Schroder Income Growth Fund plc

Report and Accounts

For the year ended
31 August 2017

Investment objectives

The Company's principal investment objectives are to provide real growth of income, being growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income.

Investment policy

The investment policy of the Company is to invest primarily in above-average yielding UK equities but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio. Put options comprising short-term exchange-traded instruments on major stock market indices of an amount up to the value of the Company's borrowings may also be utilised.

Contents

Financial Highlights

Total returns[1] for the year ended 31 August 2017

14.3%

2016: 8.4%

Net asset value ("NAV") per share[2]

18.8%

2016: (0.8)%

Share price[2]

Dividend growth for the year

5.7%

2017: 11.2p
2016: 10.6p

Annual dividends have risen for 22 consecutive years

[1]Total return calculations assume that any dividends paid out during the year were reinvested, in either additional shares of the Company at the time the shares go ex-dividend (the share price total return) or in the assets of the Company at its NAV per share (the NAV total return).
[2]Source: Morningstar.

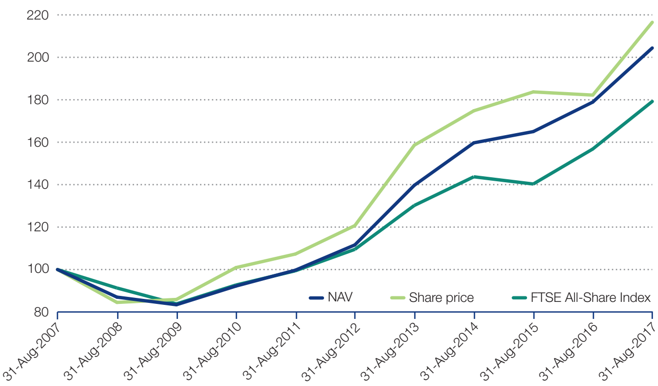
Other financial information

	31 August 2017	31 August 2016	% Change
Shareholders' funds (£'000)	216,718	196,490	+10.3
NAV per share (pence)	315.51	286.06	+10.3
Share price (pence)[1]	293.63	257.00	+14.3
Share price discount (%)	6.9	10.2	
Gearing (%)[2]	5.8	8.4	

	Year ended 31 August 2017	Year ended 31 August 2016	% Change
Net revenue return after taxation (£'000)	9,107	8,299	+9.7
Revenue return per share (pence)	13.26	12.08	+9.8
Consumer Price Index ("CPI")[3]	103.8	100.9	+2.9
Ongoing Charges (%)[4]	0.95	1.00	

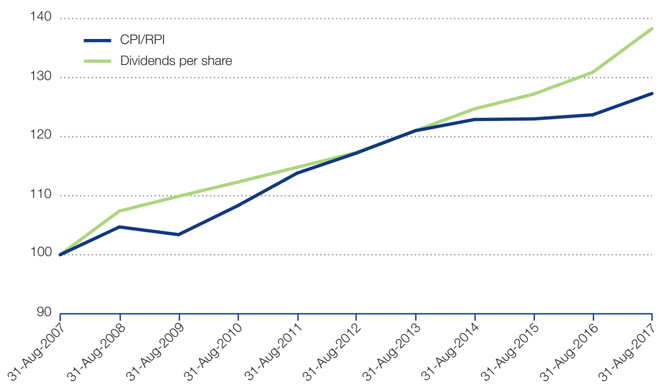
[1]Source: Morningstar.
[2]Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[3]Source: Office for National Statistics.
[4]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs totalling £1,970,000, expressed as a percentage of the average daily net asset values during the year of £207,223,000.

NAV/share price/FTSE All-Share Index total returns for the 10 years ended 31 August 2017



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2007.

Dividends per share versus the rate of inflation for the 10 years ended 31 August 2017



Source: Morningstar/Office for National Statistics. Rebased to 100 at 31 August 2007.
The Retail Price Index ("RPI") was used as the measure of inflation up to 31 August 2013 and the Consumer Price Index ("CPI") thereafter.

Chairman's Statement

Revenue, dividends and performance

Your Company's record of declaring a rising dividend each year since launch remained unbroken in the year ended 31 August 2017, with a total distribution of 11.20 pence per share, representing a rise of 5.7% over the previous year. This increase also compares favourably to the rise of 2.9% in the Consumer Price Index ("CPI") over the same period – and has helped the Company to continue meeting one of its primary objectives: to provide real growth of income, being growth of income in excess of the rate of inflation.

Over the same period the revenue return per share increased by 9.8%, reflecting a strong rise in the dividends from your Company's underlying holdings – in some part due to the benefit of sterling weakness on the overseas earnings of portfolio companies. This, in turn, enabled 2.06 pence per share to be added to the revenue reserve, which has increased to 9.76 pence per share, after accounting for the fourth interim dividend, providing a valuable buffer for the Company to draw upon in less favourable times.

In addition, the Company's net asset value ("NAV") progressed by 14.3% in total return terms – and in so doing matched the rise in the FTSE All-Share Index.

Detailed commentary on the portfolio and its performance during the year may be found in the Manager's Review on pages 5 to 7.

Share price discount and buy-backs

Your Company's share price increased by 18.8% in total return terms during the year, as the share price discount to NAV continued to narrow, falling from 10.2% to 6.9% (while the average discount over the year was 8.4%). Although this is still higher than in the recent past, it is encouraging to see an improving trend arising from increased investor interest in the Company's shares.

The Board continues to closely monitor the level of the discount relative to its peer group average and to consider whether it would be appropriate to buy back shares, while taking into account prevailing market conditions. In the event, no shares were bought back during the year. However, the Board continues to believe that retaining the ability to do so is a valuable potential tool in reducing the volatility of the share price relative to NAV and will therefore be seeking to renew the existing authority through the resolution set out in the Notice of Annual General Meeting.

Gearing

During the year, the Company's three year term loan of £20 million with Scotiabank Europe Plc expired and was not replaced. Instead, the existing £10 million revolving credit facility with the lender was increased to £20 million, increasing the flexibility of borrowings.

Gearing stood at 8.4% at the beginning of the year and had decreased to 5.8% as at 31 August 2017.

Research costs

Schroders has announced that, from 1 January 2018, it will no longer charge external research costs to its clients, including your Company, and will instead bear this cost. Your Board welcomes this development in managing the costs of the Company to provide value for shareholders.

Board composition and succession planning

In my half year statement I reported that the Board was recruiting a further Director as part of its planned refreshment. The Nomination Committee has undertaken an external search and your Board is now pleased to propose the election of Mr Ewen Cameron Watt as a non-executive Director at the forthcoming Annual General Meeting.

Mr Cameron Watt's entire career has been in the investment industry, during which time he held a number of senior roles, most notably as a consultant and senior adviser at Blackrock, Senior Director at the Blackrock Investment Institute – and from 2011 to 2016 their Chief Investment Strategist. Mr Cameron Watt is currently an independent adviser to a number of endowments and pension funds. He was an independent adviser to the Bank of England Pension Fund from 2000 to 2006. He began his career as an analyst at EB Savory Miln in 1978.

Mr Cameron Watt brings significant experience and expertise to the Board and we recommend that shareholders vote in favour of his election.

At the same time, Mr Keith Niven, a long-standing Director, will retire at the Annual General Meeting and will not seek re-election. I would like to take this opportunity, on behalf of the Board, to thank Mr Niven for his invaluable contribution to the deliberations of the Directors during his tenure.

Your Board continues to review its composition, balance and diversity, as well as its progressive refreshment, in its ongoing succession planning.

Annual General Meeting

The Company's Annual General Meeting will be held on Monday 18 December 2017 at 12 noon. As in previous years, the meeting will include a presentation by the Manager on the Company's investment strategy and market prospects, and shareholders are encouraged to attend.

Chairman's Statement

Outlook

While politics is not always a dominant factor in financial markets, its influence is currently particularly material – arising primarily from uncertainties over the Brexit negotiations, a domestic political scene made less clear by the June 2017 general election, and a global backdrop that includes a more protectionist US and a threatening North Korea. On top of that, monetary policy in the UK, US and Europe all seem to be on the cusp of a change from the loose conditions of the last nine years.

One reassuring feature amidst all this is that the Company's foundational goal – growing its dividend faster than inflation – is still possible. While this year's increase in investment income was boosted by the Brexit-triggered fall in sterling and while there is still a contribution from special dividends that may not be repeated, the portfolio holdings continue to benefit from a reassuringly healthy cash-flow.

While I can claim no special insight into any of the geopolitical and economic challenges that currently face the world, I believe that any share – like your Company's – that yields nearly 4% p.a. and that can grow its dividend faster than inflation, should merit a place in many investors' portfolios. Our Manager has the challenge of making sure that this growth continues.

Ian Barby
Chairman

17 November 2017

Manager’s Review

The Company’s net asset value total return in the 12 months to 31 August 2017 was 14.3%, ahead of the AIC UK Equity Income peer group average of 13.0% and in line with the FTSE All-Share Index total return of 14.3%. The share price total return was 18.8%.

Investment income grew 8.3% during the year. Special dividends were again a significant feature, but this was below last year’s record level. These special dividends came from a range of companies that have seen strong returns (Taylor Wimpey, Halfords, ITV, John Laing and Lloyds Bank).

Foreign exchange gains from sterling’s depreciation after the Brexit referendum for companies that declare dividends in dollars or euros (e.g. AstraZeneca, HSBC, RELX, Royal Dutch Shell) were more than sufficient to offset the cut to Pearson’s dividend and the reduction from the components of ICAP, which demerged into NEX and TP ICAP. Additionally, several domestic and mid cap companies also increased their dividend substantially (e.g. ITV, John Laing, Micro Focus, Bellway).

Market background

The start of the period was dominated by the US presidential election and the surprise victory of Donald Trump. His pro-growth agenda helped to shift the global policy discussion away from a sole reliance on monetary stimulus. However, the failure to pass revisions to healthcare legislation planted doubts about the administration’s ability to implement its policies. US economic data remained largely encouraging and inflation remained muted. At the end of the period, the US Federal Reserve signalled its intention to continue normalising monetary policy.

In Europe, the economic recovery gathered strength. Inflation continued to fall below the European Central Bank’s (ECB) target but worries over deflation receded. Political concerns were allayed with centrist candidates winning the Dutch and French elections.

It was a slightly different story in the UK, with below trend GDP growth persisting as the household sector struggled to cope with higher inflation, which was largely a result of sterling’s weakness following the Brexit vote. The Bank of England kept monetary policy unchanged, taking the view that higher inflation would pass once the effect of weaker sterling dropped out of annual comparisons. Uncertainty over Brexit continued. Prime Minister Theresa May called a general election in June, at which the Conservative Party lost its parliamentary majority.

Portfolio performance

The portfolio performed in line with the FTSE All-Share Index, with positive stock selection being offset by negative sector allocation, whilst the use of gearing aided returns.

Performance attribution

	Impact (%)
FTSE All-Share Index	**+14.3**
Stock selection	+1.2
Sector allocation	–1.4
Costs	–1.0
Gearing	+1.2
NAV total return	**+14.3%**

Source: Schroders, 12 months to 31 August 2017.

Stock selection within Financials (notably Nordea Bank and life insurance companies Legal & General and Aviva) was the key positive. Shares in Nordea Bank benefited from the Trump-inspired optimism earlier in the period. Legal & General and Aviva were two of the main detractors last financial year and we have been vindicated in maintaining our conviction in them. We had highlighted their attractive and sustainable yields and potential for future dividend growth.

The portfolio also benefited from its exposure and stock selection within Consumer Goods, in particular Bellway and Taylor Wimpey, Burberry and Unilever. Housebuilders Taylor Wimpey and Bellway detracted from returns last year after the Brexit vote, on fears over a potential collapse in consumer confidence hitting housing. We believed that supply/demand dynamics remained favourable, government support for the sector was likely to be maintained in the form of Help to Buy and low mortgage rates, so valuations and dividend yield remained attractive.

We added luxury goods company Burberry last year, having highlighted its potential for faster-growing dividends, with the shares having de-rated to attractive levels as the market focused on near-term trading issues and a slowdown in key emerging markets. The shares were boosted after the investment vehicle of a Belgian financier disclosed a stake.

On the negative side, ITV suffered amid concerns over advertising revenues and the challenge to TV viewing posed by the likes of Netflix and Amazon. Education and publishing company Pearson warned that it did not expect to meet its profit goal for 2018 and has cut its dividend. We continue to hold the position whilst our patience has been tested as the US higher education courseware business transitions towards a digital proposition. The company has the potential to cut costs further, make additional disposals of non-core assets, and return capital to shareholders.

Resource sectors performed strongly following the commodity upturn. Despite holding Rio Tinto, the single largest contributor to relative performance, the portfolio suffered from not owning Glencore, and being underweight the mining sector.

Our position in BT has also disappointed, with the share price falling on revelations of fraud in their Italian division, as well as a tougher regulatory environment.

Manager's Review

Top and bottom stock performers

Security	Portfolio weight (%)	Active weight (%)	Relative perform-ance (%)	Impact (%)
Rio Tinto	3.8	2.2	57.1	+1.0
Shire	0.0	–1.8	–33.4	+0.7
Nordea Bank	2.0	2.0	25.6	+0.5
Bellway	1.8	1.6	29.3	+0.4
Burberry	1.9	1.6	26.9	+0.4

Security	Portfolio weight (%)	Active weight (%)	Relative perform-ance (%)	Impact (%)
Glencore	0.0	–1.4	94.2	–0.9
BT	3.0	1.7	–34.9	–0.8
ITV	2.3	2.0	–30.4	–0.6
Pearson	1.4	1.1	–40.0	–0.6
Greencore	1.1	1.0	–41.7	–0.4

Source: Schroders, 31 August 2016 to 31 August 2017. Portfolio weight is the average over the period. Active weight is the difference between the average weight of the stock in the FTSE All-Share Index and in the portfolio. The impact of ICAP and NEX Group pre and post-demerger has been aggregated.

Portfolio activity

Early in the period we reduced a number of defensive positions that had performed well. These included tobacco company Imperial Brands and software firm Sage. We also exited positions where we believe the investment case has played out, such as insurance company Direct Line, travel leisure company Carnival and Italian oil and gas company ENI. Direct Line shares have re-rated to levels in line with peers whilst we are likely to have seen the best of the distribution of reserve releases in the form of dividends and special dividends. Carnival had performed well as the management had executed better yield management, whilst benefiting from buoyant US consumer confidence and low oil prices. We have concerns regarding future growth/margin pressures from a reversal in oil prices and future industry capacity growth. ENI shares had re-rated with the recovery in the oil price to a valuation which left us preferring Royal Dutch Shell and Galp.

Proceeds of these sales were used to add to our holdings in banks Lloyds, HSBC and Nordea given attractive valuations and the steeper yield curve, as well initiating holdings in industrials and defence stocks IMI and BAE Systems. BAE was trading at a significant discount to US defence peers. Additionally, the outlook for defence spending is improving in the US and UK. Purchases were made prior to the US election, whilst a Trump victory has further improved the outlook for defence spending. We established a holding in engineering business IMI as a combination of self-help measures together with a stabilisation in its markets is positive for profits. The shares have valuation appeal whilst the company has a strong balance sheet, attractive dividend yield and a currency tailwind. Lastly, we initiated a new issue holding in beverages firm Diageo. The company has been losing share in the US vodka market but we believe a revitalised management is beginning to tackle this issue. Cost cutting to address the margin differential versus peers and a reinvigorated portfolio of brands creates the potential for more consistent growth and we will look for further opportunities to build this holding.

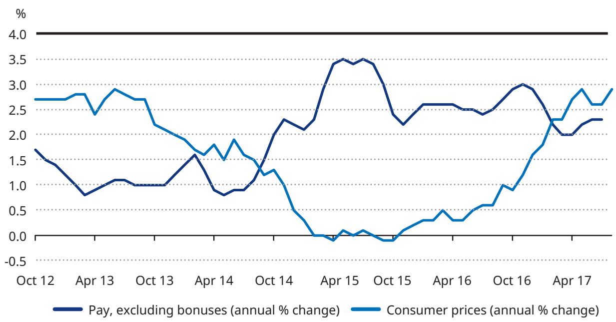
Outlook

The global economy has continued along its path of sustained growth and muted inflation. The decision by the Federal Reserve and the ECB to slow their stimulus programmes signals another step to normality after the global financial crisis. Even so, global liquidity is still expected to rise, largely supported by the Bank of Japan, and this continues to provide support to equities. However, given the optimism within markets, and as the pace of liquidity expansion slows, we continue to be selective in looking for new opportunities.

The UK continues to fare better than the majority of forecasters predicted after the referendum. This, in combination with the recent CPI inflation rate of 2.9%, has led the Bank of England to increase interest rates in November. This has caused bond yields to rise, which is generally positive for financials, and should benefit, among others, our holding in Lloyds.

Despite this economic backdrop, low unemployment has still not translated into wage growth. Our conversations with companies confirm that they remain concerned about the UK consumer. This and the impact of higher input costs keep us cautious on this area of the market.

Pay falling in real terms



Source: Schroders, Thomson Reuters, FactSet, 15 October 2012 to 15 August 2017.

This caution has been justified by examples of UK domestic shares performing poorly after disappointing profit announcements. Pub and restaurant operators, for example, have generally reported weaker trading than expected, while Dixons Carphone, Provident Financial and Carillion (none of which are in the portfolio) are further examples of domestic shares punished for disappointing profits. These were all

Manager's Review

companies that the market considered to be on cheap valuations, reminding us that we should continue to be very selective with new ideas even when valuations appear attractive. We are particularly mindful of companies with low gross margins and relatively little pricing power, making it difficult to offset cost pressure. We also continue to keep a firm eye on balance sheet risk.

Opportunities will present themselves, as UK domestic stocks remain relatively unloved. JD Wetherspoon and Next are examples of companies whose shares have performed well as their trading statements were better than investors had feared. Profits of UK domestic companies have improved whilst share prices in aggregate continue to underperform.

Dividend outlook

The Company's total income was up 8.3% year-on-year, while dividend income, excluding special dividends, grew at a faster pace of 12.6%; reflecting the full impact of sterling's post referendum devaluation compared to last year's partial impact. The contribution to total income from special dividends fell from last year's record high of 8.6% to a still significant 4.9% – a level more in line with the prior years. The Company's income will remain sensitive to exchange rate movements in either direction – boosted by further sterling weakness or reduced by sterling strength against the US dollar and to a lessor extent the Euro. On a more cautionary note, while dividend pay-out ratios remain high, the economic impact of Brexit is not likely to be fully felt until 2018 or later, and so the longer-term outlook for income growth is somewhat more uncertain. Lastly, given the Company's aim to provide real growth of income it is important to consider UK inflation. The CPI rose by 2.9% in the year to end August 2017 and we expect inflation to moderate as the effects of sterling's Brexit vote devaluation and commodity price rises will have worked their way through the system. The Bank of England may seek to increase interest rates over the next year by 0.25 – 0.50% but overall we expect it to retain loose monetary policy to help support the UK economy through its exit from the EU.

Investment policy

We remain disciplined investors using a long-term fundamental approach and the team's long investment experience. We are acutely conscious of the need to balance the risks relative to the potential reward from opportunities that can be thrown up in such unpredictable markets. Our investment process focuses on building a diversified portfolio within a risk-controlled framework, aiming to deliver attractive levels of income growth in real terms.

Five largest overweight stocks

Security	Portfolio (%)	Index[1] (%)	Difference (%)
Aviva	3.8	0.9	+2.9
Rio Tinto	4.6	1.9	+2.7
Micro Focus	2.8	0.2	+2.6
Lloyds Banking	4.4	1.9	+2.5
Nordea Bank	2.3	0.0	+2.3

Source: Schroders, as at 31 August 2017.

[1] FTSE All-Share Index.

We continue to actively monitor the holdings and the investment universe to identify mispriced opportunities. We are working closely with our in-house analysts who provide proprietary research to help to identify attractive investment candidates and to assess the validity of the investment case for current holdings. We continue to prioritise balance sheet strength and sustainable dividend yields, and have kept faith in stocks with short-term issues provided we have conviction in the long-term investment case.

Schroder Investment Management Limited
17 November 2017

The securities shown above are for illustrative purposes only and are not to be considered recommendations to buy or sell.

Investment Portfolio as at 31 August 2017

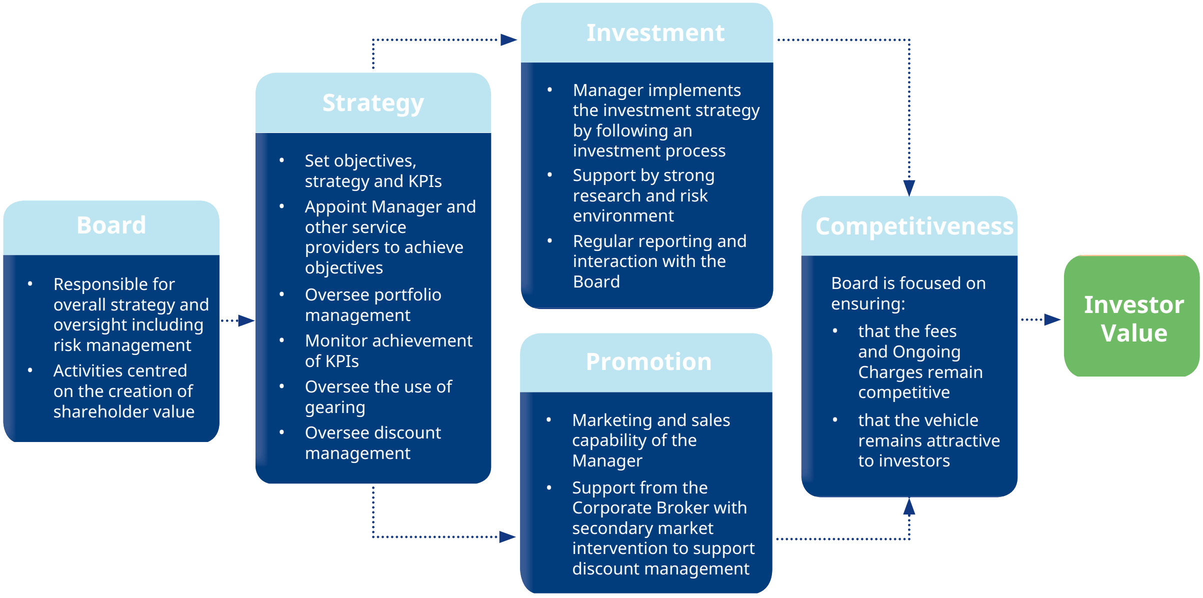
Companies in bold represent the 20 largest investments, which by value account for 71.9% (2016: 70.3%) of total investments. All companies are headquartered in the UK unless otherwise stated. All investments are equities.

	£'000	%
Financials		
HSBC	**13,041**	**5.7**
Lloyds	**10,081**	**4.4**
Aviva	**8,626**	**3.8**
Prudential	**7,158**	**3.1**
Legal & General	**6,178**	**2.7**
Nordea (Sweden)	**5,310**	**2.3**
John Laing	**4,745**	**2.1**
Assura	4,367	1.9
NEX	4,069	1.8
Intermediate Capital	3,395	1.5
London Stock Exchange	3,024	1.3
ICAP	2,475	1.1
Unite	2,392	1.0
Total Financials	**74,861**	**32.7**
Consumer Goods		
British American Tobacco	**13,148**	**5.8**
Unilever	**8,039**	**3.5**
Burberry	**5,268**	**2.3**
Taylor Wimpey	4,126	1.8
Bellway	3,844	1.7
Diageo	2,432	1.1
Imperial Brands	2,338	1.0
Total Consumer Goods	**39,195**	**17.2**
Oil and Gas		
Royal Dutch Shell 'B'	**14,849**	**6.5**
BP	**8,007**	**3.5**
Galp Energia (Portugal)	2,924	1.3
John Wood	1,299	0.6
Royal Dutch Shell 'A' (Netherlands)	1,155	0.5
Total Oil and Gas	**28,234**	**12.4**
Healthcare		
GlaxoSmithKline	**10,870**	**4.8**
AstraZeneca	**5,768**	**2.5**
Roche (Switzerland)	2,387	1.0
Total Healthcare	**19,025**	**8.3**

	£'000	%
Consumer Services		
RELX	**6,770**	**3.0**
ITV	4,330	1.9
Pearson	2,628	1.2
Halfords	2,329	1.0
Daily Mail and General Trust	2,192	1.0
Total Consumer Services	**18,249**	**8.1**
Telecommunications		
Vodafone	**8,982**	**3.9**
BT	**4,624**	**2.0**
Total Telecommunications	**13,606**	**5.9**
Industrials		
BAE Systems	**5,828**	**2.6**
Smurfit Kappa (Ireland)	4,445	1.9
IMI	3,067	1.3
Total Industrials	**13,340**	**5.8**
Basic Materials		
Rio Tinto	**10,496**	**4.6**
Total Basic Materials	**10,496**	**4.6**
Technology		
Micro Focus International	**6,335**	**2.8**
Laird	1,258	0.6
Total Technology	**7,593**	**3.4**
Utilities		
Centrica	3,716	1.6
Total Utilities	**3,716**	**1.6**
Total investments	**228,315**	**100.0**

Strategic Review

Business model



The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is a public company limited by shares. It is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a "Close Company" for taxation purposes.

It is not intended that the Company should have a limited life but the Directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") every five years. The next continuation vote will be proposed at the 2020 AGM.

The Company's business model may be demonstrated by the diagram above.

Investment objective and policy

Details of the Company's investment objective and policy may be found on the inside front cover.

The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate.

Gearing

The Company's policy is to permit gearing (as defined in note 20 on page 45) up to 25% of shareholders' funds. It is intended that the Manager should have the flexibility to utilise this power in order to maximise potential returns when, and to the extent that, this is considered appropriate by the Directors.

The Company has in place a £20 million one-year revolving credit facility with Scotiabank Europe Plc. £20 million was drawn under the revolving credit facility (and prior to that under a three year term loan) during the year under review. As at 31 August 2017, gearing stood at 5.8% (2016: 8.4%). The Directors keep the Company's gearing strategy under review and impose strict restrictions on borrowings to mitigate gearing risk.

Investment philosophy

The investment approach is based on Schroders' belief that stock markets are inefficient. The Manager believes it can exploit such inefficiencies by conducting its own research, through disciplined portfolio construction, and taking a long-term view.

Strategic Review

Investment process

The Company's portfolio manager, Sue Noffke, has been a member of Schroders' UK Equity team for over 20 years and has been managing the Company's portfolio since 2010. She is a key member of the team which employs a rigorous and disciplined investment process aiming to deliver consistent outperformance with low volatility against set objectives.

1. Research

The portfolio manager and the rest of Schroders' UK Equity team work closely with Schroders' specialist industry analysts who conduct independent fundamental research. As one of the largest UK investors, Schroders has substantial access to companies' management teams. The research focuses on factors that influence a company's ability to create value for shareholders over the long term and looks beyond short-term profits to a company's profits potential and to the quality of those profits. The focus is not exclusively on growth, value, or earnings momentum factors but on each company's individual ability to create value for shareholders.

2. Portfolio construction/monitoring

The decision to buy or sell a security lies with the portfolio manager, and bottom-up (that is based on analysis of individual companies rather than general market or sector trends) stock selection is therefore the primary influence on portfolio performance. When assessing stocks for inclusion in the portfolio and in managing existing investments, the portfolio manager places a greater emphasis on the sustainability and the potential growth of a company's dividend rather than a high initial yield. The size of each holding is determined on the basis of investment conviction and an assessment of the risks and volatility associated with it, rather than its market value. Portfolio construction is supported by a robust system of risk controls. Proprietary risk tools help the portfolio manager and the Board to understand the factors contributing to risk and to avoid unintended risk.

The portfolio manager may invest up to 20% of assets in overseas stocks and this is utilised in three main ways: for added diversification where overseas equities are cheaper than their equivalents in the UK; when attractive dividends are available; and for exposure to sectors that are not well represented in the UK equity market.

3. Review/sell discipline

The management of a relatively concentrated portfolio requires a rigorous sell discipline enforced by competition for capital. The portfolio manager will sell a holding if its share price reaches a level where there appear to be better opportunities elsewhere or if a material change in a company's circumstances makes the original investment case no longer valid. Given the long-term approach, portfolio turnover tends to be low.

Investment restrictions and spread of investment risk

Risk in relation to the Company's investments is spread as a result of the Manager investing the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objectives. The key restrictions imposed on the Manager include: (i) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (ii) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets which are listed on the Official List of the London Stock Exchange; (iii) no more than 15% of the Company's gross assets may be invested in other investment companies or investment trusts which are listed on the Official List of the London Stock Exchange; (iv) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (v) no more than 25% of the Company's total net assets may be invested in the aggregate in unlisted investments and holdings representing 20% or more of the equity capital of any company.

The Investment Portfolio on page 8 demonstrates that, as at 31 August 2017, the Manager invested in 37 UK and 5 overseas equity investments spread across a range of industry sectors. The Board believes that the diversity of the stocks, along with the above-mentioned restrictions imposed on the Manager, achieve the objective of spreading investment risk.

Promotion

The Company promotes its shares to a broad range of investors who have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary fund managers. The Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.
- Execution-only investors. The Company promotes its shares via engaging with platforms and through its website. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.
- Institutional investors.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 3 and in the Explanation of Special Business at the AGM on page 46.

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objectives, which is considered to be the most significant key performance indicator for the Company.

The Board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually.

Corporate and social responsibility

Board gender diversity

As at 31 August 2017, the Board comprised three men and one woman. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance.

Responsible investment policy

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The Board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The Board expects the Manager to exercise the Company's voting rights in consideration of these issues.

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The Board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The Board monitors the implementation of this policy through regular reporting by the Manager on its engagement activity, how it is integrated into the investment process, and the outcomes of the activity.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy.

Greenhouse gas emissions

As the Company outsources its operations to third parties, it has no greenhouse gas emissions to report.

Strategic Review

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2017.

Although the Board believes that it has a robust framework of internal control in place, this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review, except in respect of cyber risk relating to the Company's service providers, which has now been extended beyond the custodian. Cyber risk relating to all of the Company's key service providers is considered an increased threat in light of the rising propensity and impact of cyber attacks on businesses and institutions. To address the risk, the Board is seeking enhanced reporting on cyber risk mitigation and management from its key service providers to ensure that it is managed and mitigated appropriately. Actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, are set out below.

Risk	Mitigation and management
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	Appropriateness of the Company's investment remit periodically reviewed and success of the Company in meeting its stated objectives monitored. Share price relative to NAV per share monitored and use of buy back authorities considered on a regular basis. Marketing and distribution activity actively reviewed.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	Ongoing competitiveness of all service provider fees subject to periodic benchmarking against competitors. Annual consideration of management fee levels.
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager.
Market The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company's underlying investments.	Risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager.

Risk	Mitigation and management
Custody Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.	Depositary reports on safe custody of the Company's assets, including cash and portfolio holdings, independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. Annual report from the Depositary on its activities, including matters arising from custody operations.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of shareholders' funds.
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, subject to stringent review processes. Procedures established to safeguard against disclosure of inside information.
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, Depositary and Registrar. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified from the Audit Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 19 on pages 41 to 45.

Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 August 2017 and the potential impact of the principal risks and uncertainties it faces for the review period.

A period of five years has been chosen as the Board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 12 and 13 and in particular the impact of a significant fall in the UK equity market on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

Based on the Company's processes for monitoring operating costs, the share price discount, the Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 31 August 2022.

In reaching this decision, the Board has taken into account the Company's next continuation vote, on the assumption that it will be passed in 2020.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council ("FRC") in 2014, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

17 November 2017

Board of Directors

Ian Barby

Status: Independent Non-Executive Chairman

Length of service: 12 years – appointed a Director in October 2005 and Chairman in August 2013
Experience: Mr Barby practised as a Barrister before joining Warburg Investment Management Ltd in 1985, subsequently becoming a Vice Chairman of Mercury Asset Management plc and latterly, until 2003, a Managing Director of Merrill Lynch Investment Managers. He has wide experience of the investment management industry and of the investment trust sector and is currently chairman of Invesco Perpetual UK Smaller Companies PLC and a director of Pantheon International Participations PLC and Ecofin Global Utilities and Infrastructure Trust plc.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Nomination and the Management Engagement Committees)
Current remuneration: £34,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

David Causer

Status: Independent Non-Executive Director

Length of service: 8 years – appointed a Director in December 2008
Experience: Mr Causer is a Chartered Accountant and a member of The Securities Institute. He has held a number of senior positions within financial organisations including Finance Director of Mercury Asset Management Group plc and a managing director of Merrill Lynch Investment Managers until 2001. He was Finance Director of The British Red Cross Society until December 2007. He is currently a director and Audit Committee chairman of Fidelity China Special Situations plc.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Audit Committee)
Current remuneration: £29,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Board of Directors

Bridget Guerin

Status: Independent Non-Executive Director

Length of service: 5 years – appointed a Director in June 2012
Experience: Mrs Guerin was the managing director of Matrix Money Management Limited, an asset management and distribution firm, from its launch in 1999 until March 2011. She is an independent non-executive director of Charles Stanley Group PLC and of the London listed Mobeus Income & Growth VCT plc. She is also a non-executive director of the CCP Quantitative Fund, a Cayman Islands CTA Fund managed by Cantab Capital, and of other funds and companies managed by, or associated with, Cantab Capital. She is also a Member of the York Race Committee and a Trustee of the York Racecourse Pension Fund. From 2000 until 2009 she was a director of Matrix Group Limited and also sat on the board of several funds of hedge funds and UCITS Fund boards. Mrs Guerin was a director of Schroder Unit Trusts Limited between 1993 and 1999.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £24,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Keith Niven

Status: Independent Non-Executive Director

Length of service: 22 years – appointed a Director in January 1995
Experience: Mr Niven was previously a Vice Chairman of Schroder Investment Management Limited and chairman of Schroder Unit Trusts Limited up until 2001.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £24,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Directors' Report

The Directors submit their Report and the audited financial statements of the Company for the year ended 31 August 2017.

Revenue and earnings

The net revenue return for the year was £9,107,000 (2016: £8,299,000), equivalent to net revenue of 13.26 (2016: 12.08) pence per ordinary share.

Dividend policy

The Directors of the Company intend to continue to pay dividends at the end of January, April, July and October in each year. Although it is intended to distribute substantially all of the Company's net income after expenses and taxation, the Company may retain up to a maximum of 15% of the Company's gross income in each year as a revenue reserve to provide consistency in dividend policy.

For the year ended 31 August 2017, the Directors have declared four interim dividends, totalling 11.20 (2016: 10.60) pence per ordinary share.

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 15 and 16. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Directors' Remuneration Report on page 25.

Notwithstanding the provisions of the Company's Articles of Association and the UK Corporate Governance Code in respect of the periodic re-election of Directors, the Board considers that shareholders should be given the opportunity to vote on the re-election of all of its members on an annual basis. Accordingly, Mr Barby, Mr Causer and Mrs Guerin will retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election. Mr Niven will retire at the AGM and will not offer himself for re-election. In addition, the election of Mr Ewen Cameron Watt as a non-executive Director will be proposed at the AGM. Mr Cameron Watt's biographical details can be found in the Chairman's Statement on page 3 of this Report and the Board supports his election as it considers that he has the necessary skills and experience to make a valuable contribution to the deliberations of the Board.

Re-appointment as a Director is not automatic and follows a formal process of evaluation of each Director's performance and Directors who have served for more than six years are subject to particularly rigorous assessment of their independence and contribution.

The Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment and Directors who have served on the Board for more than nine years may still offer themselves for re-election at the AGM. The Board has assessed the independence of the Directors, all of whom are considered to be independent in character and judgement.

The Board, having taken all relevant matters into account, considers that Mr Barby, Mr Causer and Mrs Guerin continue to demonstrate commitment to their roles, provide valuable contributions to the deliberations of the Board, and remain free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of their re-elections. The Board also recommends that shareholders vote in favour of the election of Mr Cameron Watt.

Share capital

As at the date of this Report, the Company had 68,688,343 ordinary shares of 10 pence each in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 68,688,343. Full details of the Company's share capital are set out in note 13 on page 40.

Substantial share interests

As at the date of this Report, the Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of ordinary shares	% of total voting rights
Charles Stanley & Co. Limited	3,446,355	5.02

There have been no notified changes to the above holdings since the year end.

Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this Report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity insurance cover.

Directors' Report

The Schroders Group manages £419.6 billion (as at 30 September 2017) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager is entitled to a management fee of 0.75% per annum, charged on the value of the Company's assets under management, net of current liabilities other than short-term borrowings less any cash up to the level of borrowings.

The management fee payable in respect of the year ended 31 August 2017 amounted to £1,668,000 (2016: £1,514,000).

Details of all amounts payable to the Manager are set out in note 16 on page 41.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver the Company's investment objectives over the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM Agreement, details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a Depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The FRC published a revised version of the UK Corporate Governance Code in April 2016 (the "Code") which applies to accounting periods beginning on or after 17 June 2016 and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Compliance statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 23 and the viability and going concern statements set out on page 14, indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment trust. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the chairman of the Audit Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 15. He has no conflicting relationships.

Role and operation of the Board

The Board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objectives of the Company continue to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all Directors receive relevant management, regulatory and financial information in a timely manner and that they are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

Directors' Report

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

On appointment, Directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

Conflicts of interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Audit Committee Chairman. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in July 2017.

Directors' and officers' liability insurance and indemnity

Directors' and officers' liability insurance cover was in place for the Directors throughout the year under review. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. This indemnity was in place throughout the year under review and to the date of this Report.

Directors' attendance at meetings

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance, the level of discount of the Company's shares to underlying NAV per share and promotion of the Company; and services provided by third parties. Additional meetings of the Board are arranged as required.

The number of meetings of the Board and its Committees held during the financial year and the attendance of individual Directors is shown below. Whenever possible all Directors attend the Annual General Meeting.

Director	Board	Nomination Committee	Management Engagement Committee	Audit Committee
Ian Barby	4/4	3/3	2/2	3/3
David Causer	4/4	3/3	2/2	3/3
Bridget Guerin	4/4	3/3	2/2	3/3
Keith Niven	3/4	2/3	2/2	2/3
Peter Readman[1]	2/2	2/2	1/1	1/1

[1]Peter Readman retired as a Director on 20 December 2016.

The Board is satisfied that the Chairman and each of the other Directors commits sufficient time to the affairs of the Company to fulfil their duties as Directors.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpage and the Annual Report, which aims to provide shareholders with a clear understanding of the Company's activities and its results.

The Chairmen of the Board and its committees attend the AGM and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

The Company has adopted a policy which ensures that shareholder complaints and other shareholder communications addressed to the Company Secretary, the Chairman or the Board are, in each case, considered by the Chairman and the Board.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The Committees of the Board have defined Terms of Reference which are available on the webpage www.schroders.co.uk/incomegrowth. Membership of the Committees is set out on pages 15 and 16.

Nomination Committee

The Nomination Committee is responsible for succession planning bearing in mind the balance of skills, knowledge, experience and diversity existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nomination Committee aims to maintain a balance of relevant skills, experience and length of service of the Directors serving on the Board, taking gender and other diversity factors into account.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new Director. The Board does not consider it appropriate or in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are drawn from suggestions put forward either by recommendation from within the Company or by the use of an external agency. Candidates are then interviewed by members of the Committee, which makes a recommendation to the Board. In respect of the appointment of Ewen Cameron Watt, the Committee utilised the services of an external search consultancy, Nurole, in the selection of suitable candidates for a new Director, as the quality of candidates and specific requirements were better met by using an external agency. Nurole has no other connections with the Company.

The Committee met on three occasions during the year under review and considered its terms of reference, the balance, skills, independence and experience of the Board, and succession planning.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers. All Directors are members of the Management Engagement Committee which is chaired by the Chairman of the Board. The Board considers each member of the Committee to be independent.

The Committee met on two occasions during the year under review and considered its terms of reference, the performance and ongoing suitability of the Manager, the terms and conditions of the AIFM Agreement, the performance and suitability of other service providers, and fees paid to Directors.

Audit Committee

The role and activities of the Audit Committee are set out in the Report of the Audit Committee on pages 21 and 22.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

17 November 2017

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in its terms of reference, which are available on the Company's webpage, www.schroders.co.uk/incomegrowth. Membership of the Committee is as set out on pages 15 and 16. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Audit Committee met three times during the year ended 31 August 2017. The Committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager and Depositary;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditor;
- evaluating the Auditor's performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 August 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 23.

Governance

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 August 2017, the Audit Committee considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditor during its reporting:

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of portfolio holdings and assurance reports on controls from the Manager and Depositary.
– Recognition of investment income	– Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
– Overall accuracy of the Annual Report and Accounts	– Consideration of the draft Annual Report and Accounts and the letter from the Manager in support of the letter of representation to the Auditor.
– Calculation of the investment management fee	– Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager and Depositary.
– Compliance with the investment trust qualifying rules in Section 1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance.

Report of the Audit Committee

Effectiveness of the independent audit process

The Audit Committee evaluated the effectiveness of the independent audit firm and audit process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager on the audit process and the year end report from the Auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also met the Auditor without representatives of the Manager present.

Representatives of the Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts is considered. Having reviewed the performance of the Auditor as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

The Auditor is required to rotate the Senior Statutory Auditor every five years. This is the first year that the current Senior Statutory Auditor has conducted the audit of the Company's financial statements.

Deloitte LLP has provided audit services to the Company from its incorporation in 1995 to date. Pursuant to the provisions of the Statutory Auditors and Third Country Regulations 2016 the Company is subject to mandatory periodic rotation of the Auditor and re-tendering of the audit contract. Deloitte LLP must be replaced as the Company's Auditor before commencement of the audit in 2023, and the Audit Committee will put the audit contract out to tender before that date.

There are no contractual obligations restricting the choice of independent auditor.

Independent Auditor

Deloitte LLP has indicated its willingness to continue in office. Accordingly, resolutions to re-appoint Deloitte LLP as Auditor to the Company, and to authorise the Directors to determine Deloitte LLP's remuneration will be proposed at the AGM.

Provision of information to the Auditor

The Directors at the date of approval of this Report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Provision of non-audit services

The Audit Committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's appointed Auditor. The Audit Committee has determined that the Company's Auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The Auditor may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

No non-audit services were provided to the Company during the year (2016: nil).

Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Audit Committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and will continue to review annually whether an internal audit function is needed.

David Causer
Audit Committee Chairman

17 November 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report, the Corporate Governance Statement, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's webpages. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 15 and 16, confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report contained in the Report and Accounts includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Ian Barby
Chairman

17 November 2017

Directors' Remuneration Report

Introduction

This Report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The following Remuneration Policy is currently in force and is subject to a binding vote every three years. An ordinary resolution to approve the Remuneration Policy will be put to shareholders at the forthcoming AGM and the current policy provisions will apply until that date. No changes are proposed. In addition, the below Directors' Remuneration Report is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 18 December 2014, 99.2% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Remuneration Policy were in favour while 0.8% were against. 43,953 votes were withheld.

At the AGM held on 20 December 2016, 98.9% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the year ended 31 August 2016 were in favour, while 1.1% were against. 41,122 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is a matter dealt with by the Management Engagement Committee and the Board.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles of Association. This aggregate level of Directors' fees is currently set at £150,000 per annum and any increase in this level requires approval by the Board and the Company's shareholders. The Chairman of the Board and the Chairman of the Audit Committee each receives fees at a higher rate than the other Directors to reflect their additional responsibilities.

Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to a pension from the Company and the Company has not, and does not intend to, operate a share scheme for Directors or to award any share options or long-term performance incentives to any Director. No Director has a service contract with the Company, however Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The Board did not seek the views of shareholders in setting this Remuneration Policy. Any comments on the Policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this Remuneration Policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the Directors. New Directors are subject to the provisions set out in this Remuneration Policy.

Directors' annual report on remuneration

This report sets out how the Remuneration Policy was implemented during the year ended 31 August 2017.

Fees paid to Directors

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 31 August 2017 and the previous financial year:

Director	Fees 2017 £	Fees 2016 £	Taxable benefits 2017 £	Taxable benefits 2016 £	Total 2017 £	Total 2016 £
Ian Barby (Chairman)	**28,000**	28,000	**113**	92	**28,113**	28,092
David Causer	**25,000**	25,000	**–**	148	**25,000**	25,148
Bridget Guerin	**22,000**	22,000	**163**	703	**22,163**	22,703
Keith Niven	**22,000**	22,000	**–**	92	**22,000**	22,092
Peter Readman[1]	**6,710**	22,000	**884**	92	**7,594**	22,092
Total	**103,710**	119,000	**1,160**	1,127	**104,870**	120,127

[1]Retired as a Director on 20 December 2016.

The information in the above table has been audited (see the Independent Auditor's Report on pages 26 to 31).

Directors' Remuneration Report

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in April 2017. The members of the Board at the time that remuneration levels were considered were as set out on pages 15 and 16. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the annual review, the Board agreed that fees paid to the Chairman would increase to £34,000 per annum, the fees paid to the Audit Committee Chairman would increase to £29,000 per annum and the fees paid to Directors would increase to £24,000 each per annum. These increases took effect from 1 September 2017.

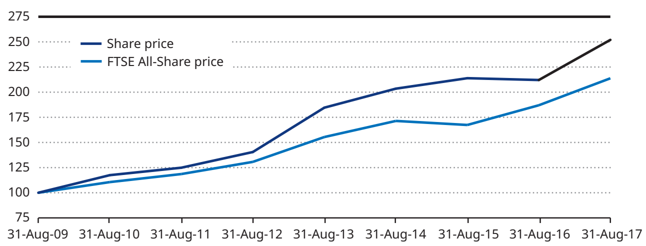
Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to Directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objectives.

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000	% change
Remuneration payable to Directors	**105**	120	-12.5
Distributions paid to shareholders – dividends	**7,282**	7,076	2.9

Performance graph

A graph showing the Company's share price total return compared with the FTSE All-Share Index total return, over the last eight years, is set out below. The FTSE All-Share Index has been selected as an appropriate comparison based on the composition of the Company's investment portfolio.



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2009.

Directors' share interests

The Company's Articles of Association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, at the beginning and end of the financial year under review are set out below.

	At 31 August 2017	At 1 September 2016
Ian Barby	**100,000**	100,000
David Causer	**23,750**	23,750
Bridget Guerin	**18,862**	18,862
Keith Niven	**89,499**	89,499
Peter Readman	**N/A**	Nil

The information in the above table has been audited (see Independent Auditor's Report on pages 26 to 31). There have been no changes since the year end.

Ian Barby
Chairman

17 November 2017

Governance

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice issued by the Association of Investment Companies in November 2014 "Financial Statements of Investment Trust Companies and Venture Capital Trusts; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroder Income Growth Fund plc (the 'Company') which comprise:

- the income statement;
- the statement of changes in equity;
- the statement of financial position; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies ("SORP") in November 2014 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation and ownership of investments
- Recognition of investment income

Materiality

The materiality that we used in the current year was £2,167,000 which was determined as 1% of net assets.

Scoping

We scope our audit work by assessing the risks of material misstatement through using both quantitative and qualitative factors relating to the account balances, classes of transactions and disclosures.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer-term viability of the Company contained within the strategic report on page 14.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 12 and 13 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 12 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in note 1(a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on page 14 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and ownership of investments

Key audit matter description

The investments of the Company of £228.3m make up 96% of the total assets of the Company at 31 August 2017 (2016: £211.7m, 98%). See the accounting policy in note 1(b) of the Financial Statements and also see note 10 of the Financial Statements.

Investments are valued at the closing bid price at the year end.

There is a risk that listed investments within the portfolio may not be valued correctly or may not represent the property of the Company. The nature and size of the balance and its importance to the entity are such that we have identified this as a key audit matter.

This key audit matter is also included in the Report of the Audit Committee within the annual report as a significant issue.

How the scope of our audit responded to the key audit matter

We performed the following testing to address the key audit matter:

- Assessed the design and implementation of controls in place over the ownership and valuation of investments through enquiry of management and detailed review of documentation of relevant controls;
- Agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the custodians;
- Agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent, reputable pricing source; in addition, we performed due diligence procedures on the relevant pricing vendors annually to evaluate the appropriateness of reliance on them; and

– Assessed the liquidity of the portfolio by comparing a sample of investments to current trade volumes.

In addition to the above, we also tested a sample of purchase and sales of investments during the year, which supports our work performed on this key risk.

Key observations

No material issues were noted with this testing as a result of performing the procedures above.

Recognition of investment income

Key audit matter description

Dividends from equity shares totalling £10.6m (2016: £9.7m) are accounted for on an ex-dividend date as revenue, except where, in the opinion of the Manager and the Board, the dividend is capital in nature, in which case it is treated as a return of capital. See the accounting policy in note 1(a) of the Financial Statements and also see note 3 of the Financial Statements.

There is a risk that revenue is incomplete and consequently the revenue recognised in the financial statements is materially misstated. Given the nature of revenue, being a key performance indicator and an area of focus to users of the financial statements, we have identified this as an area of fraud risk.

Additionally, there is a risk that dividend income is incorrectly allocated between revenue and capital accounts.

This key audit matter is also included in the Report of the Audit Committee within the annual report as a significant issue.

How the scope of our audit responded to the key audit matter

We performed the following testing to address the key audit matter:

– Assessed the design and implementation of controls in place for (i) monitoring the completeness of dividend income and (ii) the allocation between capital and revenue accounts;

– For a sample of investments held during the year and at the year end, we agreed the ex-dividend dates and rates for dividends declared and confirmed they were correctly recorded;

– Traced income expected to be received to the bank statements;

– Reviewed the accounting policies for revenue recognition against the requirements of FRS 102 and the SORP and confirmed their application during the year; and

– In addition, for a sample of special dividends and corporate actions, we assessed whether or not the allocation between revenue and capital was appropriate by reviewing management's rationale for the allocation, and performing independent research to determine whether or not it was appropriate.

Key observations

No material issues were noted with this testing as a result of performing the procedures above.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality

£2,167,000 (2016: £1,965,000)

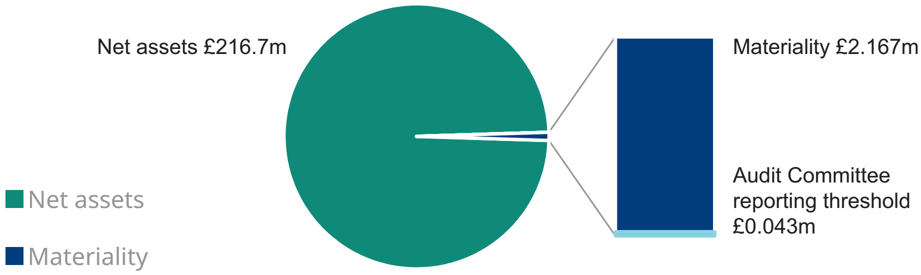
Basis for determining materiality

1% (2016: 1%) of net assets.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Rationale for the benchmark applied

Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £43,000 (2016: £39,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement through quantitative and qualitative factors relating to each account balance, class of transactions and disclosure. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The accounting and administration for the Company has been outsourced to HSBC and the management function outsourced to Schroders. As part of our audit we evaluated the design and implementation of relevant controls in place at HSBC and Schroders, by completing a review of the latest ISAE 3402 controls report for HSBC as the administrator and custodian, and Schroders as Manager.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report including; the Chairman's Statement, Manager's Review, Strategic Review, Report of the Directors, Report of the Audit Committee, Statement of Directors' Responsibilities and the Remuneration Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

– Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

– Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the audit committee in 1995 to audit the financial statements for the period ending 31 August 1995 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 23 years, covering the years ending 1995 to 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Chris Hunter CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

17 November 2017

Income Statement for the year ended 31 August 2017

	Note	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments held at fair value through profit or loss	2	–	19,489	19,489	–	7,866	7,866
Net foreign currency (losses)/gains		–	(9)	(9)	–	91	91
Income from investments	3	10,553	–	10,553	9,746	175	9,921
Other interest receivable and similar income	3	–	–	–	6	–	6
Gross return		10,553	19,480	30,033	9,752	8,132	17,884
Investment management fee	4	(834)	(834)	(1,668)	(757)	(757)	(1,514)
Administrative expenses	5	(302)	–	(302)	(343)	–	(343)
Net return before finance costs and taxation		9,417	18,646	28,063	8,652	7,375	16,027
Finance costs	6	(243)	(243)	(486)	(273)	(273)	(546)
Net return on ordinary activities before taxation		9,174	18,403	27,577	8,379	7,102	15,481
Taxation on ordinary activities	7	(67)	–	(67)	(80)	–	(80)
Net return on ordinary activities after taxation		9,107	18,403	27,510	8,299	7,102	15,401
Return per share	9	13.26p	26.79p	40.05p	12.08p	10.34p	22.42p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 34 to 45 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 August 2017

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2015	6,869	7,404	2,011	1,596	34,936	128,122	7,227	188,165
Net return on ordinary activities	–	–	–	–	–	7,102	8,299	15,401
Dividends paid in the year	–	–	–	–	–	–	(7,076)	(7,076)
At 31 August 2016	6,869	7,404	2,011	1,596	34,936	135,224	8,450	196,490
Net return on ordinary activities	–	–	–	–	–	18,403	9,107	27,510
Dividends paid in the year	–	–	–	–	–	–	(7,282)	(7,282)
At 31 August 2017	**6,869**	**7,404**	**2,011**	**1,596**	**34,936**	**153,627**	**10,275**	**216,718**

The notes on pages 34 to 45 form an integral part of these accounts.

Statement of Financial Position at 31 August 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**228,315**	211,730
Current assets			
Debtors	11	**1,982**	1,862
Cash at bank and in hand		**7,349**	3,557
		9,331	5,419
Current liabilities			
Creditors: amounts falling due within one year	12	**(20,928)**	(20,659)
Net current liabilities		**(11,597)**	(15,240)
Total assets less current liabilities		**216,718**	196,490
Net assets		**216,718**	196,490
Capital and reserves			
Called-up share capital	13	**6,869**	6,869
Share premium	14	**7,404**	7,404
Capital redemption reserve	14	**2,011**	2,011
Warrant exercise reserve	14	**1,596**	1,596
Share purchase reserve	14	**34,936**	34,936
Capital reserves	14	**153,627**	135,224
Revenue reserve	14	**10,275**	8,450
Total equity shareholders' funds		**216,718**	196,490
Net asset value per share	15	**315.51p**	286.06p

These accounts were approved and authorised for issue by the Board of Directors on 17 November 2017 and signed on its behalf by:

Ian Barby
Chairman

The notes on pages 34 to 45 form an integral part of these accounts.

Company registration number: 03008494

Public company limited by shares registered in England.

Financial

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in January 2017. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 August 2016.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices at the accounting date for investments traded in active markets.

All purchases and sales are accounted for on a trade date basis.

The Company has early adopted an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016 regarding the categorisation of financial instruments into the fair value hierarchy in note 18.

(c) Accounting for reserves

Gains and losses on sales of investments, and the management fee or finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves within "Gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end, are included in the Income Statement and dealt with in capital reserves within "Investment holding gains and losses".

Foreign exchange gains and losses on cash and deposit balances are included in the Income Statement and in capital reserves within "Gains and losses on sales of investments".

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Dividends from overseas companies are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- The management fee is allocated 50% to revenue and 50% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 37.

Notes to the Accounts

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method in accordance with FRS 102.

Finance costs are allocated 50% to revenue and 50% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are classified as loans and receivables and are initially measured at fair value and subsequently at amortised cost. They are recorded at the proceeds received net of direct issue costs.

(h) Taxation

The tax charge for the year is based on amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

Deferred tax is provided on all timing differences that have originated but not reversed by the accounting date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to the capital column of the Income Statement on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the accounting date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 102, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the Company's functional currency and the presentational currency of the accounts.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

(k) Dividends payable

In accordance with FRS 102, dividends payable are included in the accounts in the year in which they are paid.

Notes to the Accounts

2. Gains on investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Gains on sales of investments based on historic cost	10,609	3,020
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(11,703)	(5,537)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(1,094)	(2,517)
Net movement in investment holding gains and losses	20,583	10,383
Gains on investments held at fair value through profit or loss	19,489	7,866

3. Income

	2017 £'000	2016 £'000
Income from investments:		
UK dividends	9,258	8,071
Overseas dividends	836	743
Scrip dividends	459	932
	10,553	9,746
Other interest receivable and similar income:		
Deposit interest	–	6
Total income	10,553	9,752
Capital:		
Special dividends allocated to capital	–	175

4. Investment management fee

		2017			2016	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	834	834	1,668	757	757	1,514

The basis for calculating the management fee is set out in the Directors' Report on page 18.

5. Administrative expenses

	2017 £'000	2016 £'000
Administration expenses	171	197
Directors' fees	104	119
Auditor's remuneration for audit services[1]	27	27
	302	343

[1]Includes £4,000 (2016: £4,000) irrecoverable VAT.

Notes to the Accounts

6. Finance costs

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Interest on bank loans and overdrafts	**243**	**243**	**486**	273	273	546

7. Taxation on ordinary activities

	2017 £'000	2016 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	**67**	80
Tax charge for the year	**67**	80

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: lower) than the Company's applicable rate of corporation tax for the year of 19.58% (2016: 20.00%).

The factors affecting the current tax charge for the year are as follows:

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net return on ordinary activities before taxation	**9,174**	**18,403**	**27,577**	8,379	7,102	15,481
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.58% (2016: 20.00%)	**1,796**	**3,603**	**5,399**	1,676	1,420	3,096
Effects of:						
Capital return on investments	**–**	**(3,814)**	**(3,814)**	–	(1,591)	(1,591)
Income not chargeable to corporation tax	**(2,050)**	**–**	**(2,050)**	(1,942)	(35)	(1,977)
Unrelieved expenses	**254**	**211**	**465**	266	206	472
Irrecoverable overseas tax	**67**	**–**	**67**	80	–	80
Tax charge for the year	**67**	**–**	**67**	80	–	80

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,432,000 (2016: £4,266,000) based on a prospective corporation tax rate of 17% (2016: 18%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's intention to continue to meet the conditions required to retain its status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts

8. Dividends

(a) Dividends paid and declared

	2017 £'000	2016 £'000
2016 fourth interim dividend of 4.6p (2016: 4.3p)	3,160	2,954
First interim dividend of 2.0p (2016: 2.0p)	1,374	1,374
Second interim dividend of 2.0p (2016: 2.0p)	1,374	1,374
Third interim dividend of 2.0p (2016: 2.0p)	1,374	1,374
Total dividends paid in the year	7,282	7,076

	2017 £'000	2016 £'000
Fourth interim dividend declared of 5.2p (2016: 4.6p)	3,572	3,160

The Directors declared a fourth interim dividend of 5.2p per share in respect of the year ended 31 August 2017 and which was paid on 31 October 2017 to the shareholders on the Register on 6 October 2017. The fourth interim dividend has not been included in these accounts in accordance with the Company's accounting policy to account for dividends in the year in which they are paid.

All dividends paid and declared to date have been paid, or will be paid, out of revenue profits.

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ("Section 1158")

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £9,107,000 (2016: £8,299,000).

	2017 £'000	2016 £'000
First interim dividend of 2.0p (2016: 2.0p)	1,374	1,374
Second interim dividend of 2.0p (2016: 2.0p)	1,374	1,374
Third interim dividend of 2.0p (2016: 2.0p)	1,374	1,374
Fourth interim dividend of 5.2p (2016: 4.6p)	3,572	3,160
Total dividends of 11.2p (2016: 10.6p) per share	7,694	7,282

9. Return per share

	2017 £'000	2016 £'000
Revenue return	9,107	8,299
Capital return	18,403	7,102
Total return	27,510	15,401
Weighted average number of ordinary shares in issue during the year	68,688,343	68,688,343
Revenue return per share	13.26p	12.08p
Capital return per share	26.79p	10.34p
Total return per share	40.05p	22.42p

Notes to the Accounts

10. Investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Opening book cost	**163,232**	161,177
Opening investment holding gains	**48,498**	43,652
Opening valuation	**211,730**	204,829
Purchases at cost	**38,560**	32,735
Sales proceeds	**(41,464)**	(33,700)
Losses on sales of investments based on the carrying value at the previous balance sheet date	**(1,094)**	(2,517)
Net movement in investment holding gains and losses	**20,583**	10,383
Closing valuation	**228,315**	211,730
Closing book cost	**170,937**	163,232
Closing investment holding gains	**57,378**	48,498
Total investments held at fair value through profit or loss	**228,315**	211,730

All investments are listed on a recognised stock exchange.

The following transaction costs, comprising stamp duty and brokerage commission were incurred during the year:

	2017 £'000	2016 £'000
On acquisitions	**185**	152
On disposals	**23**	23
	208	175

11. Debtors

	2017 £'000	2016 £'000
Dividends and interest receivable	**1,863**	1,754
Taxation recoverable	**106**	68
Other debtors	**13**	40
	1,982	1,862

The Directors consider that the carrying amount of debtors approximates to their fair value.

12. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loan	**20,000**	20,000
Securities purchased awaiting settlement	**–**	101
Other creditors and accruals	**928**	558
	20,928	20,659

Notes to the Accounts

The bank loan has been drawn down on the Company's 364 day Revolving Facility Agreement with Scotiabank Europe Plc ("the Facility"). The loan comprises £20 million drawn for a one month period at an interest rate of 0.91% per annum. The Facility has a limit of £20 million and expires on 27 June 2018. Drawings on the Facility are unsecured, but are subject to covenants and restrictions which are customary for a facility of this nature, and which have all been met. The bank loan at the prior year end and which expired on 30 June 2017, was a three-year term loan, carrying a fixed interest rate of 2.72%, drawn on the Facility. Further details of the Facility are given in note 19(a)(i) on page 42.

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

13. Called-up share capital

	2017 £'000	2016 £'000
Ordinary shares allotted, called-up and fully paid:		
68,688,343 (2016: 68,688,343) shares of 10p each	6,869	6,869

14. Reserves

					Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	7,404	2,011	1,596	34,936	86,726	48,498	8,450
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(1,094)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	20,583	–
Transfer on disposal of investments	–	–	–	–	11,703	(11,703)	–
Realised exchange losses on currency balances	–	–	–	–	(9)	–	–
Management fee and finance costs allocated to capital	–	–	–	–	(1,077)	–	–
Dividends paid	–	–	–	–	–	–	(7,282)
Retained revenue for the year	–	–	–	–	–	–	9,107
Closing balance	7,404	2,011	1,596	34,936	96,249	57,378	10,275

The Company's Articles of Association permit dividend distributions out of realised capital profits.

[1]These reserves are not distributable.
[2]These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends.
[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.
[4]The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

15. Net asset value per share

	2017	2016
Net assets attributable to the ordinary shareholders (£'000)	216,718	196,490
Shares in issue at the year end	68,688,343	68,688,343
Net asset value per share	315.51p	286.06p

Notes to the Accounts

16. Transactions with the Manager

Under the terms of the AIFM agreement, the Manager is entitled to receive a management fee. Details of the basis of the calculation are given in the Directors' Report on page 18. Any investments in funds managed or advised by the Manager or any of its associated companies are excluded from the assets used for the purpose of the calculation and therefore incur no fee.

The management fee payable in respect of the year ended 31 August 2017 amounted to £1,668,000 (2016: £1,514,000) of which £865,000 (2016: £393,000) was outstanding at the year end.

No Director of the Company served as a director of any member of the Schroder Group at any time during the year.

17. Related party transactions

Details of the remuneration payable to Directors and details of Directors' shareholdings are given in the Directors' Remuneration Report on pages 24 and 25, respectively. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2016: nil).

18. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below. Note that the criteria used to categorise investments include an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016, and which the Company has early adopted.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 34.

At 31 August 2017, all investments in the Company's portfolio are categorised as Level 1 (2016: all Level 1).

19. Financial instruments' exposure to risk and risk management policies

The Company's objectives are set out on the inside front cover of this Report. In pursuing these objectives, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy. The Company has no significant direct exposure to foreign exchange risk on monetary items.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments may comprise the following:

- investments in equity shares which are held in accordance with the Company's investment objectives;
- short-term debtors, creditors and cash arising directly from its operations; and
- loans drawn on a facility with Scotiabank, the purpose of which is to assist with financing the Company's operations.

(a) Market risk

The fair value of future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when interest rates are re-set.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The three year term loan which expired during the year, carried a fixed rate of interest and therefore did not give rise to any interest rate risk, and has not been included in the analysis below. Aside from this term loan, any amount drawn on the Facility would normally be for a one month period, at the end of which the drawdown may be adjusted or repaid, and the interest rate is re-set. These amounts have been included in the analysis below, although the exposure to interest rate changes is not significant as any drawings can be repaid at the end of the one month period under the terms of this flexible arrangement.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2017 £'000	2016 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	7,349	3,557
Creditors falling due within one year: bank loan	(20,000)	–
Total exposure	(12,651)	3,557

Interest receivable on cash balances is at a margin below LIBOR (2016: same).

The Company's three year £20 million term loan with Scotiabank Europe Plc expired on 30 June 2017 and the existing 364 day revolving facility, also with Scotiabank Europe Plc, was extended to £20 million, expiring on 27 June 2018. Interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 31 August 2017, the Company had drawn down £20 million for a one month period at an interest rate of 0.91% per annum.

The above year end amounts are not representative of the exposure to interest rates during the current or comparative year as the level of cash balances and drawings on the Facility have fluctuated. The maximum and minimum exposure during the year was as follows:

	2017 £'000	2016 £'000
Maximum interest rate exposure during the year – net cash balances	5,825	5,900
Maximum debit/minimum credit interest rate exposure during the year – net (debt)/cash balances	(15,182)	383

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2016: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the accounting date which are exposed to interest rate movements, with all other variables held constant.

	2017		2016	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	(13)	13	18	(18)
Capital return	(50)	50	–	–
Total return after taxation	(63)	63	18	(18)
Net assets	(63)	63	18	(18)

Notes to the Accounts

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes as the level of cash balances and drawings on the Facility will fluctuate.

(ii) Other price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 August comprised the following:

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	228,315	211,730

The above data is broadly representative of the exposure to market price risk during the year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 8. The portfolio principally comprises securities of companies listed on the London Stock Exchange and accordingly there is a concentration of exposure to economic conditions in the UK. However it should be noted that many of these companies conduct much of their business overseas. Furthermore, up to 20% of the portfolio may be listed on overseas stock exchanges.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2016: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure through equity investments and includes the impact on the management fee but assumes that all other variables are held constant.

	2017		2016	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(86)	86	(79)	79
Capital return	22,746	(22,746)	21,094	(21,094)
Total return after taxation and net assets	22,660	(22,660)	21,015	(21,015)
Change in net asset value	10.5%	(10.5%)	10.7%	(10.7%)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. The Facility is also available to provide liquidity at short notice. The Board's policy is for the Company to remain fully invested in normal market conditions. The Facility may be used to manage working capital requirements and to gear the Company as appropriate.

Notes to the Accounts

Liquidity risk exposure

Contractual maturities of financial liabilities, based on the earliest date on which payment can be required are as follows:

	2017 Three months or less £'000	2017 Total £'000	2016 Three months or less £'000	2016 More than three months but less than one year £'000	2016 Total £'000
Creditors: amounts falling due within one year					
Securities purchased awaiting settlement	–	–	101	–	101
Other creditors and accruals	914	914	472	–	472
Bank loan – including interest	20,024	20,024	137	20,316	20,453
	20,938	20,938	710	20,316	21,026

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

Exposure to the custodian

The custodian of the Company's assets is HSBC Bank plc which has Long Term Credit Ratings of AA- with Fitch and Aa2 with Moody's. The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

Credit risk exposure

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the current and comparative year end.

	2017 Balance sheet £'000	2017 Maximum exposure £'000	2016 Balance sheet £'000	2016 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	228,315	–	211,730	–
Current assets				
Debtors – dividends and interest receivable and other debtors	1,982	1,982	1,862	1,862
Cash at bank and in hand	7,349	7,349	3,557	3,557
	237,646	9,331	217,149	5,419

No debtors are past their due date and none have been written down or deemed to be impaired.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried at fair value or the amount in the Statement of Financial Position is a reasonable approximation of fair value.

20. Capital management policies and procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding year.

The Company's debt and capital structure comprises the following:

	2017 £'000	2016 £'000
Debt		
Bank loan	**20,000**	20,000
Equity		
Called-up share capital	**6,869**	6,869
Reserves	**209,849**	189,621
	216,718	196,490
Total debt and equity	**236,718**	216,490

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2017 £'000	2016 £'000
Borrowings used for investment purposes, less cash	**12,651**	16,443
Net assets	**216,718**	196,490
Gearing	**5.8%**	8.4%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes into account the Manager's views on the market;

– the need to buy back the Company's own shares for cancellation or to hold in treasury, which takes into account the share price discount;

– the opportunities for issues of new shares; and

– the amount of dividend to be paid, in excess of that which is required to be distributed.

Annual General Meeting (“AGM”) – Explanation of Special Business

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM of the Company will be held on Monday, 18 December 2017 at 12.00 noon. The formal Notice of Meeting is set out on page 47.

Resolutions relating to the following items of special business will be proposed at the AGM:

Resolution 10 – authority to allot shares (ordinary resolution) and resolution 11 – power to disapply pre-emption rights (special resolution)

At the AGM held on 20 December 2016, the Directors were granted authority to allot a limited number of new ordinary shares or reissue shares held in treasury for cash. No shares have been allotted under this authority, which will expire at the forthcoming AGM. At the AGM held in December 2016, power was also given to the Directors to allot a limited number of new shares and/or reissue shares held in treasury, other than pro rata to existing shareholders. This power will also expire at the forthcoming AGM and resolutions to renew both authorities will be proposed at the forthcoming AGM, the details of which are set out in full in the Notice of Meeting on page 47.

An ordinary resolution (resolution 10) will be proposed to authorise the Directors to allot shares for cash up to a maximum aggregate nominal amount of £686,883 (being 10% of the issued share capital as at 17 November 2017). A special resolution (resolution 11) will also be proposed to give the Directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £686,883 (being 10% of the Company’s issued share capital (excluding any shares held in treasury) as at 17 November 2017). Pre-emption rights under the Companies Act 2006 apply to the reissue of treasury shares for cash as well as the allotment of new shares. Resolution 11 therefore relates to both issues of new shares and the reissue of treasury shares.

The Directors intend to use the authorities to issue new ordinary shares or reissue shares from treasury whenever they believe it is advantageous both to new investors and to the Company’s existing shareholders to do so. The authority will only be used to issue ordinary shares at a premium to net asset value per share prevailing at the time of issue.

If renewed, both authorities will expire at the conclusion of the AGM in 2018 unless renewed or revoked earlier.

Resolution 12 – authority to make market purchases of the Company’s ordinary shares (special resolution)

At the AGM held on 20 December 2016, the Company was granted authority to make market purchases of up to 10,296,382 ordinary shares for cancellation or to be held in treasury. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 10,296,382 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue at 17 November 2017. The Directors will exercise this authority only if they consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority will expire at the conclusion of the AGM in 2018, unless renewed or revoked earlier.

The maximum purchase price that may be paid for an ordinary share will be no more than the greater of 5% of the average of the middle market quotations for the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase and the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price will be 10p, being the nominal value per ordinary share.

The resolution to be put to shareholders will also authorise the Company to hold up to 10% of the issued share capital bought back into treasury for potential reissue in line with the conditions outlined above. Shares held in treasury may be reissued or cancelled at a future date rather than simply cancelled at the time of acquisition.

Recommendation

The Board considers that all the resolutions to be proposed at the AGM are in the best interests of the Company and shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder Income Growth Fund plc will be held on Monday, 18 December 2017 at 12.00 noon at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions:

1. To receive the Directors' Report and the audited Accounts for the year ended 31 August 2017.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31 August 2017.
4. To elect Mr Ewen Cameron Watt as a Director of the Company.
5. To re-elect Mr Ian Barby as a Director of the Company.
6. To re-elect Mr David Causer as a Director of the Company.
7. To re-elect Mrs Bridget Guerin as a Director of the Company.
8. To re-appoint Deloitte LLP as Auditor of the Company.
9. To authorise the Directors to determine the remuneration of Deloitte LLP as Auditor of the Company.
10. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

    "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £686,883 (representing 10% of the share capital in issue on 17 November 2017); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."

11. To consider and, if thought fit, to pass, the following resolution as a special resolution:

    "That, subject to the passing of resolution 10 set out above, the Directors be and are hereby empowered, pursuant to section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560 of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said resolution 10 above and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £686,883 (representing 10% of the aggregate nominal amount of the share capital in issue on 17 November 2017); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

12. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That the Company be and is hereby generally and unconditionally authorised in accordance with section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:

    (a) the maximum number of Shares hereby authorised to be purchased shall be 10,296,382, representing 14.99% of the issued share capital as at 17 November 2017;

    (b) the minimum price which may be paid for a Share is 10p;

    (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased; and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the Shares of that class on the London Stock Exchange;

    (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;

    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed or revoked prior to such time; and

    (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

17 November 2017
Registered Number: 03008494

Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend and vote at the Meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the Meeting.

   A proxy form is enclosed. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers), or you may photocopy the enclosed proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

   The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution.

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 48 hours before the time for the meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44 (0)121 415 0207 for overseas callers).

   If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

   Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Meeting. Please contact the Registrar if you need any further guidance on this.

2. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company at 6.30 p.m. on 16 December 2017, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 16 December 2017 shall be disregarded in determining the right of any person to attend and vote at the Meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Meeting by any attendee, for at least 15 minutes prior to, and during, the Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for election and re-election at the Meeting are set out in the Chairman's statement on page 3 and on pages 15 and 16 of the Company's Annual Report and Accounts for the year ended 31 August 2017.

7. As at 17 November 2017, 68,688,343 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Accordingly, the total number of voting rights of the Company as at 17 November 2017 is 68,688,343.

8. A copy of this Notice of Meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from the Company's webpage, www.schroders.co.uk/incomegrowth.

9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Shareholder Information

Webpage and share price information

The Company has a dedicated webpage, which may be found at www.schroders.co.uk/incomegrowth. The webpage has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, terms of reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its net asset value per share on both a cum and ex-income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on Schroders' webpage at www.schroders.co.uk/its.

A glossary of terms used in this Annual Report may be found on the Company's webpage at www.schroders.co.uk/incomegrowth.

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

First interim dividend paid	31 January
Annual General Meeting	December
Second interim dividend paid	30 April
Half year results announced	April/May
Third interim dividend paid	31 July
Financial year end	31 August
Fourth interim dividend paid	31 October
Annual results announced	November

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the webpage www.schroders.co.uk/its.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the webpage www.schroders.co.uk/its. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2017 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.1
Commitment method	2.0	1.1

Illiquid assets

As at the date of this Report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFMD information disclosure document published on the webpage www.schroders.co.uk/its.

Publication of Key Information Document ("KID")

Pursuant to the Packaged Retail and Insurance Based Products Regulation, the Manager, as the Company's AIFM, will soon be required to publish a short KID on the Company. KIDs are designed to provide important information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID will be published via a Regulatory Information Service and made available on its webpage, www.schroders.co.uk/incomegrowth, from 1 January 2018.

www.schroders.co.uk/incomegrowth

www.schroders.co.uk/its

Advisers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 4430

Registered Office

31 Gresham Street
London EC2V 7QA

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe Plc
201 Bishopsgate
London EC2M 3NS

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address.

Corporate Broker

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

Independent Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing codes

ISIN: GB0007915860
SEDOL: 0791586
Ticker: SCF

Global Intermediary Identification Number (GIIN)

T34UKV.99999.SL.826

Legal Entity Identifier (LEI)

549300X1RTYYP7S3YE39

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FSC www.fsc.org

Schroders