

Invesco Income Growth Trust plc

Half-Yearly Financial Report for the Six Months to 30 September 2017



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 borrowings, 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 12 of the Company's 2017 annual financial report.

Performance Statistics

	Six months to 30 September 2017	Six months to 30 September 2016	% Change
Total Return (includes net dividends reinvested)			
Net asset value per ordinary share*	+1.9%	+9.1%	
FTSE All-Share Index*	+3.6%	+12.9%	
Share price*	+2.6%	+11.6%	

Revenue and Dividends

Net revenue after tax (£'000)	4,156	3,793	+9.6
Revenue return per ordinary share	7.10p	6.48p	+9.6
Dividends - first interim	2.30p	2.20p	+4.5
- second interim	2.30p	2.20p	+4.5

	At Period End 30 September 2017	At Year End 31 March 2017	
NAV per ordinary share	330.6p	328.3p	+0.7
Share price	294.5p	291.0p	+1.2
Discount per ordinary share	+10.9%	11.4%	

Gearing

Gross gearing ⁽¹⁾ - excluding the effect of cash	nil	3.5%	
Net gearing ⁽²⁾ - including the effect of cash	nil	3.5%	
Net cash ⁽³⁾	0.2%	nil	

*Source: Thomson Reuters Datastream

(1) Gross gearing: borrowing divided by shareholders' funds.

(2) Net gearing: borrowing less cash and cash equivalents divided by shareholders' funds.

(3) Net cash: net exposure to cash and cash equivalents divided by shareholder's funds.

Chairman's Statement

Performance

The UK stock market produced a total return of 3.6% over the last six months. Although not as strong as I have reported in my last few statements it is still a positive return. However, markets have not been helpful for value investors like ourselves and, as Ciaran explains in his report, our portfolio has slightly lagged the market with a total return of 1.9% on our net asset value (NAV) over the half year to 30 September 2017. As a result of the discount to the NAV at which our shares trade narrowing a little since the last year end, our share price's total return was better, at 2.6%, and the shares continue to outperform our benchmark over the longer term.

Revenue and Dividends

The net revenue return for the six months to 30 September 2017 was £4,156,000, compared to £3,793,000 earned in the six months to 30 September 2016. However, this increase was largely due to a number of special dividends and underlying dividend growth was more subdued. On a per share basis the earnings in the half year were 7.10p per share, compared with 6.48p per share for the same period last year.

We have declared a second interim dividend of 2.3p per share in respect of the year ending 31 March 2018. This dividend will be paid on 29 December 2017 to shareholders on the register on 8 December 2017. Together with the first interim dividend, this makes a total of 4.6p for the first half of the current financial year compared with 4.4p last year. Whilst this increase is consistent with our objective of growing the dividend at above the rate of inflation, it also includes a move to rebalance the distribution of our dividend payments over the course of the year and so the percentage increase of 4.5% should not be taken as an indication of the rate of increase for the full year.

Outlook

I see no reason to change my view on the outlook from that which I set out in my recent annual statement and I make no apology for being like an old vinyl record playing the same tune that positive returns are likely to prove harder to generate for a while, so I continue to expect Ciaran to be challenged. However, I remain confident that his focus on investing in companies with strong fundamentals will continue to generate positive returns over the longer term and so meet our investment objectives of growing the income and capital in real terms.

Hugh Twiss MBE

Chairman

1 December 2017

Portfolio Manager's Report

Market Review

The UK stock market started the six month period in a positive mood, buoyed by weakening sterling and strengthening commodity prices. The FTSE 100 index reached a record high in early June, led by a rally by the oil and mining sectors, and sterling fell in response to the surprise outcome of the UK general election. However, into the second half of the period, growing tensions between the United States of America and North Korea led to nervousness in global equity markets. Brexit negotiations with EU members continued, with a two-year transitional deal suggested by the Prime Minister, while the IMF revised growth forecasts down for the UK economy. Sterling strengthened towards the period end, as the Bank of England suggested that it will "ease its foot off the accelerator" by raising interest rates in November.

Portfolio Review

The Company's net asset value, including reinvested dividends, delivered a return of 1.9% during the period under review, behind its benchmark FTSE All-Share Index which delivered a total return of 3.6%.

The portfolio's performance was again held back by its zero weighting in the mining sector and by an underweight position in the oil sector. This impact was relatively minor compared to that seen in the previous year.

The portfolio's holdings in the tobacco sector, Imperial Brands and most notably British American Tobacco, have delivered strong positive performance over a very long period, although they detracted over the most recent one, as the US FDA announced plans to launch a consultation on lowering nicotine levels in cigarettes. However, this regulation may be expected to take some time to come to fruition and this is an industry accustomed to dealing with headwinds. In the meantime, the companies' combined focus on pricing power, cash conversion and product innovation should continue to provide a reliable source of income.

The utilities sector also performed poorly over the period, with sentiment damaged both by Conservative government proposals to cap gas and electricity prices and by the rising popularity of the Corbyn-led opposition with a manifesto to nationalise parts of the sector. Holdings in Pennon, United Utilities, Severn Trent, Centrica and National Grid all delivered negative returns. The portfolio remains significantly invested in the sector, in which companies variously offer an attractive combination of asset backing and index-linked dividend growth, while there is as yet little substance to the negative political agenda.

There were very positive performances from certain holdings that delivered poor returns in the previous year. The challenges facing the retail sector, notably the threat from the internet in general and Amazon in particular, have been well documented. However, Next and N.Brown have seen the internet as an opportunity and both companies' shares rose strongly on news of improved on-line trading. N.Brown's shares were further boosted by a tie up with Tesco for the food retailer to sell their plus size clothing ranges Jacamo and Simply Be.

Other holdings to perform well during the period that have been consistently good long term performers included veterinary group CVS, which continues its impressive roll-out expansion, Compass, its dominant global position in contract catering sees it growing fast in the still relatively untapped US market, and RELX, as it rolls out its data driven information services. Financial companies Legal & General and Jupiter Fund Management also delivered strongly positive returns, as did the much more recent holding in speciality flavourings business, Treatt.

In terms of portfolio activity during the period, no new investments were made while the remaining holding in AstraZeneca was sold.

Strategy and Outlook

The UK stock market has maintained its upward trajectory of the last eight years, notwithstanding a backdrop of rising interest rates and increasing geopolitical tensions. Meanwhile there remain headwinds to withstand, including the as yet unknown impact of Brexit implementation, with economic growth likely to remain subdued. In the US, the "Trump effect", and hopes of enhanced economic growth, has now waned. In China, there is a risk of a slowdown in the capital investment cycle later this year. Additionally, sterling could strengthen further from still depressed levels, creating pressure on forecasts for the overseas revenues that comprise the major part of FTSE 100 company earnings. There is, however, further recovery potential in the Brexit-hit stocks.

I continue to seek to achieve both capital and income growth from the portfolio, with a balance between the current level of income and future growth. At current stock market levels, it is proving a challenge to find quality companies able to deliver growth in both capital and income. However, the portfolio continues to generate a high level of dividend income.

In terms of portfolio gearing, last year I reduced the level of borrowing within the portfolio. In the current year I have made one disposal and, as outlined above, made no new investments. Hence gearing is currently very low by historic standards.

I believe it is sensible to remain conservative in my investment approach and I 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.

Ciaran Mallon

Investment Manager

1 December 2017

Related Parties Transactions

Under UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified the Directors as related parties. No other related parties have been identified. No transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

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 14 to 16 of the 2017 annual financial report, which is available on the Company's section of the Manager's website at: www.invescopetual.co.uk/incomegrowth.

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 these 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 2017

<i>UK Listed ordinary shares unless otherwise stated</i>			
Company	Activity By Sector	Market Value £'000	% Of Portfolio
British American Tobacco	Tobacco	9,228	4.8
HSBC	Banks	7,050	3.7
Ferguson (formerly Wolseley)	Support Services	6,971	3.6
GlaxoSmithKline	Pharmaceuticals & Biotechnology	6,836	3.5
RELX	Media	6,672	3.5
Young & Co's Brewery - Non-Voting	Travel & Leisure	6,362	3.3
Jupiter Fund Management	Financial Services	6,145	3.2
Croda International	Chemicals	6,110	3.2
Legal & General	Life Insurance	6,084	3.2
Pennon	Gas, Water & Multiutilities	5,846	3.0
Informa	Media	5,720	3.0
Aviva	Life Insurance	5,718	3.0
Compass	Travel & Leisure	5,460	2.8
Nichols	Beverages	5,457	2.8
Experian	Support Services	5,351	2.8
Bunzl	Support Services	5,259	2.7
Imperial Brands	Tobacco	5,168	2.7
Euromoney Institutional Investor	Media	5,086	2.6
G4S	Support Services	4,925	2.5
National Grid	Gas, Water & Multiutilities	4,913	2.5
SSE	Electricity	4,713	2.4
BP	Oil & Gas Producers	4,598	2.4
CVS	General Retailers	4,572	2.4
Next	General Retailers	4,306	2.2
Whitbread	Travel & Leisure	4,292	2.2
		142,842	74.0
Other Investments (18)		50,174	26.0
Total Investments (43)		193,016	100.0

Condensed Income Statement

	Six Months To 30 September 2017			Six Months To 30 September 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	-	(645)	(645)	-	11,454	11,454
Income - note 2	4,629	490	5,119	4,294	559	4,853
	4,629	(155)	4,474	4,294	12,013	16,307
Investment management fee - note 3	(278)	(278)	(556)	(260)	(260)	(520)
Other expenses	(186)	-	(186)	(210)	-	(210)
Net return before finance costs and taxation	4,165	(433)	3,732	3,824	11,753	15,577
Finance costs - note 3	(9)	(9)	(18)	(31)	(31)	(62)
Return on ordinary activity before and after taxation for the financial period	4,156	(442)	3,714	3,793	11,722	15,515
Return per ordinary share - basic	7.10p	(0.76)p	6.34p	6.48p	20.02p	26.50p
Number of ordinary shares in issue during the period			58,551,530			58,551,530

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 period.

Condensed Balance Sheet

Registered number 3141073		
	At 30 September 2017 £'000	At 31 March 2017 £'000
Fixed assets		
Investments at fair value	193,016	198,105
Current assets		
Prepayments and accrued income	358	1,162
Cash and cash equivalents	411	-
	769	1,162
Creditors: amounts falling due within one year		
Bank overdraft	-	(6,764)
Amounts due to brokers	-	(80)
Accruals and deferred income	(186)	(196)
	(186)	(7,040)
Net current assets/(liabilities)	583	(5,878)
Net assets	193,599	192,227
Capital and reserves		
Share capital	14,638	14,638
Share premium	40,021	40,021
Capital redemption reserve	2,310	2,310
Capital reserve	128,343	128,785
Revenue reserve	8,287	6,473
Shareholders' funds	193,599	192,227
Net asset value per ordinary share - Basic	330.6p	328.3p
Number of 25p ordinary shares in issue at the period end	58,551,530	58,551,530

Condensed Reconciliation of Movements in Shareholders' Funds

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
For the six months ended 30 September 2017						
At 31 March 2017	14,638	40,021	2,310	128,785	6,473	192,227
Net return on ordinary activities	-	-	-	(442)	4,156	3,714
Dividends - note 5	-	-	-	-	(2,342)	(2,342)
At 30 September 2017	14,638	40,021	2,310	128,343	8,287	193,599
For the six months ended 30 September 2016						
At 31 March 2016	14,638	40,021	2,310	109,009	6,083	172,061
Net return on ordinary activities	-	-	-	11,722	3,793	15,515
Dividends - note 5	-	-	-	-	(2,225)	(2,225)
At 30 September 2016	14,638	40,021	2,310	120,731	7,651	185,351

Notes to the Condensed Financial Statements

1. Accounting Policies

The condensed financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, FRS 104 *Interim Financial Reporting* and 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, as amended in January 2017. The financial statements are issued on a going concern basis.

The accounting policies applied to these condensed financial statements are consistent with those applied in the financial statements for the year ended 31 March 2017.

2. Income

	Six Months to 30 Sept 2017 £'000	Six Months to 30 Sept 2016 £'000
Income from listed investments		
UK dividends	3,919	4,041
UK unfranked investment income	85	86
Scrip dividends	166	-
Special dividends	459	167
	4,629	4,294

Special dividends of £490,000 (2016: £559,000) were recognised in capital.

3. Investment Management Fees and Finance Costs

The investment management fee is calculated and payable monthly in arrears based on market capitalisation, at 0.65% up to £150 million and 0.55% thereafter. Investment management fees and finance costs are allocated 50% to capital and 50% to revenue.

4. 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.

5. Dividends

The first interim dividend for the year ending 31 March 2018 of 2.30p was paid on 27 October 2017 to shareholders on the register on 6 October 2017. The shares were marked ex dividend on 5 October 2017. The second interim dividend of 2.3p for the year ending 31 March 2018 will be paid on 29 December 2017.

	Six Months to 30 Sept 2017		Six Months to 30 Sept 2016	
	Pence	£'000	Pence	£'000
Final paid (previous year)	4.00	2,342	3.80	2,225
First interim proposed (current year)	2.30	1,347	2.20	1,288

In accordance with accounting standards, dividends payable after the period end have not been recognised as a liability.

6. Classification Under Fair Value Hierarchy

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

	At 30 Sept 2017 £'000	At 31 Mar 2017 £'000
Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date	191,480	196,516
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	1,536	1,589
	193,016	198,105

The Level 2 investment comprises one fixed income holding in the portfolio.

7. Status of Half-Yearly Financial Report

The financial information contained in this half-yearly 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 2017 and 30 September 2016 has not been audited. The figures and financial information for the year ended 31 March 2017 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 included 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

1 December 2017

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 FRC's FRS 104 *Interim Financial Reporting*;
- 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 Guidance 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

1 December 2017

Other Information for Shareholders

Directors, Advisers and Principal Service Providers

Directors

Hugh Twiss MBE, Chairman
Davina Curling
Mark Dampier
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

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

Registered in England and Wales No: 3141073

Manager

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial contact: Shilla Pindoria and Paul Griggs

Correspondence Address

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

Website

Information relating to the Company can be found on the Company's section of the Manager's website at 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 document.

Registrar

Link Asset Services (formerly Capita Asset Services)
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

If you hold shares directly and in your own name and have a query, 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 UK 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 holding shares directly can also access their holding details via Link's website at www.signalshares.com

The registrar provides on-line and telephone share dealing services to existing shareholders who are not seeking advice on buying or selling. This service is available at www.linksharedeal.com or ☎ 0371 664 0445. Calls cost 12p per minute plus your phone company's access charge. From outside UK: +44 371 664 0445. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8 am to 4.30 pm, Monday to Friday (excluding Bank Holidays).

Invesco Perpetual Client Services

The Invesco Perpetual Client Services Team is available from 8.30 am to 6 pm Monday to Friday (excluding UK 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

Depositary

Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

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



The Association of Investment Companies recognises those investment companies that have increased their dividends each year for 20 years or more, which includes this Company, as "dividend heroes".



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.