

Invesco Income Growth Trust plc

Half-Yearly Financial Report for the Six Months to 30 September 2014

KEY FACTS

Invesco Income Growth Trust plc is an investment trust company listed on the London Stock Exchange.

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 gearing, when appropriate.

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

Full details of the Company's Investment Policy (incorporating the Company's investment objective) can be found on page 9 of the Company's 2014 annual financial report.

Performance Statistics

SIX MONTHS TO 30 SEPTEMBER

	2014	2013	% CHANGE
Total Return <i>(includes net dividends reinvested)</i>			
Net asset value per ordinary share	0.7%	6.8%	
FTSE All-Share Index	1.2%	3.8%	
Share price	0.5%	9.3%	

Source: Invesco, Thomson Reuters Datastream

Revenue and Dividends

Net revenue after tax (£'000)	4,116	3,524	+16.8
Revenue return per ordinary share	7.03p	6.02p	+16.8
Dividends – first interim	2.10p	2.05p	
– second interim	2.10p	2.05p	

AT PERIOD END

	30 SEPTEMBER 2014	31 MARCH 2014	% CHANGE
Assets			
Net asset value per ordinary share:			
– per Balance Sheet	287.9p	289.5p	-0.6
– after deducting proposed dividends	285.8p	285.9p	0.0
FTSE All-Share Index	3,534	3,556	-0.6
Share price	273.8p	276.0p	-0.8
Discount per ordinary share	4.9%	4.7%	

Gearing

Gross gearing ⁽¹⁾ – excluding the effect of cash	6.5%	9.9%
Net gearing ⁽²⁾ – including the effect of cash	6.5%	9.9%

Notes:

1. Gross gearing: borrowing divided by shareholders' funds.
2. Net gearing: borrowing less cash and cash equivalents divided by shareholders' funds.

CHAIRMAN'S STATEMENT

Performance

I have said in my recent statements that I was concerned that the level of returns we have seen in recent years may be harder to achieve in the year ahead and this has indeed proved to be the case in the first half of this financial year. Although the period started with some promise we have ended the six months virtually where we started. Over the six months to 30 September 2014, the NAV total return (comprising the movement in the net asset value plus dividends) of the Company was 0.7%, which compared to a total return of 1.2% by the FTSE All-Share Index. Looked at from the perspective of the share price, rather than the NAV, the return was 0.5%.

The Portfolio Manager's Report that follows provides commentary on the background to this recent performance, which should be seen in the context of the excellent longer term performance.

Revenue and Dividends

The net revenue return for the six months to 30 September 2014 was an encouraging £4,116,000, helped along by some one-off special dividends, compared with £3,524,000 earned in the six months to 30 September 2013, and strengthens our ability to meet our Investment Objective and our aim to provide shareholders with dividend growth in excess of inflation over the longer term.

The Board is pleased to declare a second interim dividend of 2.1p per share in respect of the year ending 31 March 2015. This dividend will be paid on 31 December 2014 to shareholders registered on 5 December 2014. Together with the first interim dividend, this makes a total of 4.2p for the first half of the current financial year compared with 4.1p last year.

AIFMD

The various changes necessary for compliance with the requirements of the Alternative Investment Fund Managers Directive that I highlighted in the last annual financial report have been enacted and became effective on 22 July 2014. From a shareholder's perspective there is no difference to the running of the Company.

Outlook

My caution has been justified by the sharp sell off we saw in equity markets since the end of August and, although there has been some recovery, fears over slowing global growth, deflation in Europe and news of Ebola cases outside of Africa has led to a deterioration in investor confidence. Whilst this could continue for a while, Central Banks are likely to continue to be supportive and levels of liquidity remain high, so tending to underpin markets at lower levels. Our portfolio manager will, therefore, have to be even more alert not just to the challenges he faces, but also to the opportunities that are likely to be thrown up in such conditions. I remain confident that Ciaran will continue to find attractive companies for our portfolio and so meet our longer term investment objectives.

Hugh Twiss MBE

Chairman

27 November 2014

PORTFOLIO MANAGER'S REPORT

Portfolio Strategy and Review

The six month period under review saw the UK equity market, as measured by the FTSE All-Share Index, rise by 1.2% (with dividends reinvested). This broadly flat market return saw the six year long bull market rally pause for breath amid concerns over future profit growth caused by disappointing company results statements and the impending end to the Quantitative Easing (QE) programme in the US. In addition, as the period unfolded, fears over China's growth rate and a weakening European economy became more relevant concerns. Furthermore, rising geopolitical risk, the Ebola outbreak, the Scottish referendum and the prospect of UK domestic elections began to affect the previously stable backdrop for the market.

On the positive front, inflation remains low, and although wage growth appears weak, the price of non-discretionary items such as petrol and food have been falling, thereby benefiting households, and relieving some of the upward pressure on interest rates. Government bond yields have been supportive of equities over the period, and the 30 year US government bond recently fell below 3%, suggesting that the market views the longer term outlook for global inflation as subdued.

Key positive contributors to the performance of the Company's portfolio in the period included the holdings in AstraZeneca, Pearson, Imperial Tobacco and Legal & General. AstraZeneca continued to grow its pipeline of drugs in development in 2014, with the company's chief executive commenting at the time of its half year results in July that the company now had: "one of the most exciting pipelines in the industry with 14 assets in late stage development". He also highlighted that there had been strong growth in emerging markets. The attractions of AstraZeneca's pipeline were highlighted in April when Pfizer made a bid for the company which was subsequently rebuffed by the AstraZeneca board. The holding proved to be the most significant contributor to total return over the period.

Pearson's share price retreated at the start of 2014 when the company revealed weak demand in the US - from where it derives around 60% of its revenue. However, during the period under review, it put in a strong showing. The company's half-year results in July announced a further shift away from traditional publishing to digital and an expansion of its emerging market operations.

Imperial Tobacco saw its share price react favourably to news that it was to purchase some US cigarette brands from Reynolds American, whilst Legal & General, in its half year results, impressed the market by announcing a 21% increase in its interim dividend and at the same time reporting buoyant demand for retirement solutions.

Detractors to the portfolio's performance included Tesco, GlaxoSmithKline and Croda International.

Whilst the widely publicised market share gains from the discount chains Lidl and Aldi were seen as headwinds that could be surmounted, Tesco's recently disclosed accounting issues added significant uncertainty to the company's earnings outlook and undermined the long term investment case. The shares have been sold.

GlaxoSmithKline, in its half year results to 30 June, reported increased competition and pricing pressure in the US respiratory market. Nonetheless the company announced an increase in dividend, and I view the current restructuring drive to reshape the business as positive for long term investors.

Croda International, a specialist chemical manufacturer with a diverse product and customer base, has been through a tough period in 2014 primarily as a result of a stronger sterling and a weakening European economy. The company reported in its July half year results that currency translation alone had reduced sales by 6.8%. However, at the same time it reported strong performance in Asia, and commented that robust cash generation continued to underpin investment in R&D, and new capacity. In addition, there has been a change in organisational structure whereby dedicated global teams for each product group have been assembled in order to accelerate international sales growth. I remain confident that this will be a rewarding long term investment.

In terms of other portfolio activity, the holdings in Domino Printing, William Morrison, Smiths Group and Vodafone were sold as their long term earnings prospects were deemed to have deteriorated. As a result, the portfolio has become more concentrated as reliable value becomes harder to find. One company that did meet the portfolio selection criteria, and in which I have now invested, is CVS Group. CVS Group is principally a chain of veterinary surgeries which is growing by consolidating the market. An important additional revenue driver has been online sales of pet products and animal medicines.

Outlook

The FTSE All-Share Index has risen strongly over the last six years and, even after the recent fall, remains close to its all-time peak. Whilst there are many headwinds to withstand in the short term, be it slow economic recovery in large parts of the world, low inflation, or the removal of the US economic stimulus, valuations suggest that the long term outlook for returns from investing in the stock market are still attractive. In particular, I remain confident in the long term return potential of the holdings in the Company's portfolio.

Ciaran Mallon
Portfolio Manager

Related Parties and Transactions with the Manager

Under United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified the Directors as related parties. No other related parties or related party transactions have been identified during the period.

With effect from 22 July 2014, Invesco Fund Managers Limited (IFML), a wholly owned subsidiary of Invesco Limited and associate company of Invesco Asset Management Limited (IAML), was appointed as Manager. Prior to 22 July 2014, IAML was the Manager and it continues to carry out its previous functions under delegated authority from IFML. The fee arrangements with the Manager remain unchanged and are described on page 25 of the 2014 annual financial report, which is available on the Manager's website.

Principal Risks and Uncertainties

The principal risk factors relating to the Company can be summarised as:

- Investment objective – there can be no guarantee that the Company will meet its investment objective;
- Market risk – market prices of securities are influenced by many factors outside the control of the Board and Manager, such as general economic conditions, politics and investor sentiment;
- Investment risk – there is a risk of poor performance of individual investments. This is mitigated by diversification and monitoring of investment guidelines;
- Shares – the market value of the shares in the Company may not reflect their underlying net asset value;
- Gearing arising from Borrowings – borrowing will amplify the effect on shareholders' funds of portfolio gains and losses;
- Regulatory – whilst compliance with rules and regulations is closely monitored, breaches could affect returns to shareholders; and
- Reliance on Third Party Service Providers – the Company has no employees, so is reliant upon the performance of third party service providers, particularly the Manager, for it to function.

A detailed explanation of these principal risks and uncertainties can be found on pages 11 and 12 of the 2014 annual financial report, which is available on the Manager's website.

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

Going Concern

This half-yearly financial report has been prepared on a going concern basis. The Directors consider this is the appropriate basis as the Company has adequate resources to continue in operational existence for the foreseeable future, being 12 months after approval of the financial statements. In reaching this conclusion, 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 the revenue forecasts for the forthcoming year and future dividend payments in concluding that the going concern basis is appropriate.

TWENTY FIVE LARGEST HOLDINGS AT 30 SEPTEMBER 2014

Ordinary shares unless stated otherwise

COMPANY	ACTIVITY BY SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
AstraZeneca	Pharmaceuticals & Biotechnology	8,703	4.9
Imperial Tobacco	Tobacco	7,614	4.3
British American Tobacco	Tobacco	7,254	4.1
GlaxoSmithKline	Pharmaceuticals & Biotechnology	6,512	3.6
HSBC	Banks	5,987	3.4
BP	Oil & Gas Producers	5,826	3.3
Friends Life	Life Insurance	3,837	3.0
Friends Life – 12% 21 May 2021 bond (Standard & Poor's Credit Rating: BBB+)		1,363	
Next	General Retailers	5,074	2.8
Legal & General	Life Insurance	4,675	2.6
Young & Co.'s Brewery - Non-Voting	Travel & Leisure	4,544	2.5
Royal Dutch Shell - B Shares	Oil & Gas Producers	4,511	2.5
Pennon	Gas, Water & Multiutilities	4,108	2.3
Land Securities	Real Estate Investment Trusts	3,831	2.1
SSE	Electricity	3,827	2.1
Reed Elsevier	Media	3,820	2.1
Pearson	Media	3,805	2.1
National Grid	Gas, Water & Multiutilities	3,786	2.1
Bunzl	Support Services	3,735	2.1
Severn Trent	Gas, Water & Multiutilities	3,608	2.0
Jupiter Fund Management	Financial Services	3,607	2.0
Whitbread	Travel & Leisure	3,572	2.0
BT Group	Fixed Line Telecommunications	3,547	2.0
Experian	Support Services	3,511	2.0
Wolseley	Support Services	3,474	2.0
G4S	Support Services	3,378	1.9
		117,509	65.8
Other investments		60,990	34.2
Total investments		178,499	100.0

CONDENSED INCOME STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2014			SIX MONTHS TO 30 SEPTEMBER 2013			YEAR TO 31 MARCH 2014
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000	TOTAL £'000
(Losses)/profits on investments at fair value through profit or loss	–	(2,858)	(2,858)	–	6,972	6,972	15,388
Foreign exchange profits	–	8	8	–	–	–	–
Income							
UK dividends	4,175	–	4,175	3,785	–	3,785	6,148
UK unfranked investment income	216	–	216	212	–	212	427
Special dividends	193	241	434	–	120	120	957
Underwriting commission	30	–	30	15	–	15	15
Investment management fee – note 2	(301)	(301)	(602)	(283)	(283)	(566)	(1,168)
Other expenses	(151)	–	(151)	(147)	–	(147)	(302)
Net return before finance costs and taxation	4,162	(2,910)	1,252	3,582	6,809	10,391	21,465
Finance costs	(46)	(46)	(92)	(58)	(58)	(116)	(222)
Return on ordinary activities before and after tax	4,116	(2,956)	1,160	3,524	6,751	10,275	21,243
Return per ordinary share							
Basic – note 4	7.03p	(5.05)p	1.98p	6.02p	11.53p	17.55p	36.28p

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

CONDENSED BALANCE SHEET

Registered number 3141073

	AT 30 SEPTEMBER 2014 £'000	AT 30 SEPTEMBER 2013 £'000	AT 31 MARCH 2014 £'000
Fixed assets			
Investments at fair value	178,499	176,796	185,989
Current assets			
Amounts due from brokers	749	–	–
Prepayments and accrued income	709	854	892
	1,458	854	892
Creditors: amounts falling due within one year			
Bank overdraft	(10,997)	(15,292)	(16,867)
Amounts due to brokers	(235)	–	(296)
Accruals and deferred income	(172)	(166)	(188)
	(11,404)	(15,458)	(17,351)
Net current liabilities	(9,946)	(14,604)	(16,459)
Total assets less current liabilities	168,553	162,192	169,530
Capital and reserves			
Called up share capital	14,638	14,638	14,638
Share premium	40,021	40,021	40,021
Capital redemption reserve	2,310	2,310	2,310
Capital reserve	104,842	99,092	107,798
Revenue reserve	6,742	6,131	4,763
Shareholders' funds	168,553	162,192	169,530
Net asset value per ordinary share – note 5			
Basic	287.9p	277.0p	289.5p

CONDENSED CASH FLOW STATEMENT

	SIX MONTHS TO 30 SEPTEMBER 2014 £'000	SIX MONTHS TO 30 SEPTEMBER 2013 £'000	YEAR TO 31 MARCH 2014 £'000
Net return before finance costs and taxation	1,252	10,391	21,465
Adjustment for losses/(gains) on investments	2,858	(6,972)	(15,388)
Decrease in debtors	183	137	99
(Decrease)/increase in creditors	(16)	(10)	12
Net cash flow from operating activities	4,277	3,546	6,188
Servicing of finance	(92)	(116)	(222)
Net financial investment			
Purchase of investments	(8,291)	(5,926)	(16,641)
Sale of investments	12,113	2,532	12,766
Net equity dividends paid – note 6	(2,137)	(2,054)	(5,684)
Movement in cash in the period	5,870	(2,018)	(3,593)
Net debt at beginning of period	(16,867)	(13,274)	(13,274)
Net debt at end of period	(10,997)	(15,292)	(16,867)
Analysis of changes in net debt brought forward:			
Bank overdraft	(16,867)	(13,274)	(13,274)
Net debt brought forward	(16,867)	(13,274)	(13,274)
Movements in period:			
Cash inflow/(outflow) from bank	5,870	(2,018)	(3,593)
Net debt at end of period	(10,997)	(15,292)	(16,867)

CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'00	REVENUE RESERVE £'000	TOTAL £'000
For the six months ended 30 September 2014						
At 31 March 2014	14,638	40,021	2,310	107,798	4,763	169,530
Net return on ordinary activities	–	–	–	(2,956)	4,116	1,160
Dividends paid – note 6	–	–	–	–	(2,137)	(2,137)
At 30 September 2014	14,638	40,021	2,310	104,842	6,742	168,553
For the six months ended 30 September 2013						
At 31 March 2013	14,638	40,021	2,310	92,341	4,661	153,971
Net return on ordinary activities	–	–	–	6,751	3,524	10,275
Dividends paid – note 6	–	–	–	–	(2,079)	(2,079)
Unclaimed dividends recovered	–	–	–	–	25	25
At 30 September 2013	14,638	40,021	2,310	99,092	6,131	162,192
For the year ended 31 March 2014						
At 1 31 March 2013	14,638	40,021	2,310	92,341	4,661	153,971
Net return on ordinary activities	–	–	–	15,457	5,786	21,243
Dividends paid – note 6	–	–	–	–	(5,709)	(5,709)
Unclaimed dividends recovered	–	–	–	–	25	25
At 31 March 2014	14,638	40,021	2,310	107,798	4,763	169,530

Notes to the Condensed Financial Statements

1. Basis of Preparation

The condensed financial statements have been prepared using the same accounting policies as those adopted in the 2014 annual financial report, have been prepared under the historical cost convention and are consistent with applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

2. Management Fee

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

3. Investment Trust Status and Tax

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company. As such, no tax liability arises on capital gains. In addition, no taxable profits arise as expenses exceed taxable income.

4. Basis of Returns

	SIX MONTHS TO 30 SEPT 2014 £'000	SIX MONTHS TO 30 SEPT 2013 £'000	YEAR TO 31 MAR 2014 £'000
Returns after tax:			
Revenue	4,116	3,524	5,786
Capital	(2,956)	6,751	15,457
Total	1,160	10,275	21,243

The number of ordinary shares in issue during each period was 58,551,530

5. Basis of Net Asset Value Per Ordinary Share

	AT 30 SEPT 2014	AT 30 SEPT 2013	AT 31 MAR 2014
Shareholders' funds	£168,553,000	£162,192,000	£169,530,000

The number of ordinary shares in issue at each period end was 58,551,530

6. Dividends

The first interim dividend of 2.10p for the quarter ended 30 June 2014 was paid to shareholders on 31 October 2014. The second interim dividend of 2.10p for the year ending 31 March 2015 will be paid on 31 December 2014.

DIVIDENDS PAID	SIX MONTHS TO 30 SEPT 2014 (pence)	SIX MONTHS TO 30 SEPT 2013 (pence)	YEAR TO 31 MAR 2014 (pence)
Final 2013	–	3.55	3.55
First interim 2014	–	2.05	2.05
Second interim 2014	–	–	2.05
Third interim 2014	–	–	2.10
Final 2014	3.65	–	–
First interim 2015 payable	2.10	–	–
Total	5.75	5.60	9.75
£'000 equivalent paid	2,137	2,079	5,709

7. Status of Half-Yearly Financial Report

The financial information contained in this half-yearly financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2014 and 30 September 2013 has not been audited. The figures and financial information for the year ended 31 March 2014 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Report of the Independent Auditor, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board
Invesco Asset Management Limited
Company Secretary

27 November 2014

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

The Directors confirm that to the best of their knowledge:

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

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

Signed on behalf of the Board of Directors.

Hugh Twiss MBE
Chairman
27 November 2014

Directors, Advisers and Principal Service Providers

Directors

Hugh Twiss MBE, Chairman
Davina Curling
Chris Hills
Jonathan Silver, Audit Committee Chairman
Roger Walsom

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

Registered Office and Company Number

Registered in England and Wales No. 314073
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH

Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contact: Paul Griggs

Correspondence Address

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125 London Wall
London EC2Y 5AS
☎ 0203 753 1000

Depository

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

Manager's Website

Information relating to the Company can be found on the Manager's website at www.invescoperpetual.co.uk/investmenttrusts.

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

The Company's ordinary shares qualify to be considered as a mainstream investment product suitable for promotion to ordinary retail investors.

Registrars

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

If you hold your shares directly and not through a Savings Plan or ISA and have any queries relating to your holding, you should contact the Registrars on ☎ 0871 664 0300.

Calls cost 10p per minute plus network extras.

From outside the UK: +44 (0) 208 639 3399.

Lines open from 9 am to 5.30 pm, Monday to Friday (excluding UK Bank Holidays).

Shareholders can also access their holding details via Capita's website at www.capitaassetservices.com or www.capitashareportal.com

The Registrars provide a telephone and on-line share dealing services to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or ☎ 0871 664 0454.

Calls cost 10p per minute plus network extras.

From outside the UK: +44 (0) 203 367 2699.

Lines are open from 8 am to 4.30 pm, Monday to Friday (excluding UK Bank Holidays).

Invesco Perpetual Investor Services

The Invesco Perpetual Investor Services Team is available from 8.30 am to 6 pm, Monday to Friday (excluding UK Bank Holidays) on ☎ 0800 085 8677.

The Invesco Perpetual investment trusts' website is

🌐 www.invescoperpetual.co.uk/investmenttrusts

Invesco Perpetual Investment Trust Savings Scheme and ISA Administrators

For both the Invesco Perpetual Investment Trust Savings Scheme and ISA contact:

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CM99 2DL
☎ 0800 085 8677



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