Management.

**Mark Dampier**



Mr Dampier was appointed to the Board with effect from 1 March 2016. He is Head of Investment Research at Hargreaves Lansdown, a position he has held since 1998, a Director of Hargreaves Lansdown Asset Management Ltd and a member of Hargreaves Lansdown PLC's Executive Management Committee. He has over 30 years' experience in the fund management industry, including managing and marketing investment trusts and unit trusts, has published a book on effective investing and is a leading commentator on the investment sector.

**Chris Hills**



Mr Hills was appointed to the Board on 11 October 1999 and is Chairman of the Management Engagement Committee. He is currently Chief Investment Officer of Investec Wealth & Investment Limited. He was formerly a Director of Baring Fund Management, where he ran a wide range of portfolios and was a senior member of the UK policy group. He is also a Non-Executive Director of Henderson Opportunities Trust plc and a Director of the AIC. Mr Hills will retire from the Board at the conclusion of the annual general meeting.

**Jonathan Silver**



Mr Silver was appointed to the Board on 1 August 2007 and is Chairman of the Audit Committee. He is also a Non-Executive Director and Chairman of the Audit Committee of Spirent Communications plc and was Chief Financial Officer on the main Board of Laird plc until he retired in May 2015, having held that position since 1994. Prior to 1994, Mr Silver held various senior financial positions within Laird plc, which he joined in 1986. He is a member of the Institute of Chartered Accountants of Scotland.

**Roger Walsom**



Mr Walsom was appointed to the Board on 5 May 2006. He is currently Chairman of a company related to Ashurst, the City law firm, where he was previously a partner for many years and had a wide-ranging corporate practice including advising a number of investment trusts and other funds. He was previously a Non-Executive Director of the Pensions Regulator, St. James's Place plc and the Miller insurance broking group at Lloyds.

**All Directors are non-executive and considered independent.**

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



## Governance

### The Company's Corporate Governance Framework

#### The Board and Committees

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

#### The Board

Six non-executive directors (NEDs)

#### Chairman

Hugh Twiss

#### Key responsibilities:

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

#### Audit Committee

All NEDs

#### Chairman

Jonathan Silver

#### Key responsibilities:

- to oversee financial reporting and the control environment; and
- to manage the relationship with the external auditor.

#### Management Engagement Committee

All NEDs

#### Chairman

Chris Hills

#### Key responsibilities:

- to review the performance of the Manager; and
- to review other service providers.

#### Nomination Committee

All NEDs

#### Chairman

Hugh Twiss

#### Key responsibilities:

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

#### Remuneration Committee Function

The Board as a whole performs this function

#### Key responsibilities:

- to set the remuneration policy of the Company.

#### The Portfolio Manager

The portfolio manager, Ciaran Mallon, is based in Henley-on-Thames. He is a member of the Manager's UK Equities team in Henley and is responsible for the management of a number of UK equity portfolios.

Ciaran began his investment career in 1994, joining HSBC where he was an investment analyst before moving to United Friendly Asset Management in 1999 as a fund manager and joining Invesco Perpetual in 2005. He holds a BA (Honours) in Chemistry from Oxford University and has also gained the CFA and Securities Institute Diploma.

## Governance

# Corporate Governance Statement

For the year ended  
31 March 2016

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

The Directors have considered the principles and recommendations of the 2015 AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2014 UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

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

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

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- nomination of a senior independent director (explained further on page 25).

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of Invesco Income Growth Trust plc, being an externally managed investment company with no executive employees and, in relation to the third, in view of the Manager having an internal audit function.

Information on how the Company has applied the principles of the AIC Code and the UK Code follows:

The composition and operation of the Board and its committees are summarised on pages 25 to 28, and pages 23 and 24 in respect of the Audit Committee.

The Company's approach to internal control and risk management is summarised on page 24.

The contractual arrangements with, and assessment of, the Manager are summarised on page 30.

The Company's capital structure and voting rights are summarised on page 32.

The most substantial shareholders in the Company are listed on page 32.

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on pages 27 and 28. There are no agreements between the Company and its directors concerning compensation for loss of office.

Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares, which are sought annually, require shareholders approval.

### By order of the Board

Invesco Asset Management Limited  
Company Secretary

16 June 2016

## Governance

# Audit Committee Report

For the year ended  
31 March 2016

The Audit Committee comprises all of the Directors on the Board. The Committee has written terms of reference that clearly define its responsibilities and duties.

### Audit Committee Responsibilities

#### The responsibilities of the Audit Committee include:

- reviewing the effectiveness of the internal controls and risk management systems, including reports received on the operational controls of the Company's service providers;
- reviewing the annual and half-yearly financial reports and announcements of the Company and ensuring compliance with relevant statutory and listing requirements;
- management of the relationship with the external auditor, including their appointment, fees, and the scope, effectiveness, independence and objectivity of their audit; and
- advising the board on whether the Committee believes the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

The Committee meets at least three times a year. At these meetings the Committee reviews the internal financial and non-financial controls, accounting policies, the contents of the half-yearly and annual financial reports to shareholders, the auditor's independence, objectivity and effectiveness and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk management processes. Representatives of the Manager's Compliance and Internal Audit Departments attended two meetings. The depositary also provided reports for these meetings and attended the meeting at which the draft annual financial report was reviewed.

The audit programme and timetable were drawn up and agreed with the auditor, Ernst & Young LLP, in advance of the end of the financial year. At this stage, matters for audit focus were discussed and agreed. These matters were given particular attention during the audit process and, among other matters, were reported on by the auditor in their audit results report to the Committee. Representatives of the auditor attended the Committee meeting at which the draft annual financial report was reviewed and were given the opportunity to speak to Committee members without the presence of representatives of the Manager. The audit results report was considered by the Committee and discussed with the auditor and the Manager prior to the approval and signing of the financial statements.

Following a thorough review process, the Audit Committee is satisfied that the 2016 annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### Accounting Matters and Significant Areas

For the year end the accounting matters that were subject to specific consideration by the Committee and consultation with the auditor, where necessary, were as follows:

Significant area	How addressed
Portfolio Valuation and Ownership	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. The investments are held on behalf of the Company by the Company's custodian, The Bank of New York Mellon. The Committee was assured that the Company's records were reconciled to those of the custodian by both the auditor and the depositary.
Income Recognition	The Manager reviewed each stock line to ensure that those marked ex-dividend in the year were included in revenue and that any special dividends were appropriately attributed to revenue or capital.  The above were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor.



## Governance

### Audit Committee Report

For the year ended  
31 March 2016

#### Auditor

Ernst & Young LLP was selected to be the Company's external auditor following a tender exercise in January 2015 and appointed by shareholders on 22 July 2015.

The Committee assesses the effectiveness of the external audit process through discussions with the Manager and the auditor and consideration of review points raised. The Audit Committee has considered the independence of the external auditor and the objectivity of the audit process and is satisfied that Ernst & Young LLP has fulfilled its obligations to shareholders and as independent auditor to the Company for the year.

No other services have been provided by Ernst & Young LLP and it is the Company's policy not to seek substantial non-audit services from its auditor. Were the provision of significant non-audit services being considered, the Committee would consider whether the particular skills of the audit firm made them a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit.

A resolution proposing the re-appointment of Ernst & Young LLP as the Company's auditor for the year to 31 March 2017 and authorising the Audit Committee to determine their remuneration will be put to shareholders at the forthcoming AGM.

#### Internal Controls and Risk Management

The Committee undertakes a robust assessment of the risks to which the Company is exposed by reference to a risk control summary, which maps the risks, mitigating controls in place and relevant information reported to the Directors. The resultant ratings of the mitigated risks, in the form of a risk heat map, allow the Directors to concentrate on those risks that are most significant and also forms the basis of the list of principal risks and uncertainties set out in the Strategic Report on pages 13 and 14.

The Committee, on behalf of the Board, is responsible for ensuring that the Company maintains a sound system of internal control to mitigate risk and safeguard shareholders' investment and the Company's assets. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least annually. Appropriate action is taken to remedy any significant failings or weaknesses identified from these reviews. No significant items were identified in the year. The risk management and internal controls have been in place throughout the year and up to the date of this report.

The Company relies on external service providers for all of its operations and on the controls they operate on behalf of the Company. The Committee receives and considers, together with representatives of the Manager, independent service auditors' reports provided by the relevant service provider in relation to the operational controls of the investment manager, accounting administrator, custodian, company secretary and registrar. These reviews identified no significant issues.

The Committee has reviewed and accepted the Manager's 'Whistleblowing' policy under which staff of Invesco Fund Managers Limited can, in confidence, raise concerns about possible improprieties or irregularities in matters affecting the Company.

#### Internal Audit

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

I will be present at the AGM to deal with questions relating to the financial statements.

**Jonathan Silver**  
Chairman of the Audit Committee

16 June 2016

## Governance Directors' Report

For the year ended  
31 March 2016

### Business and Status

The Company was incorporated and registered in England and Wales on 22 December 1995 as a public limited company, registered number 3141073, and commenced operations in March 1996.

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within the meaning of the Corporation Tax Act 2010 (CTA) and the Investment Trusts (Approved Company) (Tax) Regulations 2011. HM Revenue and Customs has approved the Company's status as an investment trust and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain such approval.

### Performance and Dividends

Details of the Company's performance and proposed dividend are shown in the Strategic Report on pages 12 and 13.

### The Board

The Company currently has a Board of six non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. Details of the Board's responsibilities, information it relies upon and the number of meetings it holds are set out on the following pages. Certain aspects of the Company's affairs are dealt with by the Directors sitting as the Audit Committee (see pages 23 and 24), the Management Engagement Committee (see page 28) and the Nomination Committee (see page 28). In view of the size of the Board and the nature of the Company, all of these committees are comprised of all of the Directors.

Each committee has written terms of reference which are available for inspection at the registered office of the Company, at the Company's correspondence address (see page 64), on the Company's section of the Manager's website and will be available at the AGM.

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities. For information on the Directors' remuneration, please refer to the Directors' Remuneration Report on pages 36 and 37.

The Board regards all of the Directors to be wholly independent of the Company's Manager. The Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 20.

### Chairman

The Chairman of the Board is Hugh Twiss, a non-executive Director who has no conflicting relationships.

### Senior Independent Director

The Board does not consider it necessary to identify a senior independent director. All the Directors are available to shareholders if they have concerns which contact through the normal channels of Chairman, Manager or Company Secretary has failed to resolve or for which such contact is inappropriate.

### Board Responsibilities

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

In order to promote the success of the Company, the Board directs and supervises its affairs within a framework of effective controls which enable risk to be assessed and managed. A formal schedule of matters reserved for the Board has been established. The schedule is reviewed annually to ensure compliance with the latest regulatory requirements, best practice and the AIC Code and is available for inspection at the registered office of the Company, at the Company's correspondence address (see page 64), in the Company's section of the Manager's website and will be available at the AGM. The main responsibilities of the Board include: setting policies and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting and dividend policies, managing the capital structure, setting long-term objectives and strategy, assessing risk, reviewing investment performance, approving loans and borrowing, approving recommendations presented by the Company's respective Board Committees, controlling risks and the ongoing assessment of the Manager. The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares, through the details given in the annual and half-yearly financial reports, and regulatory information service announcements, including daily NAV disclosures.

For the year ended  
31 March 2016

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

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**Supply of Information**

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

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

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

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**Board, Committee and Directors' Performance Appraisal**

The Directors recognise the importance of the AIC Code particularly in terms of evaluating the performance of the Board as a whole, the respective Committees of the Board and individual Directors. Performance of the Board, Committees and Directors has been assessed during the year in terms of:

- attendance at Board and Committee Meetings;
- the independence of individual Directors;
- the ability of Directors to make an effective contribution to the Board and Committees due to the diversity of skills and experience each Director brings to meetings; and
- the Board's ability to challenge the Manager's recommendations, suggest areas of debate and fix timetables for debates on the future strategy of the Company.

The Board conducted its annual performance evaluation through discussions between the Directors and between each Director and the Chairman. The review concluded that the Board and its Committees collectively, and the Directors individually, including the Chairman, continue to be effective and that the Directors demonstrate commitment to their respective roles.

## Attendance at Board and Committee Meetings

The number of scheduled meetings held during the year to 31 March 2016 and the attendance of individual Directors are shown in the table below:

	Scheduled Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings <sup>†</sup>
Number of meetings	6	3	1	4
- Davina Curling	6	3	1	4
- Chris Hills	5	3	1	2
- Jonathan Silver	6	3	1	4
- Hugh Twiss	6	3	1	4
- Roger Walsom	6	3	1	4
- Mark Dampier*	1	1	-	1

<sup>†</sup> This year, the routine annual Nomination Committee meeting to consider Directors' succession, tenure and re-election, was supplemented by additional meetings to shortlist, interview and conclude on new Director candidates.

\* Mark Dampier was appointed with effect from 1 March 2016, and has attended all meetings since his appointment.

In addition to the above, occasional meetings of sub-committees of the Board were held to deal with ad hoc items.

## Appointment, Re-election and Tenure of Directors

New Directors are appointed by the Board, following recommendation by the Nomination Committee, and are then subject to election by shareholders at the first Annual General Meeting (AGM) following their appointment. Accordingly, Mark Dampier will stand for election at the forthcoming AGM. 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 on the Company section of the Manager's website.

The Company's Articles of Association (Articles) require that each Director shall retire at an AGM at least every three years after appointment or (as the case may be) last re-appointment, and may offer themselves for re-election. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders. Such long serving Directors will stand for re-election annually.

No Directors are required to retire by rotation at this year's AGM. However, due to their length of service, Hugh Twiss, Jonathan Silver and Roger Walsom will seek re-election at this year's AGM. The Board confirms that each of the Directors standing for re-election continues to perform effectively and to demonstrate commitment to their respective roles and recommends that shareholders vote in favour of the resolutions, numbered 5 to 7, for their re-election. Notwithstanding their length of service, the Board considers that Hugh Twiss, Jonathan Silver and Roger Walsom remain independent in character and judgement from the Company's Manager, a view which has been demonstrated by their actions on behalf of the Company.

Chris Hills will retire from the Board at the conclusion of the AGM.



For the year ended  
31 March 2016

#### **Audit Committee and Audit Information**

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 23 and 24, which is included in this Directors' Report by reference. Similarly, the Directors representations required by the Companies Act 2006 on audit information, which are included with other representations in the Directors' Responsibilities Statement on page 35, are also included in this Directors' Report by reference.

#### **Management Engagement Committee**

All of the Directors are members of the Management Engagement Committee, which is currently chaired by Chris Hills. The Committee has written terms of reference, which are reviewed as and when appropriate and clearly define its responsibilities and duties.

The Committee meets at least once a year to formally review all supplier services and, in particular, the performance of, and contractual arrangements with, the Manager in the roles of investment manager, company secretary and administrator. The assessment of the Manager is reported on page 30.

#### **Nomination Committee**

The Nomination Committee comprises all of the Directors and is chaired by Hugh Twiss. The main responsibilities of the Nomination Committee are to review the size, structure, diversity and skills of the Board and to make recommendations to the Board with regard to any changes considered necessary or new appointments.

The Nomination Committee has written terms of reference, which are reviewed as and when appropriate and clearly define its responsibilities and duties.

The Board's policy on diversity is that the Board seeks to ensure that its structure, size and composition, including the skills, knowledge, diversity (including gender) and experience of the Directors, is sufficient for the effective direction and control of the Company. The Board has not set any measurable objectives in respect of this policy.

The Board has formulated a formal, rigorous and transparent procedure for the selection and appointment of new Directors to the Board. The Nomination Committee carries out the procedure with a view to making recommendations to the Board and may appoint an external search consultancy to identify potential candidates.

In view of Mr Hills' pending retirement an independent recruitment consultancy, Fletcher Jones Limited, was engaged to assist the Nomination Committee in finding a new Director. This exercise culminated in the appointment of Mark Dampier, who joined the Board with effect from 1 March 2016.

## Directors

### Conflicts of Interest

A Director must avoid a situation where he or she has an interest that conflicts with the Company's interests. The Articles of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards that apply when they decide whether to do so. First, only Directors who have no interest in the matter being considered are able to take the relevant decision, and second, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. These are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The Directors are obliged to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

### Disclosable Interests

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 37.

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end other than in respect of indemnification and insurance as set out below.

### Directors' Indemnification and Insurance

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

A Deed of Indemnity has been executed by the Company under the terms of which, to the extent permitted by law and the Company's Articles of Association, the Company will indemnify the Directors against liabilities incurred in connection with their office as Directors of the Company and fund reasonable expenditure incurred by them in defending proceedings brought against them in connection with their position as Directors of the Company. The indemnity does not apply in certain circumstances, including to the extent that the costs are recoverable under the Directors' and Officers' liability insurance policy maintained by the Company or from any other insurance maintained by the Director.

### Going Concern

The financial statements have 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, taken as 12 months from the signing of the balance sheet for this purpose. This conclusion is consistent with the longer term viability statement on page 15 and in reaching it the Directors took into account the diversified portfolio of readily realisable securities, which can be used to meet funding commitments, and the ability of the Company to meet all of its liabilities, including bank overdraft, and ongoing expenses from its assets. The Directors also considered revenue forecasts and future dividend payments in concluding that the going concern basis is appropriate.

For the year ended  
31 March 2016

#### **The Manager**

Invesco Fund Managers Limited (the Manager) is the Company's alternative investment fund manager (AIFM). It is responsible for the management of the Company's investment portfolio and also provides administration and company secretarial services to the Company.

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#### **Investment Management Agreement**

The Manager's services are provided under the terms of an agreement dated 22 July 2014. The agreement may be terminated on six months' written notice. However, the notice period can be reduced to three months in certain circumstances or termination can be immediate in the event of a serious breach, insolvency or change of control of the Manager.

Following constructive discussions with the Manager last year a new fee arrangement has been in effect since 1 April 2015. The new fee structure has two tiers of charging (previously three) and is applied to market capitalisation. For the first £150 million of market capitalisation the fee is levied at the rate of 0.65% p.a. and a fee of 0.55% p.a. applies above this level.

Previously, the investment management fee was based on the value of the funds under management before deducting borrowings, and levied at 0.7% up to £100 million, 0.6% on the next £50 million and 0.55% on the next £50 million, with fees on any excess of £200 million subject to review.

The fee was allocated 50% to capital and 50% to revenue (2015: same) in accordance 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.

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#### **The 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 full discretion to manage the assets of the Company in accordance with the Company's Investment Policy, as determined from time to time by the Board and approved by shareholders, with a view to achieving the Company's investment objective and meeting shareholder expectations. 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 also provides full company secretarial and administration services ensuring that the Company complies with all legal, regulatory and corporate governance requirements. Representatives attend and officiate at Board meetings and shareholder meetings. The Manager additionally maintains records of the Company's investment transactions, portfolio and all monetary transactions, from which the Manager prepares annual and half-yearly financial reports on behalf of the Company and various statistical reports and information throughout the year.

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#### **Assessment of the Manager**

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

The Board has formally reviewed the Manager's performance for the year ended 31 March 2016 and, taking into account the performance of the portfolio, the other services provided by the Manager and the risk and governance environment in which the Company operates, the Board considers that the continuation of the management contract is in the best interests of shareholders.

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**Company Secretary**

Invesco Asset Management Limited is the Company Secretary, acting under delegated authority from Invesco Fund Managers Limited.

The Board has direct access to the advice and services of the Company Secretary, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. Additionally, the Company Secretary is responsible for advising the Board through the Chairman on governance matters.

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**Other Service Providers**

In addition to the Manager, the main service providers contracted by the Company are as follows:

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**Registrar**

The Company's share register is administered by Capita Asset Services. Contact details for the registrar are set out on page 64.

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**Depositary and Custodian**

The depositary, BNY Mellon Trust & Depositary (UK) Limited, is responsible for certain monitoring functions and the safekeeping of the Company's assets. The majority of the Company's assets are held by a custodian on its behalf and the depositary has delegated this function to The Bank of New York Mellon (BNYM). BNYM is also the Company's bank.

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**Corporate Governance**

The Corporate Governance Statement set out on page 22 is included in this Directors' Report by reference.

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**Stewardship**

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of Corporate Governance are maintained in the companies in which it invests. The Company's stewardship functions have been delegated to the Manager, who exercises the Company's voting rights and reports back to the Board. The Manager has adopted a clear and considered policy towards its responsibility on behalf of the Company. As part of this policy, the Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value and comply with local recommendations and practices, such as the UK Corporate Governance Code. A copy of the Manager's Policy on Corporate Governance and stewardship can be found at [www.invescopetual.co.uk](http://www.invescopetual.co.uk).

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**Greenhouse Gas Emissions**

The Company has no employees or property, it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes. All services are outsourced on a fee basis that is independent of any energy expended on its behalf and it is not practical for the Company to attempt to quantify emissions in respect of such proxy energy use.



For the year ended  
31 March 2016

#### Disclosures Required by Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the annual financial report. None of the prescribed information is applicable to the Company in the year under review.

#### Capital Structure

At the year end the Company's share capital comprised 58,551,530 shares of 25p each. No shares were issued or repurchased during the year and no shares were held in treasury at the year end.

#### Rights Attaching to the Shares

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.

On a winding up or return of capital the assets of the Company shall be distributed rateably among shareholders according to the number of shares held.

#### Restrictions on Shares

The Directors may restrict voting powers and dividends where shareholders fail to provide information with respect to interests in voting rights when so requested, may refuse to register any transfer of a share in favour of more than four persons jointly and can require certain US holders of shares to transfer their shares compulsorily.

Save for the foregoing there are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a successful takeover bid; and no restrictions on the distribution of dividends and the repayment of capital.

#### Substantial Holdings in the Company

The Company was aware of the following holdings of 3% and over of the Company's issued share capital:

	At 31 May 2016		At 31 March 2016		At 31 March 2015	
	Holdings	%	Holdings	%	Holdings	%
Investec Wealth & Investment	5,121,681	8.8	5,139,800	8.8	4,860,928	8.3
Charles Stanley	5,088,302	8.7	5,085,319	8.7	5,152,889	8.8
EFG Harris Allday	3,101,306	5.3	2,763,465	4.7	2,532,560	4.3
Alliance Trust Savings	3,096,742	5.3	2,832,010	4.8	2,573,296	4.4
Brewin Dolphin	2,722,078	4.7	2,923,494	5.0	3,488,432	6.0
Hargreaves Lansdown	2,693,101	4.6	2,637,224	4.5	2,434,177	4.2
Rathbones	1,948,357	3.3	1,944,064	3.3	2,035,615	3.5
AXA Framlington Investment Managers	-	-	-	-	1,840,725	3.1

### Shareholder Relations

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by daily publication of the NAV of the Company's shares via the London Stock Exchange, ad hoc regulatory announcements, factsheets and the Manager's website. A presentation is made by the Manager following the main business of the AGM each year and shareholders have the opportunity to communicate directly with the Directors. 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 published at least twenty working days before the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card, via the Manager's website or in writing to the Company Secretary at the address given on page 64.

Shareholders can also visit the Company's section of the Manager's website ([www.invescopetual/incomegrowth](http://www.invescopetual/incomegrowth)) in order to contact the Directors, Manager and Company Secretary, access copies of annual and half-yearly financial reports, shareholder circulars, Company factsheets, Stock Exchange announcements, schedule of matters reserved for the Board, terms of reference of Board Committees, Directors' letters of appointment, the Company's share price and proxy voting results. 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.

There is a regular dialogue between the Manager and individual major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop a balanced understanding of their issues and concerns. General presentations to institutional shareholders and analysts take place throughout the year. All meetings between the Manager and institutional shareholders are reported to the Board.

### Business of the Annual General Meeting (AGM)

The following summarises the business of the forthcoming AGM of the Company, which is to be held on 27 July 2016 at 3.00 pm. The Notice of the AGM and related notes can be found on pages 60 to 62.

**Resolution 1** is for members to receive this Annual Financial Report, including the financial statements and Auditor's Report.

**Resolution 2** is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration are set out on pages 36 and 37 of this Annual Financial Report.

**Resolution 3** is to declare a final dividend, as recommended on page 8.

**Resolutions 4 to 7** relate to the election and re-election of Directors. The Board appointed Mark Dampier a Director with effect from 1 March 2016 and he is accordingly seeking election by shareholders as required by the Company's Articles. Hugh Twiss, Jonathan Silver and Roger Walsom will each offer themselves for re-election, as they are required to do annually because of their length of tenure. The Board has confirmed that all of these Directors perform effectively and demonstrate independence and commitment to their roles. Biographical details of all of the Directors are set out on page 20.

**Resolution 8** is to re-appoint Ernst & Young LLP as the Company's auditor and to authorise the Audit Committee to determine the auditor's remuneration.

## Governance Directors' Report

For the year ended  
31 March 2016

**Resolution 9** is to renew the Directors' authority to allot shares. Your Directors are asking for authority to allot new ordinary shares up to an aggregate nominal value of £4,879,294 (one third of the Company's issued share capital at 15 June 2016). This will allow the Directors to issue shares within the prescribed limits should opportunities to do so arise that they consider would be in shareholders' interests. This authority will expire at the AGM in 2017.

**Resolution 10** is to renew the authority to disapply pre-emption rights. Your Directors are asking for authority to issue new ordinary shares for cash up to an aggregate nominal value of £1,463,788 (10% of the Company's issued share capital at 15 June 2016), disapplying pre-emption rights. This will allow shares to be issued to new shareholders without them first having to be offered to existing shareholders, thus broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV so the interests of existing shareholders are not diluted and will expire at the AGM in 2017.

**Resolution 11** is to renew the authority for the Company to purchase its own shares. Your Directors are seeking authority for the purchase of up to 14.99% of the Company's issued share capital as at the date of the AGM, subject to the restrictions referred to in the notice of the AGM (equivalent to 8,776,874 shares at 15 June 2016). This authority will expire at the AGM in 2017. Your Directors are proposing that 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. Any resale of treasury shares will only take place on terms that are in the best interests of shareholders.

**Resolution 12** is to permit the Company to hold general meetings (other than annual general meetings) on 14 days notice, which is the minimum notice period permitted by the Companies Act 2006. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless two conditions are met. The first condition is that the Company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that this flexibility will be used only where the Board believes it is in the interests of shareholders as a whole.

### By order of the Board

Invesco Asset Management Limited  
Company Secretary

16 June 2016

## Governance

# Directors' Responsibilities Statement

in respect of the preparation  
of the Annual Financial Report

The Directors are responsible for ensuring that the annual financial report is prepared in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with UK Accounting Standards, including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'*.

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 net return of the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Strategic Report, Directors' Report, which includes a Corporate Governance Statement, and a Directors' Remuneration Report that comply with that law and those regulations.

In so far as each of the Directors is aware:

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

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 and loss of the Company; and
- this annual financial report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

**Signed on behalf of the Board of Directors**

Hugh Twiss MBE  
Chairman

16 June 2016

### Electronic Publication

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



# Governance

## Directors' Remuneration Report

For the year ended  
31 March 2016

The Board presents this Remuneration Report which has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority. An advisory resolution for the approval of the Annual Statement and Report on Remuneration will be put to shareholders at the Annual General Meeting.

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's report is included on pages 40 to 45.

### Remuneration Responsibilities

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

### Directors' Remuneration Policy

The Directors' Remuneration policy was approved by shareholders at the AGM on 21 July 2014 and became effective on that date.

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Directors and having regard to remuneration paid by comparable companies. Fees for the Directors are determined by the Board within the limit stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £225,000 in aggregate per annum. Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company and on the Company's section of the Manager's website:

[www.invescopetual.co.uk/incomeregrowth](http://www.invescopetual.co.uk/incomeregrowth). Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors may, in the furtherance of their duties, take legal advice at the Company's expense up to an initial outlay of £10,000 per Director, having first consulted with the Chairman. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' fees are subject to regular review by the Board having regard to the above factors and have increased incrementally in the past two years as a result of these reviews. The Company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the Board are outside the scope of the ordinary duties of a Director. Any such payment would reflect the Board's assessment of the value to the Company of such services. The same principles apply to any new appointments.

The Company has no employees and consequently has no policy on the remuneration of employees. The Board will consider, where raised, shareholders' views on Directors' remuneration.

### Annual Statement on Directors' Remuneration

For the year to 31 March 2016, the Directors were paid fees at the rates shown below. No additional discretionary payments were made. Shortly before the year end the Directors conducted their regular review of fee levels taking into account the increasing demands of regulatory compliance and the additional workload resulting. The Directors also referred to fees paid by other investment companies in the UK Equity Income Sector and to other relevant research. The Board did not use the services of an external remuneration consultant after weighing up the cost/benefit involved. The Directors resolved to revise the fees from 1 April 2016 as shown in the following table. The same fees will apply to any new appointments.

	Fees from 1 April 2016	Fees from 1 April 2015
Chairman	£33,350	£32,625
Chairman of the Audit Committee	£26,450	£25,875
Other Directors	£23,000	£22,500

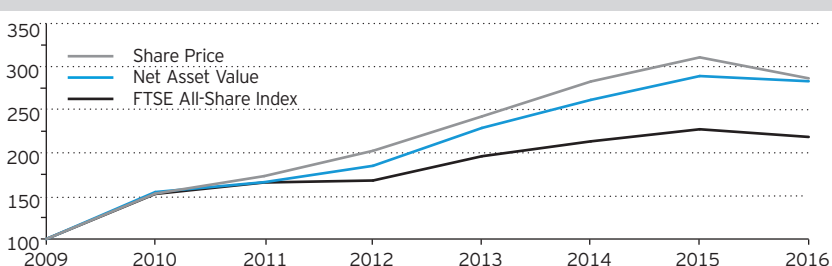
### Report on Remuneration for the Year Ended 31 March 2016

#### The Company's Performance

The adjacent graph plots, in annual increments, the total return on the share price and net asset value attributable to ordinary shareholders compared to the total return of the FTSE All-Share Index over the seven years to 31 March 2016. This index is the benchmark adopted by the Company for performance measurement purposes.

#### Total Return Graph

All figures are rebased to 100 as at 31 March 2009



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

The Directors who served during the year received the following emoluments:

	Fees £	2016 Taxable Benefits £	Total £	Fees £	2015 Taxable Benefits £	Total £
Hugh Twiss (Chairman of the Company)	32,625	-	32,625	30,450	-	30,450
Jonathan Silver (Chairman of the Audit Committee)	25,875	-	25,875	24,150	-	24,150
Davina Curling	22,500	95	22,595	21,000	-	21,000
Chris Hills	22,500	-	22,500	21,000	-	21,000
Roger Walsom	22,500	250	22,750	21,000	292	21,292
Mark Dampier (appointed 1 March 2016)	1,875	839	2,714	-	-	-
<b>Total</b>	<b>127,875</b>	<b>1,184</b>	<b>129,059</b>	<b>117,600</b>	<b>292</b>	<b>117,892</b>

### Directors' Shareholdings and Share Interests (Audited)

Except for the holdings shown in the adjacent table, no Director had any interests, beneficial or otherwise, in the securities of the Company during the year.

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

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

	31 May 2016	31 March 2016	31 March 2015
Hugh Twiss	17,015	17,015	16,880
Davina Curling	3,000	3,000	3,000
Chris Hills	14,202	14,202	14,202
Jonathan Silver	6,000	6,000	6,000
Roger Walsom	7,500	7,500	7,500
Mark Dampier (connected account)	6,181	6,181	-

### Relative Importance of Spend on Pay

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders with respect to the year to 31 March 2016 and the prior year.

	2016 £'000	2015 £'000	Change £'000
Aggregate Directors' Emoluments	129	118	+11
Aggregate Shareholder Distributions	6,031	5,913	+118

### Approval

This Directors' Remuneration Report was approved by the Board of Directors on 16 June 2016.

### Hugh Twiss MBE

Chairman

Signed on behalf of the Board of Directors

### Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 22 July 2015 a resolution was put to shareholders to approve the Annual Statement and Report on Remuneration (advisory) in the last annual financial report. This was passed by show of hands. The proxy votes registered in respect of the resolution were as follows:

	Votes For	%	Votes Against	%	Votes Withheld
Annual Statement and Report on Remuneration	10,747,90	99.7	36,810	0.3	4,719

## Financial

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# Financial Independent Auditor's Report

To the Members of Invesco  
Income Growth Trust plc

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Invesco Income Growth Trust plc's (the 'Company') affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## What we have audited

We have audited the financial statements of the Company for the year ended 31 March 2016 which comprise:

Income Statement for the year ended 31 March 2016

Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2016

Balance Sheet as at 31 March 2016

Related notes 1 to 20 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 and with the provisions of the Companies Act 2006.

## Overview of our audit approach

- |                                |  |
|--------------------------------|--|
| Risks of material misstatement | - Income recognition   |
|                                | - Valuation of and entitlement to investments  |
| Audit scope                    | - We performed an audit of the complete financial information of Invesco Income Growth Trust plc in accordance with applicable law and International Standards on Auditing (UK and Ireland). |
| Materiality                    | - Overall materiality of £1.7 million represents 1% of net assets.   |

## Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we reported to the Audit Committee
<p><b>Income recognition</b> The Company has reported income of £7.9 million (2015: £7.7 million).</p> <p>We focused on the recognition of revenue and its presentation in the financial statements given the importance of the revenue return to shareholders. We identified incomplete or inaccurate income recognition as a risk through failure to recognise proper income entitlements or apply appropriate accounting treatment.</p>	<p>We performed the following procedures:</p> <p>Assessed the Manager's and Bank of New York Mellon's (BNYM) systems and controls in this area and ascertained whether we could rely on them.</p> <p>Agreed a sample of dividends received from the income report to an independent pricing source.</p> <p>Agreed a sample of dividends paid by investee companies from an independent pricing source to the income report.</p> <p>Agreed 100% of accrued dividends to an independent pricing source.</p> <p>Performed a review of special dividends received. We assessed the appropriateness of the accounting treatment in relation to public announcements made by the company's declaring them.</p>	<p>Having assessed the Manager's and BNYM's systems and controls in the area we adopted a control based approach for our audit of income recognition.</p> <p>We noted no issues in agreeing the sample of dividend income from equity securities to and from the independent source and to the bank statement.</p> <p>We noted no issues in agreeing the accrued dividends to an independent source.</p> <p>We noted that the Company received special dividends during the year totalling £397,000, of this £85,000 has been treated as capital and £312,000 as revenue. We gained an understanding of the basis for allocating the dividends between revenue and capital; based on the procedures performed we identified no exceptions to report.</p>
<p><b>Valuation of and entitlement to investments</b> The valuation of the portfolio of investments is comprised of listed investments in securities of £185.9 million (2015: £194.7 million).</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return.</p> <p>Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.</p>	<p>We performed the following procedures:</p> <p>Assessed the Manager's and BNYM's systems and controls in this area and ascertained whether we could rely on them.</p> <p>Agreed 100% of the investment valuations and exchange rates to an independent source using our proprietary pricing tool operated by our team of pricing specialists.</p> <p>Reviewed pricing exception reports and investigated any discrepancies.</p> <p>Performed a three way reconciliation of the investments held by the Company to the records of the administrator, custodian and depositary.</p> <p>Obtained independent confirmation of all investments held from the custodian and depositary.</p>	<p>For all investments we noted no material differences in the fair value of the investments and identified no exceptions or discrepancies.</p> <p>We confirmed that all investments held by the Company agreed to the independent confirmations received from the custodian and depositary and that no discrepancies arose when performing a three way reconciliation of the investments held.</p>

# Financial Independent Auditor's Report

To the Members of Invesco  
Income Growth Trust plc

## The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, changes in the business environment, the organisation of the Company and effectiveness of company-wide controls, and other factors such as recent Service Organisation Control (SOC) reporting when assessing the level of work to be performed.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

## Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be £1.7 million, which is 1% of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

## Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, our assessment of the Company's overall control environment, our judgement was that as this is our first year as auditor to the Company that performance materiality was 50% of our planning materiality, namely £860,000.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £338,150 for the revenue column of the Income statement, being 5% of the Return on ordinary activities before taxation.

## **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £86,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## **Scope of the audit of the financial statements**

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

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Opinion on other matters prescribed by the Companies Act 2006**

### **In our opinion:**

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



# Financial Independent Auditor's Report

To the Members of Invesco  
Income Growth Trust plc

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

### International Standards on Auditing (UK and Ireland)

We are required to report to you if, in our opinion, financial and non-financial information in the annual financial report is:

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

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual financial report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual financial report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

*We have no exceptions to report.*

### Companies Act 2006 reporting

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company 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.

*We have no exceptions to report.*

### Listing Rules review requirements

We are required to review:

- the Directors' statement in relation to going concern set out on page 29, and longer-term viability, set out on page 15; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review

*We have no exceptions to report.*

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**Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity**

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We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual financial report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Disclosures in the annual financial report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Directors' explanation in the annual financial report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

*We have nothing material to add or to draw attention to.*

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**Sarah Williams**

Senior Statutory Auditor  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
London, United Kingdom

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16 June 2016

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**Notes:**

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Financial

For the year ended  
31 March

### Income Statement

	Notes	Revenue £'000	2016 Capital £'000	Total £'000	Revenue £'000	2015 Capital £'000	Total £'000
(Losses)/gains on investments at fair value through profit or loss	9	-	(9,188)	(9,188)	-	11,352	11,352
Income	2	7,778	85	7,863	7,411	291	7,702
Investment management fee	3	(526)	(526)	(1,052)	(607)	(607)	(1,214)
Other expenses	4	(385)	-	(385)	(314)	-	(314)
<b>Net return before finance costs and taxation</b>		<b>6,867</b>	<b>(9,629)</b>	<b>(2,762)</b>	<b>6,490</b>	<b>11,036</b>	<b>17,526</b>
Finance costs	5	(104)	(104)	(208)	(92)	(92)	(184)
<b>Return on ordinary activities before and after taxation</b>		<b>6,763</b>	<b>(9,733)</b>	<b>(2,970)</b>	<b>6,398</b>	<b>10,944</b>	<b>17,342</b>
<b>Return per ordinary share:</b>							
Basic	7	11.5p	(16.6)p	(5.1)p	10.9p	18.7p	29.6p

The total column of this statement represents the Company's profit and loss account prepared in accordance with UK Accounting Standards. The return on ordinary activities after taxation is the total comprehensive income and therefore no statement of comprehensive income is presented. 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. No operations were acquired or discontinued in the year.

### Reconciliation of Movements in Shareholders' Funds

	Notes	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
<b>At 31 March 2014</b>		<b>14,638</b>	<b>40,021</b>	<b>2,310</b>	<b>107,798</b>	<b>4,763</b>	<b>169,530</b>
Net return on ordinary activities		-	-	-	10,944	6,398	17,342
Net dividends paid	8	-	-	-	-	(5,839)	(5,839)
<b>At 31 March 2015</b>		<b>14,638</b>	<b>40,021</b>	<b>2,310</b>	<b>118,742</b>	<b>5,322</b>	<b>181,033</b>
Net return on ordinary activities		-	-	-	(9,733)	6,763	(2,970)
Net dividends paid	8	-	-	-	-	(6,002)	(6,002)
<b>At 31 March 2016</b>		<b>14,638</b>	<b>40,021</b>	<b>2,310</b>	<b>109,009</b>	<b>6,083</b>	<b>172,061</b>

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

## Financial

As at 31 March

### Balance Sheet

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments at fair value	9	185,851	194,683
<b>Current assets</b>			
Debtors	10	1,269	1,480
<b>Creditors: amounts falling due within one year</b>	11	(15,059)	(15,130)
<b>Net current liabilities</b>		(13,790)	(13,650)
<b>Net assets</b>		<b>172,061</b>	<b>181,033</b>
<b>Capital and reserves</b>			
Share capital	12	14,638	14,638
Share premium	13	40,021	40,021
Capital redemption reserve	13	2,310	2,310
Capital reserve	13	109,009	118,742
Revenue reserve	13	6,083	5,322
<b>Shareholders' funds</b>		<b>172,061</b>	<b>181,033</b>
<b>Net asset value per ordinary share</b>			
Basic	14	293.9p	309.2p

These financial statements were approved and authorised for issue by the Board of Directors on 16 June 2016.

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**Hugh Twiss MBE**

Chairman

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Signed on behalf of the Board of  
Directors

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

# Financial

## Notes to the Financial Statements

### 1. Principal Accounting Policies

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

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

#### A. Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) and with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts*, issued by the Association of Investment Companies in November 2014. Accordingly, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* applies for these financial statements for the year ended 31 March 2016 and has been applied for the first time. The financial statements are issued on a going concern basis.

As a result of the first time adoption of FRS 102 and the revised SORP, comparative figures and presentation have been revised where required. The net return attributable to ordinary shareholders and shareholders' funds remain unchanged. The Company is classed as an investment fund and as such has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all investments are highly liquid and are carried at market value, and where a statement of changes in equity (in these financial statements it is called the *Reconciliation of Movements in Shareholders' Funds*) is provided. The accounting policies applied to these financial statements are consistent with those applied for the year ended 31 March 2015, apart from a revision to cash which is now defined as cash and cash equivalents. Note 1(D) sets out the accounting policy for cash and cash equivalents. No other accounting policies have changed as a result of the application of FRS 102, amendments to FRS 102 (see below) and the revised SORP.

*Amendments to FRS 102 - Fair value hierarchy disclosures* (March 16) amends paragraphs 34.22 and 34.42 of FRS 102, revising the disclosure requirements for financial instruments held at fair value to align these with the disclosure requirements of EU-adopted IFRS. These amendments become effective for accounting periods beginning on or after 1 January 2017. The Company has chosen to early adopt these paragraphs. There are no accounting policy or disclosure changes as a result of this adoption.

#### B. Foreign Currency

##### (i) Functional and presentational currency

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

##### (ii) Transactions and balances

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

#### C. Financial Instruments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 in full in respect of the financial instruments.

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

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

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

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

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

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

##### (iv) Trade date accounting

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



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

- Financial assets

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

Fair value for investments that are actively traded in organised financial markets, is determined by reference to stock exchange quoted bid prices at the balance sheet date. For investments that are not actively traded or where active stock exchange quoted bid prices are not available, fair value is determined by reference to a variety of valuation techniques including broker quotes and price modelling.

- Financial liabilities

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

**D. Cash and cash equivalents**

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents, including money market funds. Investments are regarded as cash equivalents if they meet all of the following criteria: highly liquid investments held in the Company's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond.

**E. Income**

Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

**F. Expenses and Finance Costs**

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

The investment management fee and finance costs are allocated 50% to capital and 50% to revenue. This is in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the portfolio.

All other expenses, except for custodian transaction charges, are allocated to revenue in the income statement.

**G. Taxation**

The liability to corporation tax is based on net revenue for the year excluding UK dividends. The tax charge is allocated between the revenue and capital account on the marginal basis whereby revenue expenses are matched first against taxable income in the revenue account.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred taxation assets are recognised where, in the opinion of the Directors, it is more likely than not that these amounts will be realised in future periods.

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

**H. Dividends**

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

## Financial Notes to the Financial Statements

### 2. Income

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

	2016 £'000	2015 £'000
Income from investments		
UK dividends	7,237	6,543
UK special dividends	312	374
UK unfranked investment income	229	422
	7,778	7,339
Other income		
Underwriting commission	-	72
<b>Total income</b>	<b>7,778</b>	<b>7,411</b>

Special dividends of £85,000 (2015: £291,000) have been recognised in capital.

### 3. Investment Management Fee

This note shows the fees paid to the Manager, which were calculated monthly.

	Revenue £'000	2016 Capital £'000	Total £'000	Revenue £'000	2015 Capital £'000	Total £'000
Investment management fee	526	526	1,052	607	607	1,214

Details of the management agreement are disclosed in the Directors' Report. At 31 March 2016, £83,000 (2015: £104,000) was owed in respect of management fees.

### 4. Other Expenses

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

	Revenue £'000	2016 Capital £'000	Total £'000	Revenue £'000	2015 Capital £'000	Total £'000
Directors' emoluments	129	-	129	118	-	118
Auditor's remuneration						
- for audit of the annual financial statements	23	-	23	24	-	24
- other services relating to taxation compliance	-	-	-	6	-	6
Other expenses	233	-	233	166	-	166
	<b>385</b>	<b>-</b>	<b>385</b>	<b>314</b>	<b>-</b>	<b>314</b>

The Director's Remuneration Report provides further information on Directors' emoluments.

Auditor's remuneration amounts exclude VAT. The VAT is included in other expenses. Tax compliance services are provided by Grant Thornton UK LLP who were the Company's auditor in 2015.

Included within other expenses is £12,000 (2015: £11,000) of employer's National Insurance payable on Directors' emoluments. As at 31 March 2016, the amounts outstanding on Directors' emoluments and employer's National Insurance was £13,000 (2015: £13,000).

## 5. Finance costs

Finance costs arise on any borrowing facilities the Company has used in the year.

	Revenue £'000	2016 Capital £'000	Total £'000	Revenue £'000	2015 Capital £'000	Total £'000
Interest on overdraft	104	104	208	92	92	184

## 6. Tax on Ordinary Activities

As an investment trust the Company pays no tax on capital gains. The Company also pays no tax on income as most of its income is non-taxable UK dividend income and any taxable income is offset by expenses. This note also shows the basis of the Company having no deferred tax assets or liability.

The tax charge for the year is nil (2015: nil) as allowable expenses exceed taxable income.

	2016 £'000	2015 £'000
Total return on ordinary activities before taxation	(2,970)	17,342
Theoretical tax at the current UK Corporation Tax rate of 20% (2015: 21%)	(594)	3,642
Effects of:		
- non-taxable losses/(gains) on investments	1,838	(2,384)
- non-taxable UK dividends	(1,527)	(1,514)
- expenses in excess of taxable income	283	256
<b>Actual tax amount</b>	<b>-</b>	<b>-</b>

### Factors that may affect future tax charges

The Company has cumulative surplus management expenses and losses on loan relationships of £22,919,000 (2015: £21,502,000) that are available to offset future taxable revenue. A deferred tax asset of £4,125,000 (2015: £4,300,000) measured at the prospective rate of corporation tax of 18% (2015: 20%) has not been recognised in respect of the expenses since the Directors believe that there will be no taxable profits in the future against which the deferred tax assets can be offset.

## 7. Return per Ordinary Share

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

The basic revenue, capital and total returns per ordinary share are based on each return on ordinary shares after tax on 58,551,530 (2015: 58,551,530) ordinary shares, being the weighted average number of shares in issue during the year.

# Financial Notes to the Financial Statements

## 8. Dividends on Ordinary Shares

Dividends represent the distribution of income less expenses to shareholders. The Company pays four dividends a year.

Dividends paid and recognised in the year:	2016		2015	
	pence	£'000	pence	£'000
Final paid in respect of previous year	3.75	2,196	3.65	2,137
First interim paid	2.15	1,259	2.10	1,229
Second interim paid	2.15	1,259	2.10	1,229
Third interim paid	2.20	1,288	2.15	1,260
	<b>10.25</b>	<b>6,002</b>	<b>10.00</b>	<b>5,855</b>
Return of unclaimed dividends from previous years	-	-	-	(16)
	<b>10.25</b>	<b>6,002</b>	<b>10.00</b>	<b>5,839</b>

Dividends payable in respect of the year:	2016		2015	
	pence	£'000	pence	£'000
First interim paid	2.15	1,259	2.10	1,229
Second interim paid	2.15	1,259	2.10	1,229
Third interim paid	2.20	1,288	2.15	1,259
Proposed final	3.80	2,225	3.75	2,196
	<b>10.30</b>	<b>6,031</b>	<b>10.10</b>	<b>5,913</b>

The proposed 2016 final dividend is subject to approval by shareholders at the AGM.

## 9. Investments

The portfolio is made up of investments which are listed, i.e. traded on a regulated stock exchange. Gains and losses are either:

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

	2016 £'000	2015 £'000
Investments listed on a recognised Stock Exchange	185,851	194,683
Opening valuation	194,683	185,989
Movements in year:		
Purchases at cost	20,388	18,065
Sales - proceeds	(20,032)	(20,723)
Sales - net realised gains	2,248	4,949
Movement in investment holding gains	(11,436)	6,403
<b>Closing valuation</b>	<b>185,851</b>	<b>194,683</b>
Closing book cost	(122,603)	(119,999)
Closing investment holding gains	<b>63,248</b>	<b>74,684</b>
Net realised gains in year	2,248	4,949
Movement in investment holding gains	(11,436)	6,403
<b>Total (losses)/gains in year*</b>	<b>(9,188)</b>	<b>11,352</b>

\*The transaction costs included in Total (losses)/gains in year amount to £115,000 (2015: £85,000) on purchases and £37,000 (2015: £24,000) for sales.

### Significant Interests

The Company owns 3.3% of the issued non-voting ordinary 50p share capital of Young & Co. Brewery.



## 10. Debtors

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

	2016 £'000	2015 £'000
Amounts due from brokers	-	395
Prepayments and accrued income	1,269	1,085
	<b>1,269</b>	<b>1,480</b>

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

Creditors are amounts the Company owes, and includes any overdraft and any amounts due to brokers for the purchase of investments or amounts owed to suppliers, such as the Manager and auditor.

	2016 £'000	2015 £'000
Bank overdraft	14,877	14,938
Accruals	182	192
	<b>15,059</b>	<b>15,130</b>

The Company has a one-year uncommitted overdraft facility with The Bank of New York Mellon of up to the lesser of £25 million and 25% of the adjusted net asset value of the Company. The facility is due for renewal on 17 September 2016. The rate of interest applicable to drawings is 0.85% per annum over the Bank of England's Base Rate.

## 12. Share Capital

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

	2016 number	2016 £'000	2015 number	2015 £'000
Allotted, called-up and fully paid:				
Ordinary shares of 25p each	58,551,530	14,638	58,551,530	14,638

No shares were bought back and cancelled in the year and no shares were held in treasury at the year end.

The Directors' Report on page 32 sets out the rights and restrictions attaching to the shares.

## 13. Reserves

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

The share premium arose on the issue of new shares. The capital redemption reserve maintains the share capital of the Company and arose from the nominal value of shares bought back and cancelled. The share premium and capital redemption reserve are non-distributable.

The revenue and capital reserves are distributable by way of dividend. The revenue reserve shows the net revenue retained after payment of dividends. Reducing the balance sheet revenue reserve by the proposed final dividend of £2,225,000 (see note 8) results in a revenue reserve available for future distributions of £3,858,000.

The capital reserve includes investment holding gains, being the difference between cost and market value, which are shown in note 9.

# Financial

## Notes to the Financial Statements

### 14. Net Asset Value per Ordinary Share

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

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

	2016 Net asset value per share pence	2016 Net assets attributable £'000	2015 Net asset value per share pence	2015 Net assets attributable £'000
Ordinary shares				
- Basic	293.9	172,061	309.2	181,033

Net asset value per ordinary share is based on net assets at the year end and on 58,551,530 (2015: 58,551,530) ordinary shares, being the number of ordinary shares in issue at the year end.

### 15. Financial Instruments

Financial instruments comprise the Company's investment portfolio as well as its cash, borrowings, debtors and creditors. This note sets out the risks arising from the Company's financial instruments in terms of the Company's exposure and sensitivity, and any mitigation that the Manager or Board can take.

The Company's principal risks and uncertainties are outlined in the Strategic Report on pages 13 and 14. This note expands on risk areas in relation to the Company's financial instruments. The Company's portfolio is managed in accordance with its investment policy, which is set out on page 11. The internal control and risk management process is described on page 24. The overall disposition of the Company's assets is reviewed by the Board on a regular basis.

The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

Risks that an investment company faces in its portfolio management activities include:

**Market risk** - arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

- Currency risk - arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;
- Interest rate risk - arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and
- Other price risk - arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

**Liquidity risk** - arising from any difficulty in meeting obligations associated with financial liabilities.

**Credit risk** - arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

#### Risk Management Policies and Procedures

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

As an investment trust the Company invests in equities and other investments for the long-term according to its investment policy so as to fulfil its investment objective. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

The risks applicable to the Company and the policies the Company used to manage these risks follow.

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**15.1 Market Risk**

The 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 25. No derivative or hedging instruments are utilised to manage market risk. Gearing is used to enhance returns, but this also increases the Company's exposure to market risk and volatility.

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**15.1.1 Currency risk** is not significant for the two years under review as the Company invests principally in UK equities traded on the London Stock Exchange. The Company received non-sterling dividends that represented 14.0% of total investment income in the year (2015: 12.4%).

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**15.1.2 Interest rate risk**

Interest rate movements may affect the level of interest payable on variable rate borrowings and the income receivable on cash deposits. When the Company has cash balances, they are held in variable rate bank accounts yielding rates of interest dependent on the base rate of the Custodian. The Company has an overdraft facility limited to a maximum of £25 million. Note 11 gives full details. The Company uses the facility when required at levels approved and monitored by the Board.

At the year end drawings on the Company's overdraft were £14,877,000 (2015: £14,938,000). At the maximum of £25 million, the effect of a movement of +/- 1% in the interest rate would result in a decrease/increase to the Company's annual return of £250,000 (2015: £250,000).

The Company can invest in fixed income securities and at the year end the level of exposure was £1.6 million (2015: £3.2 million). The Directors estimate that a 1% change in interest rates applied to this balance would have no impact on reported revenue profit before tax but would increase or decrease reported capital profit before tax by £39,000 (2015: £117,000). The Company had no cash flow exposure to floating interest rate assets.

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**15.1.3 Other price risk**

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

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 Investment Policy and to review investment performance.

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

If the value of the portfolio rose or fell by 10% at the balance sheet date, the profit after tax for the year would increase or decrease by £18.6 million (2015: £19.5 million) respectively.

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**15.2 Liquidity risk** is minimised as the majority of the Company's investments constitute a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, an overdraft provides short-term funding flexibility. The Board monitors the portfolio's liquidity.

Liquidity risk exposure: the financial liabilities are detailed in note 11. The contractual maturities of these are all three months or less, based on the earliest date on which payment can be required.

---

**15.3 Credit risk** encompasses the failure by counterparties to deliver securities which the Company has paid for, to pay for securities which the Company has delivered, or to repay debt instruments on the due date. This risk is minimised by using only approved counterparties and investing in bonds that are investment grade, or not significantly below. Investments may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of £5 million with any one deposit taker, with only approved deposit takers being used.

## Financial Notes to the Financial Statements

### 16. Fair Value

#### **Fair Values of Financial Assets and Financial Liabilities**

The financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, cash at bank and overdraft).

#### **Fair Value - Hierarchy Disclosures**

FRS 102 as amended for fair value hierarchy disclosures (March 16) sets out three fair value levels. These are:

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

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

The valuation techniques used by the Company are explained in the accounting policies note. All of the equity investments are deemed to be Level 1. Due to less visibility on prices for the fixed income investments, these are reported as Level 2; these represented 0.9% (2015: 1.6%) of the portfolio at the balance sheet date. There were no transfers between any levels during the year and no investments were held in Level 3.

### 17. Capital Management

**The Company's total capital employed at 31 March 2016 was £186,938,000 (2015: £195,971,000) comprising borrowings of £14,877,000 (2015: £14,938,000) and equity share capital and other reserves of £172,061,000 (2015: £181,033,000).**

The Company's total capital employed is managed to achieve the Company's investment objective as set out on page 11, including that borrowings may be used to provide gearing of the portfolio up to a maximum of £25 million or 25% of net asset value. Borrowings comprise of a bank overdraft. Details are given in note 11 and net gearing was 8.6% (2015: 8.3%) at the balance sheet date. The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 13 and 14. These also explain that the Company is able to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

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

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

### 18. Contingencies, Guarantees and Financial Commitments

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

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



## **19. Related Party Transactions and Transactions with the Manager**

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

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' emoluments and interests have been disclosed on pages 36 and 37 with additional disclosure in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on page 30, and in note 3.

## **20. Post Balance Sheet Event**

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

There were no significant post balance sheet events requiring disclosure.



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# Other Information for Shareholders

## Notice of Annual General Meeting

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

### Notice Of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting (AGM) of Invesco Income Growth Trust plc will be held at 1st Floor, 43-45 Portman Square, London W1H 6LY, on 27 July 2016 at 3.00 pm for the following purposes:

### Ordinary Business

1. To receive the Annual Financial Report for the year ended 31 March 2016.
2. To approve the Annual Statement and Report on Remuneration.
3. To declare a final dividend as recommended.
4. To elect Mark Dampier a Director of the Company.
5. To re-elect Hugh Twiss a Director of the Company.
6. To re-elect Jonathan Silver a Director of the Company.
7. To re-elect Roger Walsom a Director of the Company.
8. To re-appoint Ernst & Young LLP as the Company's auditor and to authorise the Audit Committee to determine the auditor's remuneration.

Biographies of Directors seeking re-election are shown on page 20 of the annual financial report.

### Special Business

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

9. That:
- the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution ('the Act') to exercise all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £4,879,294, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

10. That:

the Directors be and they are hereby empowered, in accordance with sections 570 and 573 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this resolution ('the Act') to allot equity securities for cash, either pursuant to the authority given by the preceding resolution 9 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 £1,463,788

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(4) of the Act) of its issued ordinary shares of 25p 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 on 27 July 2016, being the date of the AGM (equivalent to 8,776,874 shares at 15 June 2016);
- (ii) the minimum price which may be paid for a Share shall be 25p;
- (iii) the maximum price which may be paid for a Share shall be an amount equal to 105% of the average of the middle market quotations for a Share taken from and calculated by reference to the London Stock Exchange Daily Official List for five business days immediately preceding the day on which the Share is purchased;



- (iv) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);
- (v) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution unless the authority is renewed at any other general meeting prior to such time;
- (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
- (vii) any shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of Sections 724 to 731 of the Act and any applicable regulations of the United Kingdom Listing Authority, be held (or otherwise dealt with in accordance with Section 727 or 729 of the Act) as Treasury Shares.

**12.** That:  
the period of notice required for general meetings of the Company (other than Annual General Meetings) shall be not less than 14 clear days.

The resolutions are explained further in the Directors' Report on pages 33 and 34.

## By order of the Board

Invesco Asset Management Limited  
Company Secretary

Dated this 16<sup>th</sup> June 2016

## Notes

1. A form of appointment of proxy accompanies this annual financial report.  
A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a shareholder of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
  - via Capita Asset Services' website [www.capitashareportal.com](http://www.capitashareportal.com); or
  - in hard copy form by post, by courier or by hand to the Company's Registrar, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below
 and in each case to be received by the Company not less than 48 hours before the time of the AGM.

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

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

## Other Information for the Shareholders

### Notice of Annual General Meeting

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 or her CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

3. A person entered on the Register of Shareholders at close of business on 25 July 2016 is entitled to attend and vote at the AGM pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Shareholders after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the AGM. If the AGM is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Shareholders 48 hours before the time fixed for the adjourned meeting.
4. The Register of Directors' Interests, the schedule of matters reserved for the Board, the terms of reference for the Board Committees, and the letters of appointment for Directors will be available for inspection for at least 15 minutes prior to and during the Company's AGM.
5. The Company's Articles of Association are available for inspection at the Registered Office of the Company and at the Company's correspondence address (see page 64) during normal business hours. They will also be available at the AGM for at least 15 minutes prior to and during the meeting.
6. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the shareholder as to the exercise of voting rights.  
  
The statement of the above rights of the shareholders in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.
7. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

8. Any shareholder attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
9. You may not use any electronic address (any address or number used for the purposes of sending or receiving documents or information by electronic means) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
10. As at 15 June 2016 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 58,551,530 ordinary shares of 25p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 58,551,530.
11. A copy of this notice (contained within the 2016 annual financial report) and other information required by section 311A of the Companies Act 2006, can be found at [www.invescopetual.co.uk/incomegrowth](http://www.invescopetual.co.uk/incomegrowth).
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006 (the 'Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's annual financial report (including the Independent Auditor's Report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 April 2015; or (ii) any circumstance connected with the auditor of the Company appointed for the financial year beginning on 1 April 2015 ceasing to hold office since the previous meeting at which annual financial reports were laid in accordance with section 437 of the Act (in each case) that the shareholders propose to raise at the relevant AGM. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

## Other Information for the Shareholders

### Shareholder Information

#### The Company's History

Invesco Income Growth Trust plc was launched as GT Income Growth Trust plc in March 1996 as the successor investment trust to USDC Investment Trust plc. The name was subsequently changed to its current form on 3 July 2000, following Invesco taking over the management of the portfolio.

#### How to Invest in Invesco Income Growth Trust plc (The Company)

The Company's shares are quoted on the London Stock Exchange. There are a variety of ways by which investors can buy the shares. In addition to the Manager's in-house schemes listed below, shares may be purchased through discretionary wealth managers, banks, independent financial advisers and via a large number of execution-only trading platforms. The Manager's website contains a list of some of the larger dealing platforms as well as a link to unbiased.co.uk, for those seeking financial advice, and to the AIC's website for detailed information on investment trusts.

#### Savings Plan

Shares in the Company can be purchased and sold via the Invesco Perpetual Investment Trust Savings Scheme and the Invesco Perpetual Investment Trust ISA.

#### Invesco Perpetual Investment Trust Savings Scheme

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

#### Invesco Perpetual Investment Trust ISA

The Invesco Perpetual Investment Trust ISA allows investments up to the current ISA limit. For the tax year 2016/17 this is £15,240. Investors can also choose to make lump sum investments from £500, or regular investments from as little as £20 per month.

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

#### Share Price

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

In addition, share price information can be found using the IVI ticker.

#### NAV Publication

The net asset value (NAV) of the Company is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next business day. It is published daily in the newspapers detailed under Share Price. It can also be found on the Company's section of the Manager's website, [www.invescoperpetual.co.uk/incomegrowth](http://www.invescoperpetual.co.uk/incomegrowth)

#### Manager's Website

Information relating to the Company can also be found on the Company's section of the Manager's website, [www.invescoperpetual.co.uk/incomegrowth](http://www.invescoperpetual.co.uk/incomegrowth)

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

#### Financial Calendar

Milestones in the Company's annual calendar are as follows:

##### Announcements

Half-yearly results	November
Annual results	June

##### Ordinary Share Dividends

1st Interim payable	October
2nd Interim payable	December
3rd Interim payable	March
Final payable	July

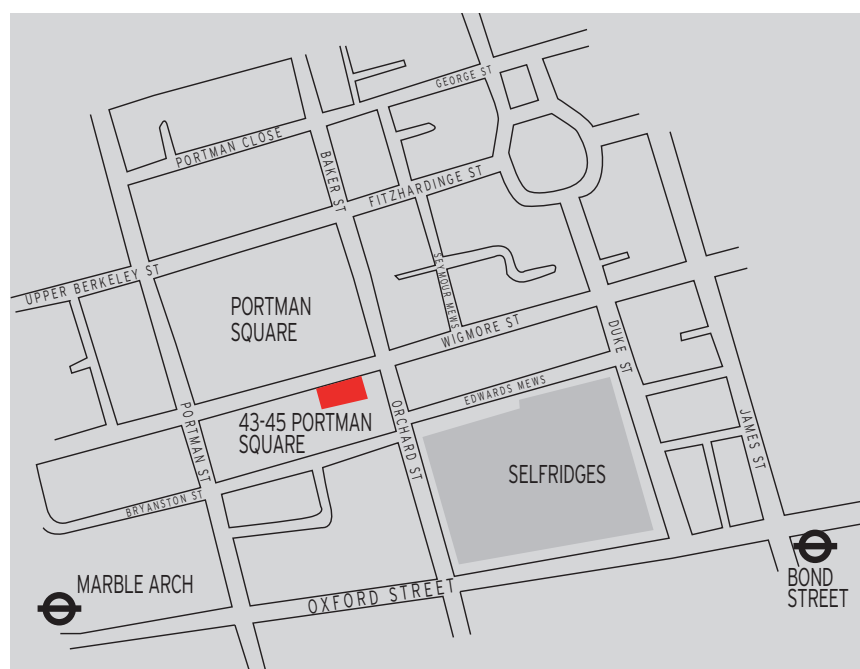
<b>AGM</b>	<b>July</b>
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<b>Year End</b>	<b>31 March</b>
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##### Location of AGM

To be held at 3 pm on 27 July 2016 at the offices of Invesco Perpetual on 1st Floor, 43-45 Portman Square, London W1H 6LY. The nearest tube stations are Bond Street and Marble Arch.

The portfolio manager, Ciaran Mallon, will be making a presentation about the Company after the AGM. Tea and coffee will be provided.





## Other Information for Shareholders

### Advisers and Principal Service Providers

#### Registered Office

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

#### Company Number

Registered in England and Wales  
Number 3141073

#### Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited

#### Company Secretary

Invesco Asset Management Limited  
Company Secretarial contact: Paul Griggs

#### Correspondence Address

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

#### Invesco Perpetual Client Services

The Invesco Perpetual Client Services Team is available to you from 8.30 am to 6.00 pm, Monday to Friday (excluding Bank Holidays). Current valuations, statements and literature can be obtained, however, no investment advice can be given.  
☎ 0800 085 8677  
[www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

#### Savings Scheme and ISA Administration

For queries relating to both the Invesco Perpetual Investment Trust Savings Scheme and ISA, please contact:  
Invesco Perpetual  
P.O. Box 11150  
Chelmsford  
CM99 2DL  
☎ 0800 085 8677

#### Auditor

Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

#### Depository

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

#### Banker and Custodian

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

#### Corporate Broker

Stockdale Securities  
Beaufort House  
15 St. Botolph Street  
London EC3A 7BB

#### The Association of Investment Companies

The Company is a member of the Association of Investment Companies.

#### Contact details are as follows:

☎ 020 7282 5555  
Email: [enquiries@theaic.co.uk](mailto:enquiries@theaic.co.uk)  
Website: [www.theaic.co.uk](http://www.theaic.co.uk)

#### Registrar

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

If you hold your shares direct and not through a Savings Plan or ISA and have queries relating to your shareholding, you should contact the Registrar on:  
☎ 0871 664 0300.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm, Monday to Friday (excluding Bank Holidays).

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

Capita Asset Services 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 ☎ 0371 664 0445.

Calls cost 12p per minute plus your phone company's access charge.

From outside the UK: +44 371 664 0445. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8.00 am to 4.30 pm, Monday to Friday (excluding bank holidays).

## Other Information for Shareholders

### Glossary of Terms

#### Benchmark

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

#### Discount

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

#### Gearing

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which shareholders' funds would move if a company's investments were to rise or fall. A positive percentage indicates the extent to which shareholders' funds are geared; a nil gearing percentage, or 'nil', shows the company is ungeared. A negative percentage indicates that a company is not fully invested. There are several methods of calculating gearing and the following have been used in this report:

#### Gross Gearing

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

#### Net Gearing

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

#### Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined elsewhere in this glossary. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Accordingly, if a Company's exposure was equal to its net assets it would have leverage of 100%. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure.

#### 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 (NAV)

Also described as shareholders' funds, the NAV is the value of total assets less all liabilities. The NAV per share is calculated by dividing the NAV by the number of ordinary shares in issue.

#### Ongoing Charges

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

#### Shareholders' Funds

Also called equity shareholders' funds. The amount attributable to the ordinary shareholders. Equivalent to net assets.

#### 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 investment companies 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).

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

The Company falls within the definition of an Alternative Investment Fund (AIF) under the Directive and, as such, is required to have [or be] an authorised AIFM. Invesco Fund Managers Limited (IFML) was authorised as an AIFM, and appointed by the Company as such, with effect from 22 July 2014.

Amongst other things, regulations implementing AIFMD require certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website ([www.invescoperpetual.co.uk/incomegrowth](http://www.invescoperpetual.co.uk/incomegrowth)) in a downloadable document entitled 'AIFMD Investor Information'. There has been only one material change to this information in the year to 31 March 2016, or up to the date of this report, being the change of auditor explained on page 24. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

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

Accordingly:

- the leverage calculated for the Company at its year end was 108.7% for both gross and commitment (2015: both 108.1%). The limits the AIFM has set for the Company remain unchanged at 250% and 200%, respectively;
- the AIFM remuneration policy is available from the Company's company secretary, on request (see contact details on page 64); and
- the AIFM remuneration paid for the year to 31 December 2015 is set out below.

**AIFM Remuneration**

The AIFM remuneration paid is based on the latest financial year of the AIFM, which was to 31 December 2015.

IFML does not employ any staff directly. All staff involved in the AIF related activities of IFML are employed and paid by Invesco UK Limited or other entities in the Invesco Limited Group. Remuneration for staff involved in AIF related activities has been apportioned based on the average assets under management of £3,759 million for the nine AIFs managed by IFML during the reporting period.

The aggregate total remuneration apportioned to IFML's AIF related activities for performance year 2015 is £6,899,615, of which £3,634,486 is fixed remuneration and £3,265,129 is variable remuneration. The number of beneficiaries is 40.

IFML has identified individuals considered to have a material impact on the risk profile of IFML or the AIFs it manages ('AIFMD Code Staff'), including Board members of IFML, senior management, heads of control functions and other risk takers whose professional activities can exert material influence on IFML's risk profile or on an AIF it manages.

The aggregate total remuneration paid to the AIFMD Code Staff of IFML for AIF related activities is £1,257,880 of which £368,220 is paid to senior management and £889,660 is paid to other AIFMD Code Staff. Please note the total remuneration for AIFMD Code Staff excludes remuneration for staff employed by delegates.



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

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

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

Invesco is one of the largest independent global investment management firms, with assets under management in excess of \$791 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.

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\* Assets under management as at 31 May 2016



## Other Information for Shareholders

### Investment Companies Managed by Invesco Perpetual

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

##### City Merchants High Yield Trust Limited

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

##### Invesco Income Growth Trust plc

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

##### Invesco Perpetual Enhanced Income Limited

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

##### Invesco Perpetual Select Trust plc - Managed Liquidity Portfolio

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

##### Invesco Perpetual Select Trust plc - UK Equity Portfolio

Aims to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities. The portfolio may use bank borrowings.

##### Keystone Investment Trust plc

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

#### Perpetual Income and Growth Investment Trust plc

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

##### The Edinburgh Investment Trust plc

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

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

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

#### Investing in Smaller Companies

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

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

#### Investing Internationally

##### Invesco Asia Trust plc

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

##### Invesco Perpetual Select Trust plc - Global Equity Income Portfolio

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

#### Investing for Total Returns

##### Invesco Perpetual Select Trust plc - Balanced Risk Portfolio

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

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

#### Investing in Multiple Asset Classes

##### Invesco Perpetual Select Trust plc

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

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

#### For more information

Please contact the Invesco Perpetual Client Services Team on 0800 085 8677 if you would like more information about the investment trusts or other specialist funds listed above. Further details are also available on the following website: [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts).





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

Invesco Perpetual Client Services Team  
Freephone 0800 085 8677

Telephone lines are open Monday to Friday 8.30am - 6.30pm.

Telephone calls may be recorded and monitored for security and training purposes.