

Troy Income & Growth Trust plc

Half Yearly Report
31 March 2017



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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 2017	30 September 2016	% change
Equity shareholders' funds (£'000)	225,991	215,463	+4.9
Net asset value per share	78.66p	76.41p	+2.9
Share price (mid-market)	79.75p	77.00p	+3.6
Premium to net asset value	1.4%	0.8%	

Total Return* (for the periods to 31 March 2017)

	Six months	One Year	Three Years	Five Years	Seven Years
Share price	+5.3%	+13.2%	+37.8%	+74.7%	+112.8%
Net asset value per share	+4.3%	+12.8%	+37.0%	+73.3%	+108.6%
FTSE All-Share Index	+8.1%	+22.0%	+24.9%	+58.7%	+74.9%

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

Financial Calendar

28 July 2017	Third interim dividend 2016/2017 payable to shareholders
27 October 2017	Fourth interim dividend 2016/2017 payable to shareholders
November 2017	Announcement of Annual Results for the year ending 30 September 2017
December 2017	Annual Report posted to shareholders
January 2018	Annual General Meeting
May 2018	Announcement of unaudited interim results for the six months ending 31 March 2018
May 2018	Half Yearly Report posted to shareholders

Interim Board Report

Performance

The Company delivered a Net Asset Value (NAV) total return of +4.3% over the six months to 31 March 2017. The share price total return of +5.3% reflected a small increase in the premium to NAV, while the FTSE All-Share Index produced a total return of +8.1% over the same period. Over the twelve months to 31 March 2017 the NAV total return of +12.8% lagged that of the FTSE All-Share Index which returned +22.0% in what was a challenging period for Troy Asset Management's investment style. However, the Board is predominately interested in longer-term performance and over the three year period the NAV total return of +37.0% continues to compare favourably to the market return of +24.9%.

The Company increased the aggregate of the first and second interim dividends by +4.17% to 1.25p (a quarterly rate of 0.625p) when compared to the equivalent dividends in the previous year.

Background

Politics were once again the preeminent force influencing markets. Following the landmark election of Donald Trump in early November 2016 securities quickly priced in the victor's promises of a broad fiscal stimulus package funded by government debt as well as the prospect of a "normalisation" of Federal Reserve monetary policy. The yield on ten-year US Treasury bonds reacted by rising almost 60 basis points and a sharp shift in sentiment precipitated a broad rotation out of defensive, high quality investments into more cyclical and value-oriented equities that lasted well into the new year.

The consumer staples sector, which had fallen out of favour in the second half of 2016, was back in vogue in February and March owing largely to heightened M&A activity in the sector. Reckitt Benckiser agreed a \$17.9bn takeover of US infant formula manufacturer Mead Johnson and Kraft-Heinz launched a short-lived £115bn bid for the consumer goods giant Unilever before dropping its pursuit following a frosty reception from both the company and investors. Although investors may from time to time become blasé about the sustainable and robust returns delivered by high quality franchises, such periods provide opportunities for patient investors. The move by Kraft-Heinz underpins the Managers' view that substantial value remains in some of the UK's best companies.

In the US the relationship between Donald Trump and the broader republican congress has had a shaky start. The incompatibility of conservatism and populism was laid bare as the new president and his GOP majority failed to pass the American Health Care Act. Trump's honeymoon with the US equity market has however, fared better with the Dow Jones having pushed through the 20,000 barrier and many other equity indices continuing to make new highs through the first quarter of 2017.

Discount Control Mechanism

In the six months to 31 March 2017, the Company issued a net figure of 5.33 million shares to the market bringing the total shares in issue to 287.3 million. In March the Company demonstrated its commitment to buying back shares when the market is oversupplied, by purchasing 120,000 of its own shares in the market. These shares were reissued ahead of the period end and as such there are currently no shares held in treasury. As the Company has grown, partially due to the Discount Control Mechanism, the ongoing charges figure has steadily declined to less than 1% from 1.39% in 2009.

Gearing


The Company continues to maintain an ungeared balance sheet, though at the period end was in the process of reviewing its borrowing facilities and has since announced a new £20 million facility with ING. A conservative approach to gearing is one contributor to the Company being less volatile than most of its peers and the future use of borrowing would always be tactical rather than structural.

Dividends

The current quarterly dividend rate is 0.625p and the second quarterly dividend was paid on 28 April 2017. As in previous years the Board will consider an uplift to the final quarterly dividend before the year end on 30 September.

Outlook

Despite the European Union having now formally received Theresa May's letter, notifying it of the United Kingdom's intention to leave the bloc, the UK's economic circumstances continue to reflect a "post-referendum" but "pre-Brexit" world. Since the referendum, the FTSE All-Share has risen materially. This can partly be explained by sterling's depreciation which has increased the value of the substantial overseas cash flows that are a feature of the UK's global large capitalisation constituents. As negotiations evolve over the



next two years, and with a general election announced for the 8 June, there is a material risk that sterling and UK equities become increasingly volatile.

It also remains to be seen whether the recent surge in inflation in the British economy will be transient or sustained. The Bank of England's Monetary Policy Committee faces a delicate balancing act over the coming months to ensure an economy recording solid expansion is not set off course by rising inflationary pressures.

In such an uncertain market environment the Company's emphasis on investing in businesses that can deliver stable and growing dividends, underpinned by strong cash flows and robust business models seems to be ever more important.

David Warnock

Chairman

2 May 2017

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 2016.

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 Guidance and Transparency Rules.

The half yearly financial report for the six months to 31 March 2017 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

2 May 2017

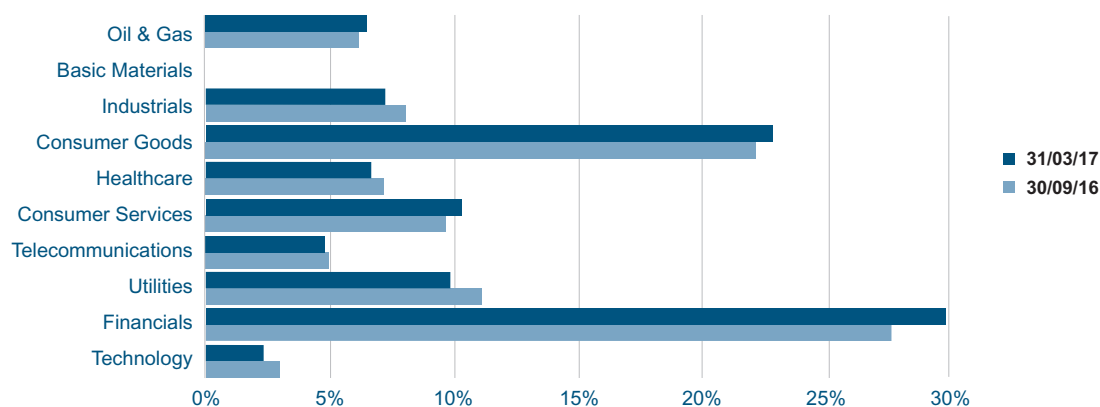
Investment Portfolio

As at 31 March 2017

	Valuation £'000	Total Portfolio %
Ordinary Shares		
Unilever	11,819	5.3%
Royal Dutch Shell	8,301	3.7%
Reynolds American	8,037	3.6%
British American Tobacco	7,791	3.5%
AstraZeneca	7,737	3.5%
Lloyds Banking Group	7,294	3.3%
GlaxoSmithKline	7,053	3.2%
Imperial Brands	6,806	3.1%
Experian	6,508	2.9%
Royal Mail	6,397	2.9%
Ten largest investments	77,743	35.0%
BP	6,177	2.8%
National Grid	5,625	2.5%
Provident Financial	5,530	2.5%
WH Smith	5,319	2.4%
Sky	5,268	2.4%
Compass Group	5,267	2.4%
Sage Group	5,202	2.3%
SSE	5,018	2.2%
Next	4,967	2.2%
Schroders	4,957	2.2%
Twenty largest investments	131,073	58.9%
Wells Fargo	4,880	2.2%
Reckitt Benckiser Group	4,845	2.2%
Land Securities Group	4,807	2.1%
Centrica	4,448	2.0%
Nestle	3,968	1.8%
Verizon Communications	3,964	1.8%
Vodafone	3,798	1.7%
Jardine Lloyd Thompson	3,792	1.7%
Pennon Group	3,746	1.7%
Rathbone Brothers	3,736	1.7%
Thirty largest investments	173,057	77.8%
Hiscox	3,566	1.6%
Londonmetric Property	3,544	1.6%
Coca-Cola	3,382	1.5%
Equiniti Group	3,117	1.4%
3i Infrastructure	3,001	1.3%
Severn Trent	2,978	1.3%
Lancashire Holdings	2,859	1.3%
Primary Health Properties	2,842	1.3%
Nex Group	2,826	1.3%
Inmarsat	2,679	1.2%
Forty largest investments	203,851	91.6%
Dairy Crest	2,491	1.1%
International Public Partnerships	2,362	1.1%
American Express	2,206	1.0%
Secure Income REIT	2,147	1.0%
Pearson	2,046	0.9%
Assura	2,007	0.9%
IG Group Holdings	1,979	0.9%
NewRiver REIT	1,819	0.8%
Burberry Group	1,517	0.7%
Total investments	222,425	100.0%
Gain on forward currency contract at fair value	76	–

Portfolio Analysis

Analysis of Listed Equity Portfolio



Distribution of Assets and Liabilities

As at 31 March 2017

	Valuation at 30 September 2016		Purchases	Appreciation/ Sales (depreciation)		Valuation at 31 March 2017	
	£'000	%	£'000	£'000	£'000	£'000	%
Listed investments							
Ordinary shares	206,641	95.9	11,005	(2,883)	7,662	222,425	98.4
Current assets	10,024	4.7				4,074	1.8
Current liabilities	(1,202)	(0.6)				(508)	(0.2)
Net assets	215,463	100.0				225,991	100.0
Net asset value per share	76.41p					78.66p	

Statement of Comprehensive Income

	Six months ended 31 March 2017 (unaudited)			Six months ended 31 March 2016 (unaudited)			Year ended 30 September 2016 (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		–	7,262	7,262	–	8,309	8,309	–	20,740	20,740
Currency losses		–	(6)	(6)	–	(6)	(6)	–	(13)	(13)
Income	2	3,896	–	3,896	3,614	–	3,614	8,008	–	8,008
Investment management fees		(277)	(515)	(792)	(244)	(454)	(698)	(508)	(943)	(1,451)
Other administrative expenses		(235)	–	(235)	(228)	–	(228)	(437)	–	(437)
Profit before taxation		3,384	6,741	10,125	3,142	7,849	10,991	7,063	19,784	26,847
Taxation	3	(55)	–	(55)	(36)	–	(36)	(101)	–	(101)
Profit for the period		3,329	6,741	10,070	3,106	7,849	10,955	6,962	19,784	26,746
Earnings per Ordinary share (pence)	5	1.17	2.36	3.53	1.18	2.98	4.16	2.59	7.37	9.96

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

	Notes	As at 31 March 2017 (unaudited) £'000	As at 31 March 2016 (unaudited) £'000	As at 30 September 2016 (audited) £'000
Non-current assets				
Ordinary shares		222,425	181,914	206,641
Investments held at fair value through profit or loss		222,425	181,914	206,641
Current assets				
Fair value of forward currency contract		76	203	–
Accrued income and prepayments		785	1,082	517
Trade and other receivables		95	–	–
Cash and cash equivalents		3,118	9,605	9,507
Total current assets		4,074	10,890	10,024
Total assets		226,499	192,804	216,665
Current liabilities				
Trade and other payables		(508)	(807)	(1,069)
Fair value of forward currency contract		–	–	(133)
Total current liabilities		(508)	(807)	(1,202)
Net assets		225,991	191,997	215,463
Issued capital and reserves attributable to equity holders				
Called-up share capital	7	71,823	66,811	70,492
Share premium account		21,286	11,353	18,600
Special reserves		63,505	63,504	63,504
Capital reserve	8	65,024	46,348	58,283
Revenue reserve		4,353	3,981	4,584
Equity shareholders' funds		225,991	191,997	215,463
Net asset value per Ordinary share (pence)	5	78.66	71.84	76.41

Statement of Changes in Equity

Six months ended 31 March 2017 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserves £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 October 2016	70,492	18,600	63,504	58,283	4,584	215,463
Profit and total comprehensive income for the period	–	–	–	6,741	3,329	10,070
Equity dividends	–	–	–	–	(3,560)	(3,560)
Shares bought back into treasury	–	–	(93)	–	–	(93)
Shares issued from treasury	–	1	94	–	–	95
Discount control costs	–	(17)	–	–	–	(17)
New shares issued	1,331	2,702	–	–	–	4,033
Balance at 31 March 2017	71,823	21,286	63,505	65,024	4,353	225,991

Six months ended 31 March 2016 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserves £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 October 2015	64,706	7,525	63,504	38,499	4,013	178,247
Profit and 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

Year ended 30 September 2016 (audited)

	Share capital £'000	Share premium account £'000	Special reserves £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 October 2015	64,706	7,525	63,504	38,499	4,013	178,247
Profit and total comprehensive income for the year	–	–	–	19,784	6,962	26,746
Equity dividends	–	–	–	–	(6,391)	(6,391)
Discount control costs	–	(33)	–	–	–	(33)
New shares issued	5,786	11,108	–	–	–	16,894
Balance at 30 September 2016	70,492	18,600	63,504	58,283	4,584	215,463

Cash Flow Statement

	Six months ended 31 March 2017 (unaudited) £'000	Six months ended 31 March 2016 (unaudited) £'000	Year ended 30 September 2016 (audited) £'000
Cash flows from operating activities			
Investment income received	3,622	3,032	8,097
Other income received	–	97	–
Administrative expenses paid	(973)	(921)	(1,849)
Cash generated from operations	2,649	2,208	6,248
Taxation	(55)	(36)	(122)
Net cash inflows from operating activities	2,594	2,172	6,126
Cash flows from investing activities			
Purchases of investments	(11,613)	(17,699)	(33,987)
Sales of investments	2,883	15,713	20,796
Realised loss on forward currency contracts	(610)	–	(515)
Net cash outflow from investing activities	(9,340)	(1,986)	(13,706)
Net cash (outflow)/inflow before financing	(6,746)	186	(7,580)
Financing activities			
Proceeds of issue of shares	4,033	5,950	16,894
Cost of share buy backs	(93)	–	–
Dividends paid	(3,560)	(3,138)	(6,391)
Costs incurred on issue of new shares	(17)	(17)	(33)
Net cash inflow from financing activities	363	2,795	10,470
Net (decrease)/increase in cash and short term deposits	(6,383)	2,981	2,890
Cash and short term deposits at the start of the period	9,507	6,630	6,630
Effect of foreign exchange rate changes	(6)	(6)	(13)
Cash and short term deposits at the end of the period	3,118	9,605	9,507
Reconciliation of operating profit to operating cash flows			
Profit before taxation	10,125	10,991	26,847
Adjustments for:			
Gains on investments	(7,262)	(8,309)	(20,740)
Currency losses	6	6	13
(Increase)/decrease in accrued income and prepayments	(270)	(484)	87
Increase in trade and other payables	50	4	41
Cash generated from operations	2,649	2,208	6,248

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 2016 financial statements.

(b) Dividends payable

Dividends are recognised on the ex-dividend date.

	Six months ended 31 March 2017	Six months ended 31 March 2016	Year ended 30 September 2016
	£'000	£'000	£'000
2. Income			
Income from listed investments			
UK dividend income	3,528	3,295	7,227
Overseas dividend income	368	239	663
	3,896	3,534	7,890
Other income from investment activity			
Traded option premiums & other income	–	80	118
Total income	3,896	3,614	8,008

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 2017*	Six months ended 31 March 2016†	Year ended 30 September 2016††
	£'000	£'000	£'000
Revenue	3,329	3,106	6,962
Dividends declared	(3,587)	(3,192)	(6,605)
	(258)	(86)	357

* Dividends declared relate to the first two interim dividends (both 0.625p each) declared in respect of the financial year 2016/2017.

† 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 four interim dividends declared in respect of the financial year 2015/2016 2.425p.

Notes to the Accounts (continued)

5. Return and net asset value per share

	Six months ended 31 March 2017	Six months ended 31 March 2016	Year ended 30 September 2016
	p	p	p
Revenue return	1.17	1.18	2.59
Capital return	2.36	2.98	7.37
Total return	3.53	4.16	9.96

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	3,329	3,106	6,962
Capital return	6,741	7,849	19,784
Total return	10,070	10,955	26,746

Weighted average number of Ordinary shares in issue	285,483,660	262,921,094	268,605,520
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The net asset value per share is based on net assets attributable to shareholders of £225,991,000 (31 March 2016 – £191,997,000; 30 September 2016 – £215,463,000) and on 287,294,045 (31 March 2016 – 267,244,045; 30 September 2016 – 281,969,045) Ordinary shares in issue at the period end.

6. Financial instruments

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2017 Total £'000
Financial assets at fair value through profit or loss as at 31 March 2017				
Investments	222,425	–	–	222,425
Current assets	–	76	–	76
	222,425	76	–	222,501

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 2017.

The fair value of the Company's financial assets and liabilities as at 31 March 2017 was not materially different from the carrying value.

Notes to the Accounts (continued)

7. Ordinary share capital

	As at 31 March 2017 (unaudited) No. of shares	As at 31 March 2016 (unaudited) No. of shares	As at 30 September 2016 (audited) No. of shares
Ordinary shares of 25p each			
Allotted, called-up and fully paid	287,294,045	267,244,045	281,969,045

During the six months ended 31 March 2017 there were 120,000 Ordinary shares of 25p each repurchased by the Company at a total cost of £93,394 and placed in treasury. During the six months ended 31 March 2016 and the year to 30 September 2016 there were no Ordinary shares of 25p each repurchased by the Company.

During the six months ended 31 March 2017 there were 120,000 Ordinary shares re-issued from treasury for proceeds totalling £94,994. During the six months ended 31 March 2016 and the year to 30 September 2016 there were no Ordinary shares re-issued from treasury.

During the six months ended 31 March 2017 there were 5,325,000 new Ordinary shares of 25p each issued by the Company for cash proceeds totalling £4,041,302. 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 year to 30 September 2016 there were 23,145,000 new Ordinary shares of 25p each issued by the Company for cash proceeds totalling £16,894,000.

8. Capital reserve

The capital reserve shown in the Balance Sheet at 31 March 2017 includes gains of £62,102,000 (31 March 2016 – gains of £42,803,000 ; 30 September 2016 – gains of £54,584,000) which relate to the revaluation of investments held at the reporting date.

9. 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 2017 £'000	Six months ended 31 March 2016 £'000	Year ended 30 September 2016 £'000
Purchases	50	39	112
Sales	2	25	28
	52	64	140

10. 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 2017 and 31 March 2016 has not been audited.

The information for the year ended 30 September 2016 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.

11. This Half Yearly Financial Report was approved by the Board on 2 May 2017.

Corporate Information

Directors

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Jann Brown
David Garman
Roger White

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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

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