

Troy Income & Growth Trust plc

Half Yearly Report
31 March 2016



Contents

Financial Highlights	1
Financial Calendar	1
Interim Board Report	2
Investment Portfolio	4
Portfolio Analysis	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Accounts	10
Corporate Information	13

Investment Objective

The Company's investment objective is to provide shareholders with an attractive income yield and the prospect of income and capital growth through investing in a portfolio of predominantly UK equities.

Financial Highlights

	31 March 2016	30 September 2015	% change
Equity shareholders' funds (£'000)	191,997	178,247	+7.7
Net asset value per share	71.84p	68.87p	+4.3
Share price (mid-market)	72.75p	69.38p	+4.9
Premium to net asset value	1.3%	0.7%	

Total Return* (for the periods to 31 March 2016)

	6 months	12 months	36 months	60 months
Share price	+6.7%	+6.7%	+31.7%	+70.3%
Net asset value per share	+6.2%	+7.4%	+32.3%	+67.2%
FTSE All-Share Index	+3.5%	-3.9%	+11.4%	+31.9%

* Total return includes reinvesting the net dividend in the month that the share price goes ex-dividend.

Financial Calendar

29 July 2016	Third interim dividend 2015/2016 payable to shareholders
28 October 2016	Fourth interim dividend 2015/2016 payable to shareholders
November 2016	Announcement of Annual Results for the year ending 30 September 2016
December 2016	Annual Report posted to shareholders
January 2017	Annual General Meeting
May 2017	Announcement of unaudited interim results for the six months ending 31 March 2017
May 2017	Half Yearly Report posted to shareholders

Interim Board Report

Performance

The Company delivered a Net Asset Value (NAV) total return of +6.2% over the six months to 31 March 2016. The share price total return of +6.7% reflected a small increase in the premium to NAV, while the FTSE All-Share Index produced a total return of +3.5% over the same period. Over one and three years to 31 March 2016 the NAV total returns of +7.4% and +32.3% respectively compared favourably to that of the FTSE All-Share Index which returned -3.9% and +11.4% over the same periods. The Company has performed particularly well during the 18 month period to 31 March 2016 returning nearly 20% over a period when the FTSE All-Share Index has been little better than flat.

The Company increased the aggregate of the first and second interim dividends by +4.35% to 1.20p (a quarterly rate of 0.60p) when compared to the equivalent dividends in the previous year.

Background

Over the last six months we have seen a more difficult environment for income investors. A number of the largest companies in the UK equity market have either cut, or announced their intention to cut, their dividends. The most prominent announcements to date came with BHP Billiton's 75% reduction in its pay-out followed quickly by Rio Tinto's announcement in February that it would be scrapping its progressive dividend policy. This trend may yet have further to go. Pay-out ratios remain stretched in many sectors and those wishing to generate meaningful dividend income from the equity market will have to successfully differentiate between those yields that are sustainable and those that are optically enticing but fundamentally unsustainable.

Following a comparatively stable final quarter of calendar 2015, the current year started ominously. The S&P 500 recorded its worst start to a year on record, falling 6% in the first week; the MSCI Emerging Markets Index fell 7% while in China the Shanghai Composite shed 14.8%. Closer to home, the FTSE 100 kicked off 2016 with its worst first week since 2000. Volatility remained high with markets jittery over China's currency, economy and its ability to manage both. However, since mid-February equity markets have rallied and by the end of March the FTSE All-Share Index had regained nearly all of the ground lost since the beginning of January.

Discount Control Mechanism

In the six months to 31 March 2016, the Company issued 8.42 million shares to the market bringing the share count to 267.2 million. No shares were repurchased. As the Company has grown, partially due to the Discount Control Mechanism, the ongoing charges figure has steadily declined to 1.03% from 1.39% in 2009 a fall of over 25%.

Gearing

The Company has maintained its ungeared balance sheet but has the facilities in place to borrow in the event of an outstanding buying opportunity in equities. A conservative approach to gearing is one contributor to your Company being less volatile than most of its peers and the future use of borrowing would always be tactical rather than structural.

Board changes


Since the Annual General Meeting in January David Garman has joined the Board as a Director. David held senior executive positions in United Biscuits and Associated British Foods before being appointed Chief Executive of TDG plc where he oversaw its sale to a financial purchaser. He is currently a non-executive Director of John Menzies plc and has served as a non-executive Director on the boards of a number of other listed companies including Carillion and Phoenix IT. His experience will be a valuable addition to the Board.

Dividends

The current quarterly dividend rate is 0.60p and the second quarterly dividend was paid on 29 April 2016. As in previous years the Board will consider an uplift to the final quarterly dividend before the year end on 30 September.

Outlook

The portfolio has weathered the recent bouts of volatility well and the income account has proved as robust as the capital values. It is indisputable however, that the outlook for dividend growth is more uncertain now than it has been at any time since the financial crisis of 2007/8 resulted in widespread dividend cuts. The concentration of income in the portfolio is considerably lower than that of the market as a whole and the investment process has ensured the Company has had no exposure to 14 out of the 15 FTSE 100 companies



that have either cut, or announced their intention to cut, their dividends over the last 18 months. This does provide some comfort but the dividend prospects of all the companies in the portfolio will require constant monitoring if the real dividend growth trajectory is to be sustained.

It is also true to say that there are many companies which are well able to grow their dividends almost irrespective of the wider market background because of the strength of their franchises. Your Managers continue to bias their efforts towards these companies which can continue to deliver the long term returns that investors seek.

David Warnock

Chairman

3 May 2016

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include performance and market risk, resource risk and operational risk. Other risks faced by the Company include breach of regulatory rules which could lead to suspension of the Company's Stock Exchange Listing, financial penalties, or a qualified audit report. Breach of Section 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.

An explanation of these principal risks and how they are managed is contained in the Strategic Report within the Annual Report and Accounts for the year ended 30 September 2015.

The Company's principal risks and uncertainties have not changed since the date of the Annual Report and are not expected to change for the remaining six months of the Company's financial year.

Going Concern

The Directors believe having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Responsibility Statement

The Directors are responsible for preparing the half yearly financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of interim financial statements contained within the half yearly financial report have been prepared in accordance with International Accounting Standard 34; and,
- the Interim Board Report includes a fair review of the information required by 4.2.7R (indication of important events during the first six months of the financial year and description of principal risks and uncertainties for the remaining six months of the year) and 4.2.8R (disclosure of related party transactions and changes therein) of the FCA's Disclosure and Transparency Rules.

The half yearly financial report for the six months to 31 March 2016 comprises the Interim Board Report, the Directors' Responsibility Statement and a condensed set of financial statements.

For and on behalf of the Board

David Warnock

Chairman

3 May 2016

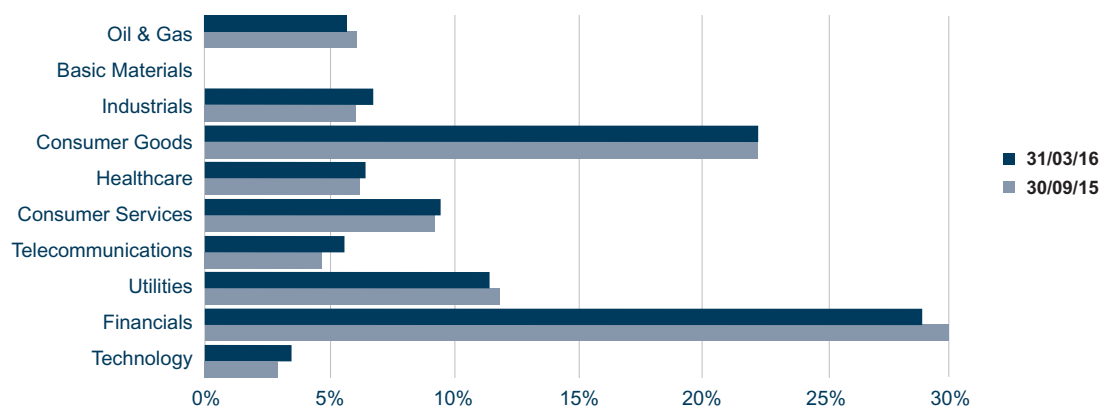
Investment Portfolio

As at 31 March 2016

	Market value £'000	Total portfolio %
Ordinary Shares		
Unilever	8,669	4.8%
Royal Mail	7,235	4.0%
Imperial Brands	6,799	3.7%
Sage Group	6,285	3.5%
British American Tobacco	6,012	3.3%
GlaxoSmithKline	5,997	3.3%
Provident Financial	5,920	3.3%
Royal Dutch Shell	5,817	3.2%
AstraZeneca	5,756	3.2%
Reynolds American	5,606	3.1%
Ten largest investments	64,096	35.4%
National Grid	5,477	3.0%
WH Smith	5,454	3.0%
Experian	4,976	2.7%
Sky	4,910	2.7%
BP	4,727	2.6%
Lloyds Banking Group	4,693	2.6%
Land Securities Group	4,675	2.6%
Centrica	4,666	2.6%
SSE	4,443	2.4%
Compass Group	4,298	2.4%
Twenty largest investments	112,415	62.0%
Schroders	4,145	2.3%
ICAP	4,130	2.3%
Reckitt Benckiser Group	4,038	2.2%
Vodafone	4,036	2.2%
Verizon Communications	3,841	2.1%
Wells Fargo	3,704	2.0%
Pennon Group	3,443	1.9%
Nestlé	3,384	1.9%
Rathbone Brothers	3,284	1.8%
Coca-Cola	3,230	1.8%
Thirty largest investments	149,650	82.5%
Londonmetric Property	3,173	1.7%
Jardine Lloyd Thompson	2,823	1.5%
Dairy Crest	2,783	1.5%
Severn Trent	2,715	1.5%
Hiscox	2,651	1.5%
Primary Health Properties	2,636	1.4%
Pearson	2,625	1.4%
Inmarsat	2,363	1.3%
3i Infrastructure	2,158	1.2%
Assura	1,842	1.0%
Newriver Retail	1,777	1.0%
Lancashire Holdings	1,740	0.9%
American Express	1,498	0.8%
International Public Partnerships	1,480	0.8%
Total investments	181,914	100.0%

Portfolio Analysis

Analysis of Listed Equity Portfolio



Distribution of Assets and Liabilities

As at 31 March 2016

	Valuation at 30 September 2015		Purchases	Sales	Appreciation/ (depreciation)	Valuation at 31 March 2016	
	£'000	%	£'000	£'000	£'000	£'000	%
Listed investments							
Ordinary shares	171,474	96.2	18,082	(15,713)	8,071	181,914	94.7
Current assets	7,212	4.0				10,890	5.7
Current liabilities	(439)	(0.2)				(807)	(0.4)
Net assets	178,247	100.0				191,997	100.0
Net asset value per share	68.87p					71.84p	

Statement of Comprehensive Income

	Six months ended 31 March 2016 (unaudited)			Six months ended 31 March 2015 (unaudited)			Year ended 30 September 2015 (audited)			
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profits on investments held at fair value		–	8,309	8,309	–	13,420	13,420	–	12,144	12,144
Currency (losses)/gains		–	(6)	(6)	–	10	10	–	11	11
Income	2	3,614	–	3,614	2,939	–	2,939	7,013	–	7,013
Investment management fees		(244)	(454)	(698)	(219)	(407)	(626)	(453)	(842)	(1,295)
Other administrative expenses		(228)	–	(228)	(226)	–	(226)	(442)	–	(442)
Profit before taxation		3,142	7,849	10,991	2,494	13,023	15,517	6,118	11,313	17,431
Taxation	3	(36)	–	(36)	(34)	–	(34)	(79)	–	(79)
Profit for the period		3,106	7,849	10,955	2,460	13,023	15,483	6,039	11,313	17,352
Earnings per Ordinary share (pence)	5	1.18	2.98	4.16	0.99	5.26	6.25	2.42	4.52	6.94

The “Profit for the period” is also the Total Comprehensive Income for the period as defined in IAS1 (revised).

The total columns of this statement represents the Statement of Comprehensive Income prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

No operations were acquired or discontinued during the period.

Statement of Financial Position

		As at 31 March 2016 (unaudited) £'000	As at 31 March 2015 (unaudited) £'000	As at 30 September 2015 (audited) £'000
	Notes			
Non-current assets				
Ordinary shares		181,914	164,450	171,474
Investments held at fair value through profit or loss		181,914	164,450	171,474
Current assets				
Financial assets	6	203	–	–
Accrued income and prepayments		1,082	873	582
Trade and other receivables		–	246	–
Cash and cash equivalents		9,605	7,887	6,630
Total current assets		10,890	9,006	7,212
Total assets		192,804	173,456	178,686
Current liabilities				
Trade and other payables		(807)	(418)	(420)
Traded option contracts		–	–	(19)
Total current liabilities		(807)	(418)	(439)
Net assets		191,997	173,038	178,247
Issued capital and reserves attributable to equity holders				
Called-up share capital	8	66,811	62,504	64,706
Share premium account		11,353	3,480	7,525
Special reserves		63,504	63,504	63,504
Capital reserve	9	46,348	40,209	38,499
Revenue reserve		3,981	3,341	4,013
Equity shareholders' funds		191,997	173,038	178,247
Net asset value per Ordinary share (pence)	5	71.84	69.21	68.87

Statement of Changes in Equity

	Six months ended 31 March 2016 (unaudited)						
		Share					
	Share capital	premium account	Special reserves	Capital reserve	Revenue reserve	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 30 September 2015	64,706	7,525	63,504	38,499	4,013	178,247	
Total comprehensive income for the period	–	–	–	7,849	3,106	10,955	
Equity dividends	–	–	–	–	(3,138)	(3,138)	
Discount control costs	–	(17)	–	–	–	(17)	
New shares issued	2,105	3,845	–	–	–	5,950	
Balance at 31 March 2016	66,811	11,353	63,504	46,348	3,981	191,997	

	Six months ended 31 March 2015 (unaudited)						
		Share					
	Share capital	premium account	Special reserves	Capital reserve	Revenue reserve	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 30 September 2014	60,514	86	61,924	27,186	3,681	153,391	
Total comprehensive income for the period	–	–	–	13,023	2,460	15,483	
Equity dividends	–	–	–	–	(2,800)	(2,800)	
Costs of cancellation of share premium account	–	–	(4)	–	–	(4)	
Discount control costs	–	(18)	–	–	–	(18)	
Shares issued from treasury	–	36	1,584	–	–	1,620	
New shares issued	1,990	3,376	–	–	–	5,366	
Balance at 31 March 2015	62,504	3,480	63,504	40,209	3,341	173,038	

	Year ended 30 September 2015 (audited)						
		Share					
	Share capital	premium account	Special reserves	Capital reserve	Revenue reserve	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 30 September 2014	60,514	86	61,924	27,186	3,681	153,391	
Total comprehensive income for the year	–	–	–	11,313	6,039	17,352	
Equity dividends	–	–	–	–	(5,707)	(5,707)	
Costs of cancellation of share premium account	–	–	(4)	–	–	(4)	
Discount control costs	–	(33)	–	–	–	(33)	
Shares issued from treasury	–	36	1,584	–	–	1,620	
New shares issued	4,192	7,436	–	–	–	11,628	
Balance at 30 September 2015	64,706	7,525	63,504	38,499	4,013	178,247	

Cash Flow Statement

	Six months ended 31 March 2016 (unaudited) £'000	Six months ended 31 March 2015 (unaudited) £'000	Year ended 30 September 2015 (audited) £'000
Cash flows from operating activities			
Investment income received	3,032	2,752	7,103
Other income received	97	–	–
Administrative expenses paid	(921)	(812)	(1,696)
Cash generated from operations	2,208	1,940	5,407
Taxation	(36)	(34)	(76)
Net cash inflows from operating activities	2,172	1,906	5,331
Cash flows from investing activities			
Purchases of investments	(17,699)	(5,994)	(20,628)
Sales of investments	15,713	5,314	11,656
Net cash outflow from investing activities	(1,986)	(680)	(8,972)
Net cash inflow/(outflow) before financing	186	1,226	(3,641)
Financing activities			
Proceeds of issue of shares	5,950	6,726	13,248
Dividends paid	(3,138)	(2,800)	(5,707)
Costs incurred on cancellation of share premium account and on issue of new shares	(17)	(30)	(36)
Net cash inflow from financing activities	2,795	3,896	7,505
Net increase in cash and short term deposits	2,981	5,122	3,864
Cash and short term deposits at the start of the period	6,630	2,755	2,755
Effect of foreign exchange rate changes	(6)	10	11
Cash and short term deposits at the end of the period	9,605	7,887	6,630
Reconciliation of operating profit to operating cash flows			
Profit before taxation	10,991	15,517	17,431
Adjustments for:			
Gains on investments	(8,309)	(13,420)	(12,144)
Currency losses/(gains)	6	(10)	(11)
(Increase)/decrease in accrued income and prepayments	(484)	(183)	89
Increase in trade and other payables	4	36	42
Cash generated from operations	2,208	1,940	5,407

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 – 'Interim Financial Reporting', as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC). They have also been prepared using the same accounting policies applied for the year ended 30 September 2015 financial statements.

(b) Dividends payable

Dividends are recognised on the ex-dividend date.

	Six months ended 31 March 2016	Six months ended 31 March 2015	Year ended 30 September 2015
	£'000	£'000	£'000
2. Income			
Income from listed investments			
UK dividend income	3,295	2,717	6,468
Overseas dividend income	239	222	528
	3,534	2,939	6,996
Other income from investment activity			
Traded option premiums	80	–	17
Total income	3,614	2,939	7,013

3. Taxation

The taxation charge for the period represents withholding tax suffered on overseas dividend income.

4. The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 31 March 2016*	Six months ended 31 March 2015†	Year ended 30 September 2015††
	£'000	£'000	£'000
Revenue	3,106	2,460	6,039
Dividends declared	(3,192)	(2,859)	(5,883)
	(86)	(399)	156

* Dividends declared relate to the first two interim dividends (both 0.60p each) declared in respect of the financial year 2015/2016.

† Dividends declared relate to the first two interim dividends (both 0.575p each) declared in respect of the financial year 2014/2015.

†† Dividends declared relate to the four interim dividends declared in respect of the financial year 2014/2015 2.325p.

Notes to the Accounts (continued)

5. Return and net asset value per share

	Six months ended 31 March 2016	Six months ended 31 March 2015	Year ended 30 September 2015
	p	p	p
Revenue return	1.18	0.99	2.42
Capital return	2.98	5.26	4.52
Total return	4.16	6.25	6.94

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	3,106	2,460	6,039
Capital return	7,849	13,023	11,313
Total return	10,955	15,483	17,352

Weighted average number of Ordinary shares in issue	262,921,094	247,867,001	249,946,644
-----------------------------------------------------	-------------	-------------	-------------

The net asset value per share is based on net assets attributable to shareholders of £191,997,000 (31 March 2015 – £173,038,000; 30 September 2015 – £178,247,000) and on 267,244,045 (31 March 2015 – 250,017,445; 30 September 2015 – 258,824,045) Ordinary shares in issue at the period end.

6. Financial assets

	As at 31 March 2016 (unaudited) £'000	As at 31 March 2015 (unaudited) £'000	As at 30 September 2015 (audited) £'000
Fair value of forward currency contract	203	–	–

7. Financial instruments

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2016 Total £'000
Financial assets at fair value through profit or loss as at 31 March 2016				
Investments	181,914	–	–	181,914
Current assets	–	203	–	203
	181,914	203	–	182,117

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments the fair value of which is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. The Company's forward currency contract has been included in this level as fair value is achieved using the foreign exchange spot rate and forward points which vary depending on the duration of the contract.

Level 3 reflects financial instruments the fair value of which is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

There were no transfers of investments between levels during the six months ended 31 March 2016.

The fair value of the Company's financial assets and liabilities as at 31 March 2016 was not materially different from the carrying value.

Notes to the Accounts (continued)

8. Ordinary share capital

	As at 31 March 2016 (unaudited) No. of shares	As at 31 March 2015 (unaudited) No. of shares	As at 30 September 2015 (audited) No. of shares
Ordinary shares of 25p each			
Allotted, called-up and fully paid	267,244,045	250,017,445	258,824,045

During the six months ended 31 March 2016, the six months ended 31 March 2015 and the year to 30 September 2015 there were no Ordinary shares of 25p each repurchased by the Company. During the six months ended 31 March 2016 there were no Ordinary shares re-issued from treasury. During the six months ended 31 March 2015 and the year ended 30 September 2015 there were 2,569,000 Ordinary shares re-issued from treasury for proceeds totalling £1,620,215.

During the six months ended 31 March 2016 there were 8,420,000 new Ordinary shares of 25p each issued by the Company for cash proceeds totalling £5,949,553. During the six months ended 31 March 2015 there were 7,960,000 new Ordinary shares of 25p each issued by the Company for cash proceeds totalling £5,374,025. During the year to 30 September 2015 there were 16,766,600 new Ordinary shares of 25p each issued by the Company for cash proceeds totalling £11,628,000.

9. Capital reserve

The capital reserve shown in the Balance Sheet at 31 March 2016 includes gains of £42,803,000 (31 March 2015 – gains of £41,717,000; 30 September 2015 – gains of £37,731,000) which relate to the revaluation of investments held at the reporting date.

10. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as held at fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 March 2016 £'000	Six months ended 31 March 2015 £'000	Year ended 30 September 2015 £'000
Purchases	39	25	100
Sales	25	6	16
	64	31	116

11. Publication of non-statutory accounts

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Sections 434–436 of the Companies Act 2006. The financial information for the six months ended 31 March 2016 and 31 March 2015 has not been audited.

The information for the year ended 30 September 2015 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

12. This Half Yearly Financial Report was approved by the Board on 3 May 2016.

Corporate Information

Directors

David Warnock
Jann Brown
David Garman
Roger White

Manager

Troy Asset Management Limited
33 Davies Street
London W1K 4BP
www.taml.co.uk

Secretary and Registered Office

Steven Cowie C.A.
Personal Assets Trust Administration
Company Limited
10 St Colme Street
Edinburgh EH3 6AA
Registration Number: 366565 (Scotland)

Alternative Investment Fund Manager

Personal Assets Trust Administration
Company Limited

Auditors

PricewaterhouseCoopers LLP

Solicitors

Dickson Minto W.S.

Bankers & Custodian

J.P. Morgan Chase Bank N.A

Depository

J.P. Morgan Europe Ltd

Corporate Broker

Numis Securities Ltd

Company Registration Number

111955 (Scotland)

Regulatory Status

Troy Income & Growth Trust plc is an investment trust pursuant to Section 1158 of the Corporation Taxes Act 2010. The FCA rules in relation to non-mainstream investment products therefore do not apply to the Company.

Registrars and Transfer Office

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone 0371 384 2501
Overseas Helpline +44 121 415 7047

Lines are open 8.30 am to 5.30 pm Monday to Friday excluding English public holidays.

Website

www.tigt.co.uk

