

Troy Income & Growth Trust plc

Half Yearly Report
31 March 2015



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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 2015	30 September 2014	% change
Equity shareholders' funds (£'000)	173,038	153,391	+12.8
Net asset value per share	69.21p	64.05p	+8.1
Share price (mid market)	70.50p	64.25p	+9.7
Premium to net asset value	1.9%	0.3%	

Total Returns *

	6 months ended 31 March 2015	12 months ended 31 March 2015	36 months ended 31 March 2015	60 months ended 31 March 2015
Share price	11.7%	14.0%	44.6%	76.2%
Net asset value per share	10.3%	13.4%	43.4%	72.7%
FTSE All-Share Index	5.3%	6.6%	35.4%	49.3%

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

Financial Calendar

May 2015	Announcement of unaudited interim results for the six months ended 31 March 2015
May 2015	Half Yearly Report posted to shareholders
31 July 2015	Third interim dividend 2014/2015 payable to shareholders
30 October 2015	Fourth interim dividend 2014/2015 payable to shareholders
November 2015	Announcement of Annual Results for the year ending 30 September 2015
December 2015	Annual Report posted to shareholders
January 2016	Annual General Meeting
May 2016	Announcement of unaudited interim results for the six months ending 31 March 2016
May 2016	Half Yearly Report posted to shareholders

Interim Board Report

Performance

The Company delivered a Net Asset Value (NAV) total return of +10.3% over the six months to 31 March 2015. The share price total return of +11.7% reflected a small increase in the premium to NAV, while the FTSE All-Share Index produced a total return of +5.3% over the same period. Over one and three years to 31 March 2015 the NAV total returns of +13.4% and +43.4% respectively compared favourably to that of the FTSE All-Share Index which returned +6.6% and +35.4%. During the closing three months of 2014 the Company's NAV (+5.4%) outstripped a fairly muted market move (+0.6%). However, in what was a much stronger first quarter of 2015 for the broader equity market, the Trust's defensive portfolio unusually performed almost exactly in line with the index (+4.7%). The Company increased the aggregate of the first and second interim dividends by +4.5% to 1.15p (a quarterly rate of 0.575p) when compared to the equivalent dividends in the previous year.

Overall the performance of your Company in the period under review was positive and reflected the continued attractions of quality companies with attractive dividend growth prospects.

Background

For the two years up to the end of September 2014 US quantitative easing allowed investors to participate in equity markets whilst remaining largely insulated from the vagaries of the underlying economy. The capricious animal spirits that govern equity markets became dependable creatures of habit, happy to participate as long as the Federal Reserve kept printing. The fall in the oil price from a summer high of \$107 per barrel to below \$45 coincided with evidence of weakening demand to create concerns that a deflationary environment could become entrenched in Europe in particular. This coincided with the tapering of additional US monetary support, which finally ceased completely in October. As this panacea was removed investors were forced to consider economic reality and equity market volatility increased in the run up to the year end.

Part of the market's weakness in the final quarter of 2014 can also be attributed to the re-emergence of concerns relating to Greece's political and fiscal instability. It was a reminder that many of the acute risks that emerged in the teeth of the global financial crisis and the subsequent turmoil have not been properly resolved. Instead they have merely become chronic in nature and so still have the capacity to unsettle equity markets dramatically. In the face of these combined economic and political threats the ECB, continuing in the vein of its 2012 pledge to "do whatever it takes" to save the euro, joined the Bank of Japan in taking up the baton of monetary stimulus and announced its own €60bn per month asset purchase programme in late January.

Bond yields moved sharply to price in this new monetary backdrop and in particular the spectre of a possible increase in US interest rates in the coming quarters. The UK 10-year gilt yield, which had ended January at close to 1.3%, reversed its steady multi-year decline with a sharp rise to nearer 2% by March. This re-pricing of defensive assets meant that the Trust gave up some of the very strong relative performance it had generated in the prior months. As the dust settled and investors were again able to take comfort from the wider impact of QE the broad UK equity market resumed its upwards progress, with the FTSE 100 Index breaking through the historical ceiling of 7000 in late March.

Discount Control Mechanism

In the six months to 31 March 2015, the Company issued 10.4 million shares to the market bringing the share count to above 250 million for the first time. No shares were repurchased. As the Trust has grown, enabled by the Discount Control Mechanism, the ongoing charges figure has steadily declined to 1.05% making the Trust's shares less expensive for all investors. Also in March the Trust's NAV moved through £175m for the first time. Assets in excess of this level attract a lower annual management charge of 0.65% and this will further help to reduce ongoing charges.

Gearing

The Company continues to maintain an 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.

Dividends

The current quarterly dividend rate is 0.575p and the second quarterly dividend was paid on 24 April 2015. As in previous years the Board will consider an uplift to the final quarterly dividend before the year end on 30 September. The global nature of many of the companies that make up the UK equity market means that the strengthening dollar has been a strong tailwind for dividend growth in the first half of the Trust's financial year. Although this trend may not persist it has, to date, provided additional support to our aspiration of steadily growing the dividend over time.

Outlook

Equity markets generally are showing considerable 'sang froid' in the face of political uncertainty in the UK, a slowing recovery in the US, stagnation in the Eurozone and a sharp slowdown in the Chinese economy and all that means for commodity markets in particular. Equities are however a strong leading indicator and may prove many economic forecasters to have been overly pessimistic. The deferral of interest rate rises has definitely helped to buoy markets and any reversal of that consensus would be negative. The portfolio remains well placed to withstand any such volatility and take advantage of investment opportunities that may arise.

D Warnock

Chairman
5 May 2015

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 2014.

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 2015 comprises the Interim Board Report, the Directors' Responsibility Statement and a condensed set of financial statements.

For and on behalf of the Board

D Warnock

Chairman
5 May 2015

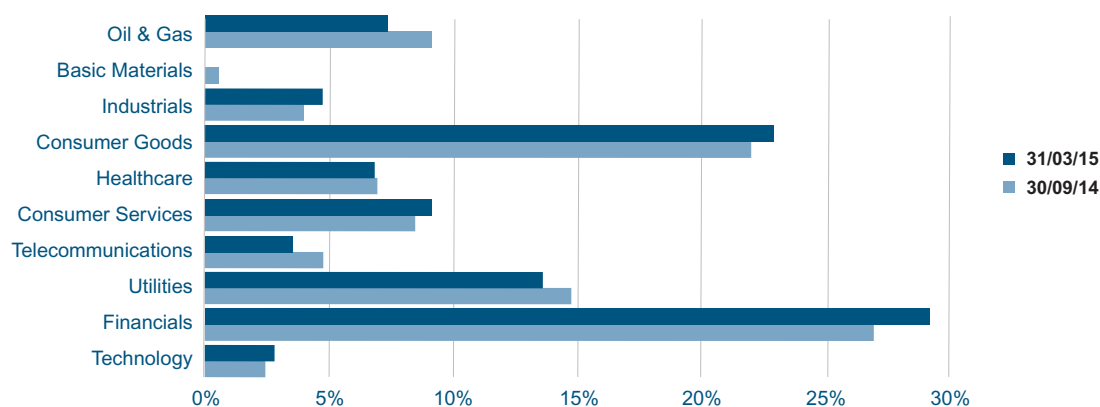
Investment Portfolio

As at 31 March 2015

	Market value £'000	Total portfolio %
Ordinary Shares		
Reynolds American	7,442	4.5%
Unilever	6,472	3.9%
GlaxoSmithKline	6,027	3.7%
Provident Financial	5,869	3.6%
Imperial Tobacco	5,215	3.2%
BP	5,175	3.2%
Pennon Group	5,163	3.1%
British American Tobacco	5,128	3.1%
AstraZeneca	5,088	3.1%
Amlin	4,827	2.9%
Ten largest investments	56,406	34.3%
National Grid	4,799	2.9%
Royal Dutch Shell	4,752	2.9%
Sage Group	4,667	2.8%
Centrica	4,605	2.8%
HSBC Holdings	4,591	2.8%
ICAP	4,585	2.8%
Schroders	4,542	2.8%
SSE	4,464	2.7%
Experian	4,356	2.7%
Pearson	4,350	2.6%
Twenty largest investments	102,117	62.1%
WH Smith	3,897	2.4%
Lloyds Banking Group	3,836	2.3%
Vodafone	3,582	2.2%
Land Securities Group	3,568	2.2%
Jardine Lloyd Thompson	3,507	2.1%
Royal Mail	3,506	2.1%
Reckitt Benckiser Group	3,479	2.1%
Sky	3,476	2.1%
Severn Trent	3,397	2.1%
Nestlé	3,309	2.0%
Thirty largest investments	137,674	83.7%
Rathbone Brothers	3,235	2.0%
Compass Group	3,141	1.9%
Londonmetric Property	2,997	1.8%
Verizon Communications	2,352	1.4%
Primary Health Properties	2,310	1.4%
3i Infrastructure	2,227	1.4%
Inmarsat	2,221	1.4%
Coca-Cola	2,190	1.3%
BG Group	2,155	1.3%
Dairy Crest	1,991	1.2%
Lancashire Holdings	1,843	1.1%
Indivior	114	0.1%
Total investments	164,450	100.0%

Portfolio Analysis

Analysis of Listed Equity Portfolio



Distribution of Assets and Liabilities

As at 31 March 2015

	Valuation at 30 September 2014		Purchases	Sales	Appreciation/ (depreciation)	Valuation at 31 March 2015	
	£'000	%	£'000	£'000	£'000	£'000	%
Listed investments							
Ordinary shares	150,656	98.2	4,951	(4,953)	13,796	164,450	95.0
Current assets	4,182	2.7				9,006	5.2
Current liabilities	(1,447)	(0.9)				(418)	(0.2)
Net assets	153,391	100.0				173,038	100.0
Net asset value per share	64.05p					69.21p	

Statement of Comprehensive Income

	Notes	Six months ended 31 March 2015 (unaudited)			Six months ended 31 March 2014 (unaudited)			Year ended 30 September 2014 (audited)		
		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		–	13,420	13,420	–	8,393	8,393	–	9,585	9,585
Currency gains/(losses)		–	10	10	–	(2)	(2)	–	(4)	(4)
Income	2	2,939	–	2,939	2,479	–	2,479	6,194	–	6,194
Investment management fees		(219)	(407)	(626)	(192)	(358)	(550)	(392)	(728)	(1,120)
Other administrative expenses		(226)	–	(226)	(214)	–	(214)	(403)	–	(403)
Finance costs of borrowing		–	–	–	–	–	–	(5)	(10)	(15)
Profit before taxation		2,494	13,023	15,517	2,073	8,033	10,106	5,394	8,843	14,237
Taxation	3	(34)	–	(34)	(34)	–	(34)	(86)	–	(86)
Profit for the period		2,460	13,023	15,483	2,039	8,033	10,072	5,308	8,843	14,151
Earnings per Ordinary share (pence)	5	0.99	5.26	6.25	0.87	3.42	4.29	2.25	3.75	6.00

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.

Balance Sheet

	Notes	As at 31 March 2015 (unaudited) £'000	As at 31 March 2014 (unaudited) £'000	As at 30 September 2014 (audited) £'000
Non-current assets				
Ordinary shares		164,450	145,042	150,656
Investments held at fair value through profit or loss		164,450	145,042	150,656
Current assets				
Accrued income and prepayments		873	755	690
Trade and other receivables		246	–	737
Cash and cash equivalents		7,887	2,413	2,755
Total current assets		9,006	3,168	4,182
Total assets		173,456	148,210	154,838
Current liabilities				
Trade and other payables		(418)	(403)	(1,447)
Total current liabilities		(418)	(403)	(1,447)
Net assets		173,038	147,807	153,391
Issued capital and reserves attributable to equity holders				
Called-up share capital	6	62,504	60,514	60,514
Share premium account		3,480	36,419	86
Special reserves		63,504	52,755	61,924
Capital reserve	7	40,209	(4,867)	27,186
Revenue reserve		3,341	2,986	3,681
Equity shareholders' funds		173,038	147,807	153,391
Net asset value per Ordinary share (pence)	5	69.21	63.37	64.05

Statement of Changes in Equity

	Six months ended 31 March 2015 (unaudited)					
	Share capital	Share 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)
Shares bought back into treasury	–	–	–	–	–	–
Shares issued from treasury	–	18	1,584	–	–	1,602
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

	Six months ended 31 March 2014 (unaudited)					
	Share capital	Share premium account	Special reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 September 2013	60,514	36,432	58,163	(12,900)	3,569	145,778
Total comprehensive income for the period	–	–	–	8,033	2,039	10,072
Equity dividends	–	–	–	–	(2,622)	(2,622)
Costs of cancellation of share premium account	–	–	(20)	–	–	(20)
Shares bought back into treasury	–	–	(5,722)	–	–	(5,722)
Shares issued from treasury	–	(13)	334	–	–	321
Balance at 31 March 2014	60,514	36,419	52,755	(4,867)	2,986	147,807

	Year ended 30 September 2014 (audited)					
	Share capital	Share premium account	Special reserves	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 September 2013	60,514	36,432	58,163	(12,900)	3,569	145,778
Total comprehensive income for the year	–	–	–	8,843	5,308	14,151
Equity dividends	–	–	–	–	(5,196)	(5,196)
Cancellation of share premium account	–	(36,621)	36,621	–	–	–
Transfer to Capital Reserve	–	–	(31,243)	31,243	–	–
Costs of cancellation of share premium account	–	–	(31)	–	–	(31)
Shares bought back into treasury	–	–	(7,002)	–	–	(7,002)
Shares issued from treasury	–	275	5,416	–	–	5,691
Balance at 30 September 2014	60,514	86	61,924	27,186	3,681	153,391

Cash Flow Statement

	Six months ended 31 March 2015 (unaudited) £'000	Six months ended 31 March 2014 (unaudited) £'000	Year ended 30 September 2014 (audited) £'000
Cash flows from operating activities			
Investment income received	2,752	2,391	6,198
Deposit interest received	–	–	1
Administrative expenses paid	(812)	(768)	(1,537)
Cash generated from operations	1,940	1,623	4,662
Finance costs paid	–	–	(15)
Taxation	(34)	(18)	(94)
Net cash inflows from operating activities	1,906	1,605	4,553
Cash flows from investing activities			
Purchases of investments	(5,994)	(8,045)	(24,582)
Sales of investments	5,314	12,635	25,057
Net cash (outflow)/inflow from investing activities	(680)	4,590	475
Net cash inflow before financing	1,226	6,195	5,028
Financing activities			
Proceeds of issue of shares	6,726	321	5,727
Costs of share buy backs	–	(5,722)	(7,002)
Dividends paid	(2,800)	(2,622)	(5,196)
Costs incurred on cancellation of share premium account and on issue of new shares	(30)	–	(41)
Net cash inflow/(outflow) from financing activities	3,896	(8,023)	(6,512)
Net increase/(decrease) in cash and short term deposits	5,122	(1,828)	(1,484)
Cash and short term deposits at the start of the period	2,755	4,243	4,243
Effect of foreign exchange rate changes	10	(2)	(4)
Cash and short term deposits at the end of the period	7,887	2,413	2,755
Reconciliation of operating profit to operating cash flows			
Profit before taxation	15,517	10,106	14,237
Add interest payable	–	–	15
Adjustments for:			
Gains on investments	(13,420)	(8,393)	(9,585)
Currency (gains)/losses	(10)	2	4
(Increase)/decrease in accrued income and prepayments	(183)	(86)	5
Increase/(decrease) in trade and other payables	36	(6)	(14)
Cash generated from operations	1,940	1,623	4,662

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 2014 financial statements.

(b) Dividends payable

Dividends are recognised on the ex-dividend date.

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	£'000	£'000	£'000
2. Income			
Income from listed investments			
UK dividend income	2,717	2,256	5,618
Overseas dividend income	222	223	575
	2,939	2,479	6,193
Other income from investment activity			
Deposit interest	–	–	1
Total income	2,939	2,479	6,194

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 2015*	Six months ended 31 March 2014†	Year ended 30 September 2014††
	£'000	£'000	£'000
Revenue	2,460	2,039	5,308
Dividends declared	(2,859)	(2,575)	(5,245)
	(399)	(536)	63

* 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 first two interim dividends (both 0.55p each) declared in respect of the financial year 2013/2014.

†† Dividends declared relate to the four interim dividends declared in respect of the financial year 2013/2014 totalling 2.225p.

Notes to the Accounts (continued)

5. Return and net asset value per share

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	p	p	p
Revenue return	0.99	0.87	2.25
Capital return	5.26	3.42	3.75
Total return	6.25	4.29	6.00

The figures above are based on the following:

	£'000	£'000	£'000
Revenue return	2,460	2,039	5,308
Capital return	13,023	8,033	8,843
Total return	15,483	10,072	14,151

Weighted average number of Ordinary shares
in issue

247,867,001	235,027,963	235,820,922
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The net asset value per share is based on net assets attributable to shareholders of £173,038,000 (31 March 2014 – £147,807,000; 30 September 2014 – £153,391,000) and on 250,017,445 (31 March 2014 – 233,248,445; 30 September 2014 – 239,488,445) Ordinary shares in issue at the period end.

6. Ordinary share capital

	As at 31 March 2015 (unaudited) No. of shares	As at 31 March 2014 (unaudited) No. of shares	As at 30 September 2014 (audited) No. of shares
Ordinary shares of 25p each			
Allotted, called up and fully paid	250,017,445	233,248,445	239,488,445
Held in treasury	–	8,809,000	2,569,000
	250,017,445	242,057,445	242,057,445

During the six months ended 31 March 2015 there were no Ordinary shares of 25p each repurchased by the Company. During the six months ended 31 March 2014 there were 9,359,000 Ordinary shares of 25p each repurchased at a total cost of £5,721,941 and placed in treasury. During the year to 30 September 2014 there were 11,359,000 Ordinary shares of 25p each repurchased at a total cost of £7,002,081 and placed in treasury. During the six months ended 31 March 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 2014 there were 550,000 Ordinary shares re-issued from treasury for proceeds totalling £338,850. During the year ended 30 September 2014 there were 8,790,000 Ordinary shares re-issued from treasury for proceeds totalling £5,727,205.

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 six months ended 31 March 2014 and the year ended 30 September 2014 there were no new Ordinary shares of 25p each issued.

Notes to the Accounts (continued)

7. Capital reserve

The capital reserve shown in the Balance Sheet at 31 March 2015 includes gains of £41,717,000 (31 March 2014 – gains of £27,721,000; 30 September 2014 – gains of £27,921,000) which relate to the revaluation of investments held at the reporting date.

8. 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	Six months ended	Year ended
	31 March 2015	31 March 2014	30 September 2014
	£'000	£'000	£'000
Purchases	25	45	105
Sales	6	14	20
	31	59	125

9. 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 2015 and 31 March 2014 has not been audited.

The information for the year ended 30 September 2014 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.

10. This Half Yearly Financial Report was approved by the Board on 5 May 2015.

Corporate Information

Directors

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Jann Brown
Kevin Hart
Roger White

Manager

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Personal Assets Trust Administration
Company Limited

Auditors

Ernst & Young 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

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Calls cost 8p per minute plus network extras.
Lines are open 8.30 am to 5.30 pm Monday to Friday.

Website

www.tigt.co.uk

