

Schroders

Schroder Income Growth Fund plc

Annual Report and Accounts

For the year ended
31 August 2021



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 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

Strategic Report

Financial Highlights	2
10 Year Financial Record	3
Chairman's Statement	4
Manager's Review	6
Investment Portfolio	10
Strategic Review	11

Strategic Report

Governance

Board of Directors	21
Directors' Report	23
Audit and Risk Committee Report	26
Management Engagement Committee Report	28
Nomination Committee Report	29
Remuneration Committee Report	31
Directors' Remuneration Report	32
Statement of Directors' Responsibilities in respect of the Annual Report and Accounts	34

Governance

Financial

Independent Auditor's Report	35
Income Statement	41
Statement of Changes in Equity	42
Statement of Financial Position	43
Notes to the Accounts	44

Financial

Annual General Meeting

Annual General Meeting – Recommendations	56
Notice of Annual General Meeting	57
Explanatory Notes to the Notice of Annual General Meeting	58

Definitions of Terms and Performance Measures	60
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Shareholder Information	Inside back cover
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Annual General Meeting

Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 60, together with supporting calculations where appropriate.

Total returns* for the year ended 31 August 2021

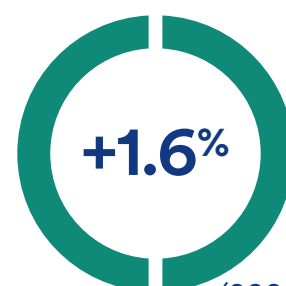


**Net asset value
("NAV") per share total return**



Share price total return

Dividend growth for the year



**Annual dividends have risen
for 26 consecutive years**

Other financial information

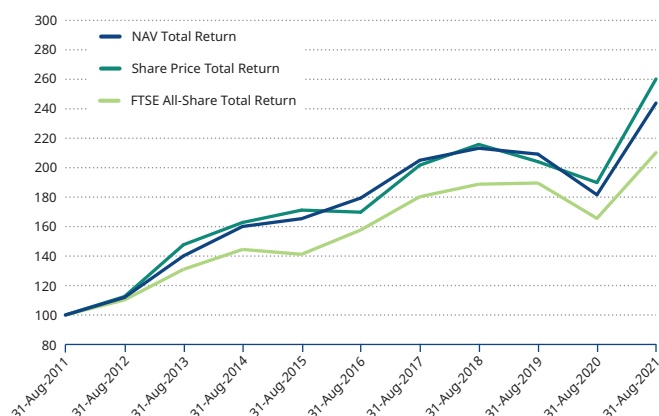
	31 August 2021	31 August 2020	% Change
Shareholders' funds (£'000)	219,915	170,324	+29.1
NAV per share (pence) ¹	316.59	246.71	+28.3
Share price (pence) ¹	316.50	242.00	+30.8
Share price discount* (%)	0.0	1.9	
Gearing* (%)	7.9	9.5	

	Year ended 31 August 2021	Year ended 31 August 2020	% Change
Net revenue return after taxation (£'000)	8,370	8,042	4.1
Revenue return per share (pence)	12.08	11.69	3.3
Consumer Prices Index ("CPI") ²	112.1	108.6	3.2
Ongoing Charges* (%)	0.79	0.86	

¹Dividends not re-invested.

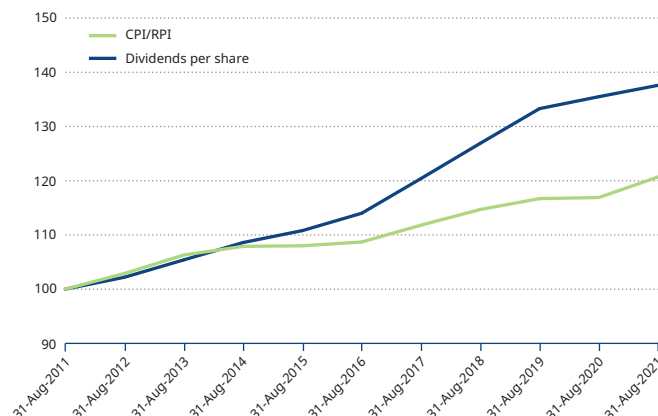
²Source: Office for National Statistics.

NAV/share price/FTSE All-Share Index total returns for the ten years ended 31 August 2021



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2011.

Dividends per share versus the rate of inflation for the ten years ended 31 August 2021



Source: Morningstar/Office for National Statistics. Rebased to 100 at 31 August 2011.

The Retail Prices Index ("RPI") was used as the measure of inflation up to 31 August 2013 and the Consumer Prices Index ("CPI") thereafter.

10 Year Financial Record

At 31 August	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Shareholders' funds (£'000)	143,100	171,616	188,936	188,165	196,490	216,718	216,740	204,458	170,324	219,915
NAV per share (pence)	208.33	249.85	275.06	273.94	286.06	315.51	315.54	297.66	246.71	316.59
Share price (pence)	199.75	251.25	266.50	269.75	257.00	293.63	301.00	273.00	242.00	316.50
Share price (discount)/ premium to NAV per share* (%)	(4.1)	0.6	(3.1)	(1.5)	(10.2)	(6.9)	(4.6)	(8.3)	(1.9)	0.0
Gearing* (%) ¹	3.8	3.3	9.6	9.5	8.4	5.8	8.3	15.5	9.5	7.9
For the year ended 31 August	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net revenue return after taxation (£'000)	6,886	7,003	7,428	7,761	8,299	9,107	8,767	9,744	8,042	8,370
Revenue return per share (pence)	10.02	10.20	10.82	11.30	12.08	13.26	12.76	14.19	11.69	12.08
Dividends per share (pence)	9.50	9.80	10.10	10.30	10.60	11.20	11.80	12.40	12.60	12.80
Ongoing charges* (%) ²	1.07	1.00	0.93	0.99	1.00	0.95	0.93	0.87	0.86	0.79
Performance ³	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV total return*	111.9	140.1	160.1	165.4	179.4	205.0	213.2	209.2	181.6	243.9
Share price total return*	112.5	147.7	162.8	171.2	169.8	201.7	215.8	204.1	189.9	260.2
FTSE All-Share Index total return	110.2	131.0	144.5	141.2	157.7	180.3	188.8	189.6	165.6	210.2

¹Borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this is shown as a "Net cash" position.

²Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

³Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2011.

*Alternative performance measures.

Chairman's Statement



boosted by the success of the vaccine rollout and the reopening of the economy.

The year which ended 31 August 2021 was one of two distinctly different environments namely pre and post vaccine. The early months included national lockdowns, and the period from December 2020 onwards was one of accelerating optimism over growth prospects. Despite the many challenges presented by Covid-19 and the emergence of global supply chain constraints, the UK equity market was

Revenue and dividend

I am pleased to report that the Company was able to deliver an increased dividend for the 26th year running. 12.80 pence per share was paid to shareholders over the year, a rise of 1.6% over the previous year. The Company has continued to fulfil its primary objective of 'real growth of income' above the levels of inflation over the medium and long-term.

The income earned by the Company recovered in the post vaccine period as companies gradually began to increase dividends. Earnings per share increased by 3.3% to 12.08 pence per share, and are now approximately in line with the year ending 31 August 2018 but still have some way to go before surpassing the 2019 high of 14.19 pence per share.

The recovery in revenue resulted in 94% of the year's dividend being covered by income received during the period. A modest transfer was therefore made from the Company's revenue reserves which remain healthy at £7.4 million, which equates to approximately 84% of the dividend amount paid this year.

Capital performance

In this challenging environment, I am pleased to report that the Company's net asset value total return was 34.4%, with the share price total return up by 37.0%. Returns were significantly in excess of its reference index, the FTSE All-Share Index, which returned 26.9%.

More details of the drivers of both income and capital returns during the period can be found in the Manager's review.

Share price discount and issuance

It is pleasing that in a year of continued uncertainty, the Company's share price discount to NAV has remained stable, averaging 1% and ending the period at 0.0%. The Company was able to grow during the period with share issues made at a premium to NAV in November 2020 and May 2021, totalling 425,000 shares.

Gearing

During the year, gearing decreased from 9.5% to 7.9%, predominantly due to NAV growth. Average gearing during the year was 8.8%, boosting performance by around 3.8% over the year. The £20 million revolving credit facility with Sumitomo Mitsui Banking Corporation Europe plc expired on 22 August 2021 and was replaced by a £32.5 million facility with the same lender, which will mature on 23 August 2022. The level of gearing has recently been increased and is currently 12.6%¹.

Continuation vote

During the year, at the AGM held on Thursday, 17 December 2020, shareholders voted that the Company should continue as an investment trust for a further five years. This is a testament to the consistent performance delivered by the Manager and your board remains committed to continue to engage with shareholders on an ongoing basis to ensure that the Company continues to perform in line with shareholder expectations.

Management fees

As reported in the Interim Report a change to the management fee was negotiated during the period. The new management fee, effective from 1 March 2021, is a flat 0.45% of 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 ("chargeable assets"). A fixed £150,000 fee will also be paid to the Manager to cover administration and company secretarial services. This resulted in a saving for shareholders of £269,000, on an annualised basis, compared to previous arrangements. This represents the second reduction in fees in 3 years and reflects the commitment shared by your Board and Manager to competitive cost ratios in your Company.

Annual general meeting and results webinar

The AGM will be held at 12.00 pm on Thursday, 16 December 2021. We encourage shareholders to either cast their votes by proxy, or to attend in person. The AGM will provide an opportunity for shareholders to ask questions of the board and the Manager although, as per previous years the Manager's presentation will be presented as a separate webinar in order to make it accessible a wider number of shareholders many of whom who find coming to London difficult.

The Manager's webinar will be broadcast on Tuesday, 30 November 2021 at 10.00 am, and all shareholders are encouraged to sign up, to hear the fund manager's view, and to ask questions of the fund manager. To sign up please visit https://us02web.zoom.us/webinar/register/WN_IglSzqqSQ2fXsupwo_opw.

In addition, the board would like to invite shareholders to get in touch via the Company Secretary with any

¹ As at 9 November 2021

Chairman's Statement

questions or comments, so that the board can answer them in advance of the AGM. To email, please use: amcompanysecretary@schroders.com or write to us at the Company's registered office address (Company Secretary, Schroder Income Growth Fund plc, 1 London Wall Place, London EC2Y 5AU).

Outlook

In a year which began with the UK in the deepest recession on record it is encouraging to see the economy reopening and recovering. Most of our portfolio companies see revenues recovering and dividends being increased or reinstated. Your Manager is continuing to identify companies that have pricing power, unique assets and which in many cases are exposed to the structural tail winds that have resulted from the disruption caused by the lock downs.

While there are clear policy challenges for the Government, Bank of England and consumers, as the economy returns to growth and costs of living soar, I am pleased with the position the Company finds itself in. Following an extremely challenging 2020 it is encouraging to see such a strong recovery in capital values this year as well as a much improved income position.

Our Manager was more active than ever during the year in repositioning the portfolio to weather the new environment in which we find ourselves. The Manager will continue to manage the portfolio with a keen eye on the Company's investment objective: delivering both rising real levels of income to investors, and attractive capital returns. Given improved dividend receipts and healthy reserves, the board is confident that the Company will continue to deliver dividend growth in excess of inflation over the medium to long term.

Bridget Guerin
Chairman

11 November 2021

Manager's Review

The net asset value total return in the 12 months to 31 August 2021 was 34.4%. This compares to 26.9% from the FTSE All Share Total Return Index. The share price total return was 37.0% (source: Morningstar/Schroders).

Investment income for the Company rose 2.2%, which was better than predicted this time last year. For context, the UK equity market paid out a total of £78.3bn in dividends over the 12 months to end August 2021, which was 6.7% lower than the £83.9bn distributed in the prior 12 months.

The most significant impact on portfolio income over the period were the large payments made by mining holdings Rio Tinto and Anglo American. Both companies dramatically increased their ordinary dividend payments, as well as paying substantial special dividends, as a result of rising commodity prices (iron ore, copper, platinum group metals). This positive more than offset the impact of cuts to dividends from other holdings, as well as the continued non-payment of dividends from companies which have been particularly hard hit by the pandemic and associated restrictions. Holdings which reduced dividends materially, included oil producer Royal Dutch Shell, whose dividend payment was down 45%, and interdealer broker TP ICAP, who cut their dividend 55%, partly in order to finance its investment program in technology but also to assist the funding of an acquisition. Meanwhile, insurance company Prudential rebased its pay out 53% downwards, as it demerged its asset management arm M&G and US annuities business Jackson Financial to focus on growth opportunities in Asia.

A large number of holdings increased dividends modestly over the 12-month period. Stable growth and defensive names, such as business services company RELX, GP patient practice property group Assura, and household and consumer goods company Unilever, saw pay outs grow between 3% and 4%. Meanwhile, other financials holdings, such as Legal & General, Direct Line and M&G, as well as defence contractor BAE Systems, managed increases of up to 2%. Larger increases were received from alternatives asset manager Intermediate Capital Group (dividend up 10%) and speciality retailer and vet services business Pets at Home (raised its payments by 6%). Pharmaceutical holdings Astra Zeneca and GlaxoSmithKline, together with food retailer Tesco, maintained their dividend payments. Companies that were hard hit or were fearful of what the Covid-19 pandemic would bring initially, adjusted dividend payments downwards in the prior period but have seen some recovery and thus managed to increase dividends significantly from last year's levels. In the case of luxury goods company Burberry, this was above 2019 levels. Others, however, are still some way below their 2019 payouts despite significant annual increases. These included speciality chemical business Johnson Matthey, housebuilder Taylor Wimpey and student accommodation provider Unite.

We continued to maintain holdings in four companies which have paused payments of dividends due to the impact of the pandemic on their businesses. These are Empiric Student Property, leisure companies Hollywood Bowl and Whitbread, and travel business National Express. We believe these companies are strong winners in their sectors and we retain confidence in their ability to restart dividend payments, and return to attractive dividend levels, once economies are fully open again. We also maintained our position in global security services company G4S despite it not paying a dividend. The

company received competing offers and we exited when it was bought by US peer, Allied Universal, in early 2021. We reinvested proceeds of this sale, as well as others, into a number of new holdings, some of which have paid a dividend in the period (such as Avast, Drax, Paypoint, QinetiQ, SThree and Workspace) and some which have not (such as 888, Bridgepoint, Convatec and Travis Perkins). We believe all of these companies have attractive prospects for both future capital growth and growth of income.

Market background

UK equities performed very well over the 12 month period. For most of the period, global markets were driven by a recovery in cyclical sectors. The outperformance of sectors such as miners, industrials, retail, real estate, energy, and financials reflected the powerful reflation and reopening trends set in train in November 2020 following news of highly effective Covid-19 vaccines. More defensive and staple areas, consumer staples and healthcare, lagged the rise in the market. While there is no doubt Covid-19 impacted the full 12 month period, later lockdowns and restrictions had a lesser impact on economic activity compared to those earlier in the pandemic as firms and individuals learnt to adapt their behaviours.

Merger and acquisition activity picked up strongly, with new bids across a variety of sectors. The cyclical recovery began to falter, however, towards the end of the period, partly due to a greater focus on inflation and any resulting central bank policy response.

Portfolio performance

The NAV total return outperformed the FTSE All-Share Index, with stock selection a notable driver and the portfolio's gearing proving a tailwind in a rising market. There was a smaller positive contribution from sector allocation.

	Impact (%)
FTSE All Share Index	26.9
Stock selection	3.7
Sector allocation	0.7
Gearing	3.8
Costs	-0.9
Residual	0.2
NAV total return	34.4

Source: Schroders, 12 months to 31 August 2021, Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Performance notably benefited from the pickup in merger and acquisition (M&A) activity seen over the period, with bids for significant portfolio positions accounting for around 10% of the portfolio in aggregate. Increased corporate activity has been a global phenomenon due to the abundance of private

Manager's Review

equity dry powder and the availability of cheap finance. In the UK, activity has been particularly strong due to the joint valuation attractions of the equity market and the currency to overseas and private buyers. Holdings in global security provider G4S, gambling companies William Hill and Gamesys, infrastructure company John Laing and global cyber security provider Avast were all bid for in the period. Other standout contributors to the portfolio's outperformance included Pets at Home, a speciality retailer and provider of vet and animal services, which was both a lockdown beneficiary (deemed an essential retailer) as well as a structural winner, due to the considerable growth in the pet care market. Meanwhile, alternative asset management company Intermediate Capital Group continued to grow strongly and performed well. As did leisure operator Hollywood Bowl, which benefited from the positive vaccine news and reduced Covid-19 restrictions allowing operations to restart.

From a sector perspective, the portfolio's higher-than-index exposure to the basic materials industry, which included holdings in mining companies Anglo American, Rio Tinto and BHP Billiton, was a positive, despite not holding Glencore. Anglo American, for example, is a well-diversified mining group exposed to both the macroeconomic recovery as well as the ingredients (copper and platinum group metals) required for a more sustainable world with a high growth pipeline. Having less exposure than the index to the more defensive consumer staples sector (in particular not owning Reckitt Benckiser, the maker of over the counter medicines and products) was positive as these more defensive growth companies lagged the rise in the market, having performed well in the early phase of the pandemic.

Top five stock contributors

	Portfolio weight (%) ¹	Weight relative to index (%) ¹	Relative performance (%) ²	Impact (%) ³
G4S	2.1	2.0	43.5	2.6
Pets At Home	3.7	3.6	46.2	1.7
William Hill	0.5	0.4	30.1	1.6
Reckitt Benckiser	–	–1.9	–51.0	1.2
Anglo American	3.8	2.3	55.0	0.9

Source: Schroders, FactSet, for Schroder Income Growth Fund plc investment portfolio, 12 months to end August 2021.

¹Average over period.

²Total return of the stock relative to FTSE All Share Total Return Index over the period.

³Impact is the contribution to performance relative to the FTSE All Share Total Return Index. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Detractors to portfolio performance included certain defensive and stable companies which had performed well for the portfolio in the prior year, such as GP patient practice property group Assura, defence contractor BAE Systems and pharmaceutical and consumer healthcare company GlaxoSmithKline. Our zero banks sector position detracted from performance as provisions made in the depth of the crisis proved overly cautious given the swifter bounce back in

the economy and the success of the furlough scheme in containing unemployment. Whilst selection in investment banking and broking services was positive (see Intermediate Capital above), our holding in inter-dealer broker TP ICAP disappointed. Operating performance was lacklustre in large part due to central banks' policies, whilst the market reacted negatively to a rights issue to fund an acquisition to reposition the group towards more growth markets in financial data but which necessitated a cut in the dividend. We have retained our position for the time being as the shares are heavily out of favour and the operating environment may improve with a pick-up in inflationary pressures.

Bottom five stock contributors

	Portfolio weight (%) ¹	Weight relative to index (%) ¹	Relative performance (%) ²	Impact (%) ³
TP ICAP	1.5	1.4	–49.4	–0.9
Assura	2.3	2.2	–25.7	–0.8
GlaxoSmithKline	5.5	2.4	–21.7	–0.8
Glencore	–	–1.3	69.4	–0.6
BAE Systems	3.5	2.8	–12.0	–0.6

Source: Schroders, FactSet, for Schroder Income Growth Fund plc investment portfolio, 12 months to end August 2021.

¹Average over period.

²Total return of the stock relative to FTSE All Share Total Return Index over the period.

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Portfolio activity

We were more active over this past year than we have been in recent history. There were two reasons for this. Firstly, there has been significant bid activity for certain large positions in the portfolio, which has necessitated the reinvestment of proceeds. Of the seven stock positions that we exited during the period, four were the result of bids (G4S, Gamesys, John Laing and William Hill). Secondly, we sought opportunities to reposition areas of the portfolio towards reopening and recovery plays at attractive long-term valuations and funded these purchases with a corresponding sale from the portfolio of British American Tobacco, a consumer staple company which had served the portfolio well in the early phase of the pandemic from a capital and income perspective. In the longer-term, we struggle to envisage a re-rating of the shares against a backdrop of greater focus on environmental, social and governance factors by investors, or a take-private solution given the size of the company and its level of indebtedness. We also sold out of oil and gas companies BP and Galp, reinvesting the proceeds into Royal Dutch Shell, which we believe is well-placed to transition to renewable energy whilst having a stronger balance sheet and asset mix (downstream and integrated gas assets). Additionally, the dividend has been reset to a sustainable level and the commodity price recovery suggests potential for capital returns to shareholders.

Manager's Review

There were 16 new holdings in the fund over the period, of which 11 were mid caps. This broadly replaced the mid cap exposure which exited the portfolio due to bids. The remaining 5 were large cap stocks. Among our new positions, we have identified some stocks with unique assets, trading at attractive valuations and income prospects, such as power company Drax, which is set to play a key role in the UK's decarbonisation efforts over the coming decades. After the bid and our subsequent sale of scaled, differentiated online gaming company Gamesys, we reinvested the proceeds into 888, another gaming firm which is well-invested in technology to deliver an engaging online customer experience. We also added utility group SSE to the portfolio, which is well-placed to contribute to the energy transition through ongoing investment in electricity transmission/distribution and renewables. Additionally, we initiated a holding in Avast, a global consumer cyber security company, which has a strong franchise and robust medium-term growth outlook. More recently, the company has received an approach to merge with US peer NortonLifeLock.

We have also looked to gain further exposure to some of the most compelling structural growth trends. One example is our new holding in SThree, an international recruitment company predominantly operating in the science, technology engineering and mathematics (STEM) sectors. The company is exposed to long-term tailwinds associated with digital transformations across a broad set of industries. We have also invested in Workspace, an owner and operator of flexible office and workspaces, which we believe offers many attractions for companies and their employees in the future work environment. Meanwhile, our holding in construction and infrastructure company Balfour Beatty is exposed to governmental fiscal project spend in transport and renewable energy in the US. Additionally, Johnson Matthey, a speciality chemicals business supplying catalysts to the automotive and industrial process industries, is progressing with developments of new markets in key materials for electric vehicle batteries and hydrogen.

As economies reopened and began their recoveries from the pandemic, we sought exposure through investments in Travis Perkins, a beneficiary of buoyant housing, repair and maintenance activity; National Express, a bus and coach operator in UK and international markets, and 3i, an investment company with an attractive main asset – 'Action' – a discount retailer growing rapidly across Europe.

Lastly, we remain attracted by certain restructuring and turnaround situations that are stock specific and less dependent on the macro economic environment, such as Convatec, Paypoint and BT. Med-tech company Convatec has operationally underperformed its peers but looks set to benefit from its new management, who are executing a recovery plan, while also sitting in an attractive industry from a growth and returns perspective. Paypoint is a provider of in-store payment solutions for the growing convenience retail sector. Meanwhile, we believe there is an attractive opportunity in the fiberoptic business broadband rollout for BT and we are encouraged by the pricing power demonstrated in the consumer business.

Outlook

The Covid-19 pandemic has proved to be the ultimate exogenous shock – an unpredictable, global event that has brought economies to a standstill, one that has and continues to impact supply and demand, companies and consumers, in a multitude of ways.

Thanks to a successful vaccine rollout, we could have been forgiven for thinking that things would quickly improve. However, much like the car you leave in the garage over winter, getting started again when the climate improves is never going to be without issues. Whether it's a lack of semiconductors affecting car production or increased shipping costs more generally, numerous industries and companies are being adversely impacted by the bottlenecks and supply chain issues we are witnessing.

Labour inflation has compounded the issue with shortages of skilled workers in particular sectors. In the UK and Europe, the lack of heavy goods vehicle drivers has been notable. Looking forward, these wider supply issues could last until 2022 and cause more lasting inflationary pressures than central banks and governments would like. Among a host of important questions will be how governments assess the security of supply against cost-efficient global supply chains. As investors are increasingly contemplating a global shift for interest rates away from emergency settings, more interesting still is the question of how tightening policy (interest rates and taxation) would be timed and implemented. Tighten too soon and you risk curtailing the economic recovery from the pandemic. Tighten too late and you could see stagflation taking hold, where inflation persists but dampens demand and depresses growth. Governments and central banks will hopefully be looking back at lessons learned from the Global Financial Crisis.

Meanwhile, commodity prices, including those related to oil, gas, metals, sugar and coffee, have risen. Higher raw material costs can feed into steeper prices for producers and consumers, fuelling inflation. Gas prices in the UK, Europe and Asia have soared, compounded by low levels of inventory following last year's cold winter, increased demand worldwide and the switch to renewable energy. This last point highlights one of the few silver linings of the pandemic: the acceleration of disruptive forces that already existed in the realms of technology, energy transition and sustainability. We have already seen disruption to certain industries as individuals reassess priorities, work-life balances and their skillsets, leading to lower labour participation and high levels of vacancies and specific skills shortages. While some shortages and vacancies may be more temporary than others, the lasting "new-normal" behavioural changes will shape industries and provide investment opportunities. As discussed in the activity section above, we have positioned the portfolio to take advantage of a number of these emerging structural tailwinds.

After such a strong rise in markets from the lows of Spring 2020, we would expect markets' progress to become a bit trickier as they navigate the receding liquidity, rates risks, and a peaking of economic growth and earnings momentum. While uncertainties undoubtedly remain and we do not own a crystal ball, we continue to stick by our investment process, which has served our investment team well for over 20 years,

Manager's Review

and look to identify companies that we believe are well-placed to navigate many of these future challenges by possessing pricing power, unique assets and which are exposed to structural tailwinds.

Policy

Regardless of external conditions, our aims and our investment approach remain constant: to construct a diversified portfolio of mispriced opportunities capable of delivering both real growth of income and attractive capital returns. We remain bottom-up stock pickers looking for idiosyncratic investment opportunities in individual companies.

We continue to see a very attractive opportunity set of mispriced assets in the UK equity market, as the market as a whole, has been and continues to be out of favour with international investors.

Schroder Investment Management Limited

11 November 2021

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

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

Investment Portfolio as at 31 August 2021

Companies in bold represent the 20 largest investments, which by value account for 67.7% (2020: 78.4%) of total investments. All companies are headquartered in the UK unless otherwise stated.

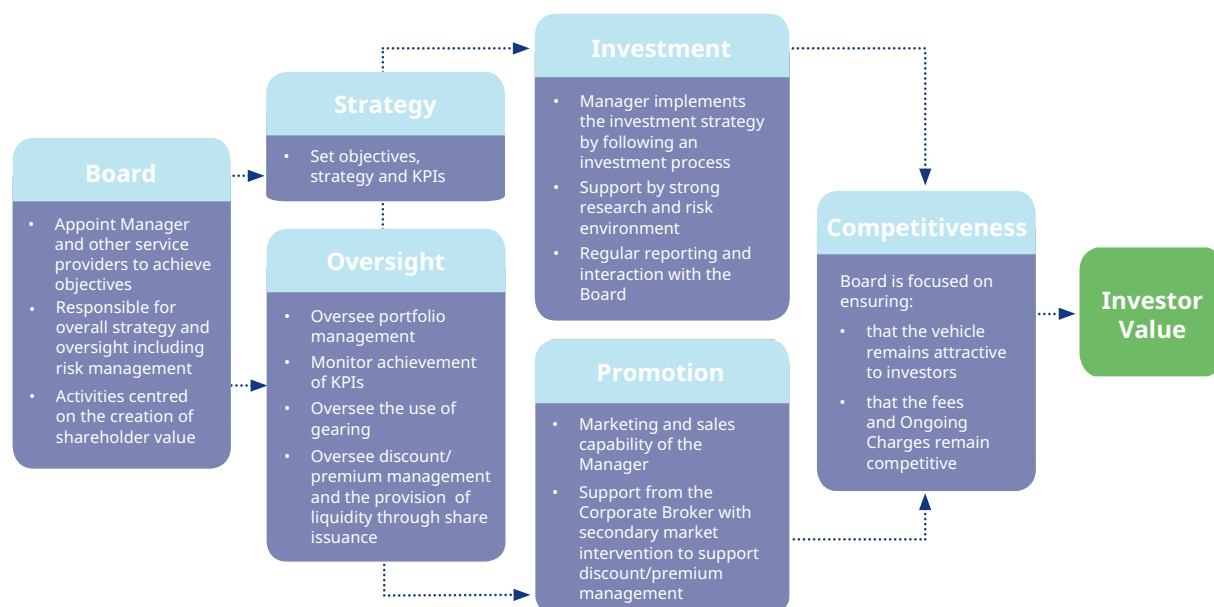
All investments are equities, listed on a recognised stock exchange.

	£'000	%
Financials		
Legal & General	9,444	4.0
Prudential	7,270	3.1
Empiric Student Property	6,792	2.9
Intermediate Capital	5,933	2.5
M&G	5,850	2.5
Unite Group	4,308	1.8
Workspace Group	3,860	1.6
3i Group	3,801	1.6
Assura	3,796	1.6
TP ICAP	3,404	1.4
Direct Line Insurance	3,231	1.4
Bridgepoint	945	0.4
Total Financials	58,634	24.8
Consumer Services		
RELX	9,065	3.9
Pets At Home	8,675	3.7
Tesco	7,244	3.1
Pearson	6,111	2.6
Hollywood Bowl	5,378	2.3
Whitbread	4,142	1.8
Daily Mail and General Trust	3,221	1.4
888 (Gibraltar)	1,908	0.8
National Express	1,600	0.7
Total Consumer Services	47,344	20.3
Basic Materials		
Anglo American	9,866	4.2
BHP Billiton	9,819	4.2
Rio Tinto	7,973	3.4
Johnson Matthey	4,594	2.0
Total Basic Materials	32,252	13.8
Healthcare		
Astrazeneca	12,724	5.4
GlaxoSmithKline	12,000	5.2
ConvaTec	1,525	0.6
Total Healthcare	26,249	11.2

	£'000	%
Industrials		
BAE Systems	6,415	2.7
Balfour Beatty	4,595	2.0
QinetiQ	3,665	1.6
Bunzl	3,351	1.4
SThree	3,342	1.4
Travis Perkins	2,581	1.1
Paypoint	2,067	0.9
Total Industrials	26,016	11.1
Consumer Goods		
Unilever	8,690	3.7
Burberry	6,275	2.7
Taylor Wimpey	3,347	1.4
Total Consumer Goods	18,312	7.8
Utilities		
National Grid	4,508	1.9
SSE	2,414	1.0
Drax	2,313	1.0
Total Utilities	9,235	3.9
Oil and Gas		
Royal Dutch Shell 'B'	8,477	3.6
Total Oil and Gas	8,477	3.6
Telecommunications		
BT	4,784	2.0
Total Telecommunications	4,784	2.0
Technology		
Avast	3,508	1.5
Total Technology	3,508	1.5
Total Investments	234,811	100.0

Strategic Review

The Strategic Report sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



Business model

The Company is a listed investment trust, that has outsourced its operations to third party service providers. 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. The terms of the appointment are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The Board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail below.

Investment process

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.

The Company's lead 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. The investment team employs a rigorous and disciplined investment process aiming to deliver consistent outperformance with low volatility against set objectives.

Stock 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.

Stock selection/portfolio construction

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 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 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

Strategic Review

equivalents in the UK; when attractive dividends are available; and for exposure to sectors that are not well represented in the UK equity market.

Review/sell discipline

The management of a relatively concentrated portfolio requires a rigorous sell discipline enforced by competition for capital. The 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.

Integration of ESG into the investment process

As managers of the Company, we are stewards of capital, focusing on the long-term prospects of the assets in which we invest. We analyse each investment's ability to create, sustain and protect value to ensure that it can deliver returns in line with our shareholders' objectives.

We view ourselves as responsible investors. Responsible investment considers companies' citizenship and their contribution to society in the context of achieving investment objectives. We appreciate that many shareholders want to use their investment to support more responsibly run businesses, and that many investors have concerns over specific activities to which they do not want their investment exposed.

We adopt an approach of integration

As a result of the above, we choose to adopt the model of ESG integration. Our investment approach explicitly considers ESG factors as a source of alpha generation. In our view, ESG and industrial trends are intrinsically linked. Today, companies face competitive pressures from a wider range of sources, on

a larger scale and at a faster pace. We identify the key ESG issues of each company we invest in, and analyse and examine the management of these in order to determine the risk profile of an investment. This helps inform our assessment of both upside opportunity and downside protection.

To us, effective ESG integration means conducting a rigorous bottom up examination of a company's ESG performance and incorporating that analysis into investment decisions rather than outsourcing that analysis to third parties.

Extensive engagement with portfolio companies

As part of our process, we meet with company management teams in advance of investing, as well as meeting with the management of all portfolio companies at least once a year. In many cases we meet with them more than this, as well as engaging with board members. In addition, we will attend meetings with the majority of management teams of companies in the FTSE 350 over the course of a year as we regularly review the investment cases of companies not held in the portfolio. Our work here is aided by our internal resource of over 20 dedicated ESG specialists.

We have always taken pride in our level of engagement with companies. Our brand, as well as extensive analytical resource affords us the ability to regularly engage with companies on all aspects of corporate strategy, including ESG matters.

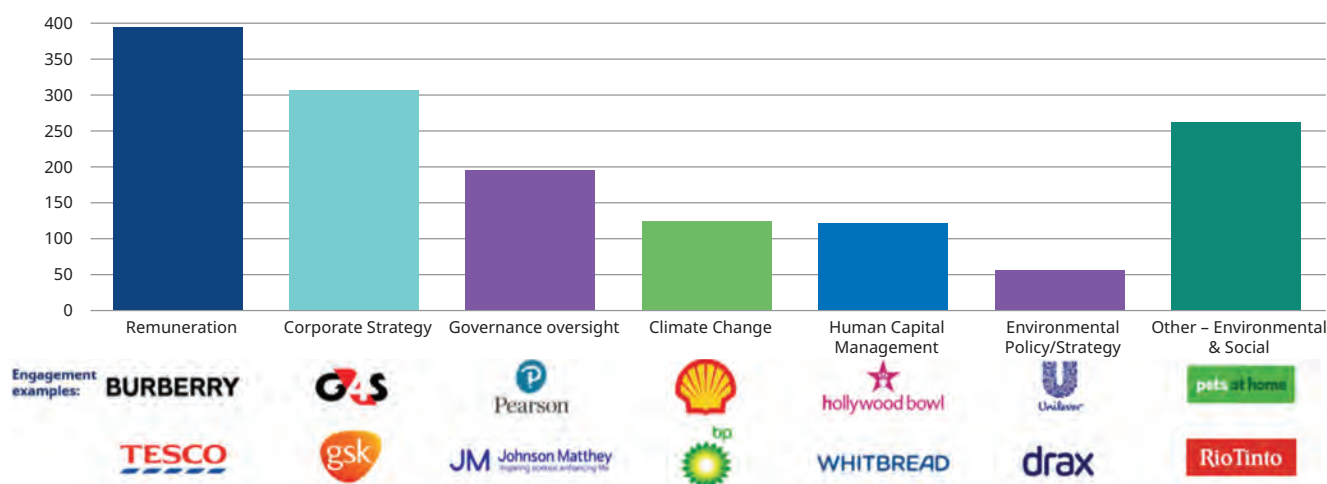
The chart below shows an illustration of the main engagement issues the investment team have had with UK companies over the calendar years 2018-20.

Schroders Engagement

Extensive resources ensure we engage fully on ESG matters with UK companies

Schroder UK Equity team ESG engagements – past 3 years

Most significant engagement topics



Source: Schroders. Most significant engagement topics over 3 years to 31 December 2020. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Strategic Review

The below table shows the number of company meetings and resolutions the Company voted on in the last one and three years.

	FY21		FY18-FY21	
	Number	%	Number	%
Meetings	49		180	
Resolutions	846		3205	
Votes with management	830	98.1	3134	97.8
Votes against management	16	1.9	71	2.2
Did not vote	0	0	0	0

Where we vote against, in the majority of cases this has been to oppose the re-election of a director or to oppose the remuneration report. We will oppose the re-election of a director for a number of reasons including 'over-boarding', where we believe a director holds too many board positions at once so are unable to dedicate sufficient time to each. In the case of remuneration, we push for management teams to have firm alignment with shareholders.

ESG in action

The below are a number of case studies where we have explicitly considered and influenced ESG issues in our investment activities. All relate to current holdings and refer to companies we have explicitly engaged with during the recent period.

Our response to COVID-19 across the portfolio

We have continued to engage with all portfolio companies over the course of 2021 to communicate our expectations on managing the challenges that COVID-19 poses and, amongst other things, to encourage companies to support and protect employees' mental health during the pandemic.

Individual case studies

Engagement with Royal Dutch Shell on climate strategy

We began engaging with Royal Dutch Shell on the scope and pace of its role in transitioning the energy industry to a more sustainable future in December 2020, ahead of the group's strategy and capital markets day in February 2021. Our view was that following the cut to the dividend there was a substantial opportunity for Shell equity if the company could manage this transition as one of the leaders within the energy sector. We communicated our support should the company announce at its February strategy update, an ambitious acceleration in the strategy towards energy transition, believing that this could be an attractive path to long-term value creation for the group that will help to future proof the business. We added that we support management to make investments in projects with good risk adjusted returns.

At the strategy day Royal Dutch Shell laid out their energy transition strategy and committed to net zero carbon by 2050 with a substantial shift in business mix expected. The group committed to accelerating clean technologies (doubling electricity generation, shifting electricity to 75% renewables,

targeting 10% hydrogen in final energy, tripling use of biofuels), and targeting behavioural incentives (infrastructure investment to improve energy efficiency, support the green economy through incentives to consumers and businesses and to remove emissions through carbon capture & storage and reforestation).

Since February 2021 there has been a series of updates from the company including the Q1 results and the company's annual general meeting where investors had the opportunity to vote on the group's energy transition strategy (we voted to approve Resolution 20).

On 26 May 2021, the District Court in The Hague delivered its ruling in the climate change case filed against Royal Dutch Shell by Milieudefensie (Friends of the Earth Netherlands) and other NGOs. The court case was submitted in 2019. The Dutch Court has jurisdiction over Shell because it is headquartered and has its principal place of business in the Netherlands. The Dutch Court regarded climate change as a human rights threat to the people of the Netherlands and although Royal Dutch Shell is not in breach of the law, its transition plan as of December 2020, pre the company's strategy day in February 2021, was not in line with the Paris Agreement. The court views a 45% absolute reduction by 2030 as necessary to meet net zero by 2050. We have continued to engage with the company on energy transition issues and had a meeting with the company in June 2021 to better understand the situation. Shell stated it wants to lead and support the energy transition. The company had until August 2021 to start a formal appeal, it would then take between 2 to 3 years to complete this procedure. We concluded that the court ruling could help Shell to better communicate its transition plan to the next decade with more precise strategic targets.

We outlined our views publicly in the below article.

<https://www.schroders.com/en/uk/private-investor/insights/markets/shell-and-bp-why-were-hopeful-for-a-sensible-transition-to-renewables/>

Drax

Drax was once the largest coal fired power station in the UK. In recent years, the business has undergone a transition to sustainable biomass, stopping the use of coal on a commercial basis in early 2021. The company has ambitions to be the world's first carbon-negative business by combining biomass with carbon capture and storage. Drax is an integral part of the UK energy generation system, providing continuous renewable energy to supplement intermittent power from wind and solar.

Our engagement with Drax has taken place over a long period of time. In February 2020 we visited Drax's power station in Selby, accompanied by one of our Sustainability analysts to assess the progress of the biomass transition and carbon capture trials. During the visit we met with the company's Head of Innovation and Head of Sustainability. This allowed us to understand the strength of biomass sustainability and feasibility of large-scale carbon capture. After the visit we performed more research and met with the Chief Executive and Finance Director on several occasions to discuss business progress, their sustainability programme and government funding of carbon capture and storage. This engagement gave us confidence in the outlook for the business.

Strategic Review

Despite attractive financial characteristics, the team decided not to invest in Drax initially. We were concerned that Drax's reliance on government subsidies left them vulnerable to political risk. The company faces a potential "cliff-edge" in 2027 when the last of their subsidies expire. We were yet to be convinced operating biomass subsidies on a 'merchant' basis (without subsidy) could be profitable and were worried that attitudes to biomass could change in the meantime.

Nevertheless the team kept up-to-date with Drax, meeting regularly with the management team and following government developments on biomass and carbon capture. We followed reports from the Climate Change Committee (CCC) such as the "The Sixth Carbon Budget – The UK's Path to Net Zero"¹. In the report the CCC discuss several scenarios for getting to net zero. The 'balanced' pathway estimates that 100 million tonnes of carbon dioxide will need to be removed from the atmosphere annually in 2050. The CCC have also gone on record as saying that Carbon Capture and Storage (CCUS) is "a necessity not an option" if the UK is to reach net zero.

At the same time the Conservative government made important steps in progressing the funding for CCUS at scale. In March 2020, an £800 million investment by the government into CCUS at scale was confirmed (this has since been increased to £1 billion).

The combination of the CCC's staunch support of CCUS and the government's willingness to invest in the technology to make it viable at scale, makes us confident that Drax's assets will play an important role in getting the UK to net zero. We also believe therefore that the business will have significant economic value beyond 2027, something which is not reflected in the share price. For this reason we invested in Drax.

Johnson Matthey

We believe Johnson Matthey has significant potential to grow earnings due to the growing demand for low carbon environmental technologies and clean air legislation in the automotive sector. We think the market underappreciates the longevity of earnings from their automotive catalyst business, particularly in Asia where emissions standards continue to tighten. Governments in countries such as India and China are looking to improve air quality by implementing policies similar to those in place in Europe. This drives demand for Johnson Matthey's automotive catalysts. In addition, for many years the business has had a significant presence in technologies used in the hydrogen supply chain. Hydrogen is increasingly recognised as being a key component of the transition to a world powered by low carbon energy sources. We are also encouraged by the potential of the company's investment in electric vehicle battery technologies. This will be critical to reducing emissions from the automotive sector, one of the largest sources of greenhouse gas emissions in the world.

Avast

We initiated a position in cyber security firm Avast during the year and in July 2021 news leaked of a bid approach by US Nasdaq quoted competitor Norton. In our view the combination of the two businesses has strong industrial logic and considerable cost and revenue synergies, though Avast also represents good value as a stand-alone entity. As a result,

we added to our holdings. However, the terms of the deal subsequently announced in August 2021 we believe materially undervalues Avast. We engaged directly with management, and then publicly seeking support from other like-minded shareholders, to express our dissatisfaction with the price and asking Avast to pursue all avenues for shareholder value. Under the deal the company will be re-listed in the US, meaning that shareholders such as us will be unable to hold the new combined business in UK equity portfolios and participate in future synergies. Ultimately, it appears our engagement has not been successful in influencing the price or terms of the deal and that Avast is an example of a quality UK plc being sold too cheaply. We remain committed to challenging management when shareholder value is not being fully recognised and upheld.

Sale of British American Tobacco

During the year we sold out of our position in British American Tobacco. The company continues to perform well against a backdrop of lower cigarette volumes in the markets they operate in. However, we struggle to see a scenario where the shares are valued on a higher multiple given the stronger ESG-focus amongst investors. Data from our proprietary tool, SustainEx, shows tobacco to be the most significantly negative social value contributor in the UK stock market. We no longer own any tobacco holdings in the portfolio.

Sustainability at Schroders

20 years of ESG integration

Our policies on sustainability are based on what we have learned from more than 20 years of integrating ESG analysis for our clients. The below chart shows a number of milestones hit over the last 20 years of ESG integration at Schroders.

Dedicated team of ESG specialists

As a result of the above, we are fortunate to have access to a dedicated team of over 20 ESG specialists. Their role is to research ESG themes within sectors, as well as to analyse and engage with individual companies on these issues. We engage with the output of this team regularly to allow us to integrate these factors into our investment process.

No 'one size fits all' approach

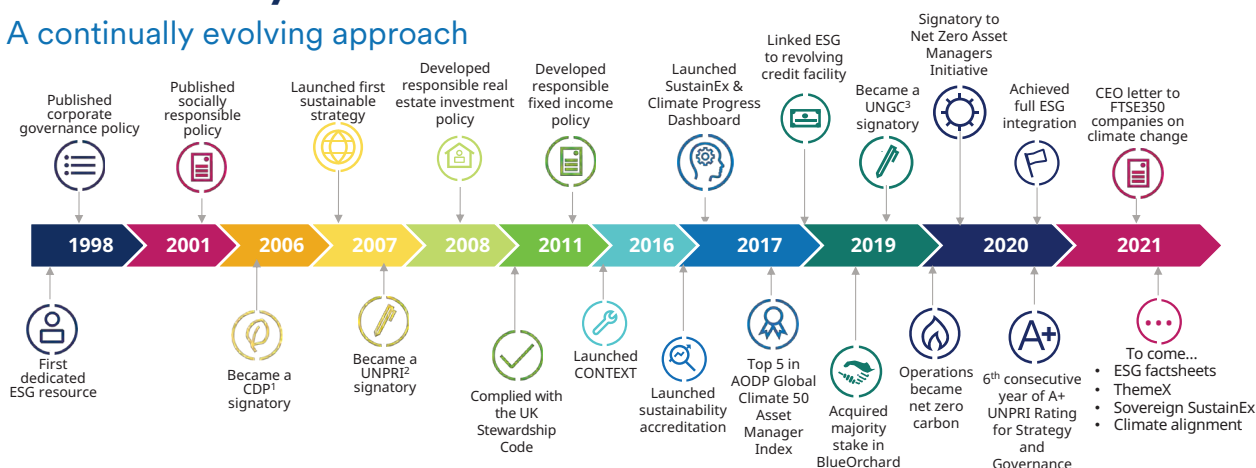
As with many issues, there is a desire from some corners of the industry for a 'one size fits all' scoring system to apply to ESG issues. As a result, there are a number of third party providers trying to provide 'ESG' benchmarks. While this is good in theory, in practice we see a number of flaws to this approach.

Our view is that these systems run the risk of oversimplifying a topic that is too complex to be captured in a single number. We see plenty of evidence that the tick box approach does not work, from the returns generated by technology companies with unconventional governance structures to the failure of companies which on paper had all the right committees and governance structures in place.

¹<https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf>

Sustainability at Schroders

A continually evolving approach



'Issues such as climate change, resource scarcity, population growth and corporate failure have put responsible investment at the forefront of investors' minds. We believe that companies with a strong environmental, social and governance ethos tend to deliver better results for our clients.'

Source: Schroders, January 2021
¹Carbon Disclosure Project. ²UN Principles for Responsible Investing. ³UN Global Compact

Peter Harrison, Group Chief Executive, Schroders plc

Internal accreditation

In 2019 Schroders rolled out an internal ESG accreditation process. Each investment desk/ fund can apply to be 'accredited', by submitting a document articulating how they integrate ESG into their investment process. Schroders' Sustainable Investment Team awards accreditation based on this submission fulfilling a number of criteria. The award is then annually reviewed against this consistent criteria.

There are 3 sustainability categories to distinguish each product/fund approach:

The managers of the investment Company achieved Schroders Integrated accreditation status in 2019, and had this renewed in 2020 and 2021. The award submission detailed the manager's use of Schroders proprietary tools CONTEXT and SustainEx to deepen our ESG analysis.

<p>SCHRODERS SUSTAINABILITY ACCREDITATION</p>	<ul style="list-style-type: none"> - Negative screening beyond Schroders exclusions for cluster munitions, anti-personnel mines, biological and chemical weapons
<p>SCHRODERS SUSTAINABILITY ACCREDITATION</p>	<ul style="list-style-type: none"> - Sustainability is a building block of the investment process and can be clearly evidenced - Currently held by the managers of the Company (awarded in 2019)
<p>SCHRODERS SUSTAINABILITY ACCREDITATION</p>	<ul style="list-style-type: none"> - Sustainability is a cornerstone of the investment process - The fund aims to avoid controversial business practices

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

Strategic Review

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 in other investment companies or investment trusts 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 9 demonstrates that, as at 31 August 2021, the Manager invested in 44 UK equity investments spread across eight 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 sales teams.
- Execution-only investors. The Company promotes its shares via engaging with platforms, via the press, and through its webpages. Platforms have experienced strong growth in recent times and are an important focus for the Manager.
- Institutional investors.

These activities consist of investor meetings, one-on-one meetings, regional road shows and attendance 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 advisers 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.

Shareholders are also encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly <https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/>

Details of the board's approach to discount management and share issuance may be found in the Annual General Meeting Recommendations on page 56.

Key performance indicators

The Board reviews performance using a number of key measures, to monitor and assess the Company's success in achieving its objective. Further comment on performance can be found in the Chairmans statement. The following KPIs are used:

- NAV performance;
- Share price performance;
- Share price discount/premium; and
- Ongoing charges ratio.

Some KPIs are Alternative Performance Measures (APMs), and further details can be found on page 2 and definitions of these terms on page 60.

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value.

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the board and third parties to which it delegates. The board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The board is responsible for embedding the Company's culture in the Company's operations.

The board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

Corporate and Social Responsibility

Diversity

As at 31 August 2021, the board comprised two men and two women. The board has adopted a diversity and inclusion policy. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the board seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria

Strategic Review

agreed for each appointment. 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 criteria for the role being offered. The board also considers the diversity and inclusion policies of its service providers.

Financial crime policy

The Company continues to be committed to carrying out its business fairly, honestly and openly operates a financial crime policy, covering bribery and corruption, tax evasion, money laundering, terrorist financing and sanctions, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

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

Relations with shareholders

Shareholder relations are given high priority by both the board and the Manager and are detailed further in 'Promotion' on page 16.

In addition to the engagement and meetings held during the year described on page 16, the chairs of the board and committees and the other directors, usually attend the AGM and are available to respond to queries and concerns from shareholders. However the board is keen to hear from shareholders and shareholders may contact the board by writing to the Company Secretary (Company Secretary, Schroder Income Growth Fund plc, 1 London Wall Place, London EC2Y 5AU), or emailing amcompanysecretary@schroders.com.

Responsible investment

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.

In addition to the description of the Manager's integration of ESG into the investment process and the details in the Strategic Review on pages 11 to 20, a description of the Manager's policy, and its engagement with investee companies on these matters, can be found on the Schroders website at <https://www.schroders.com/en/sustainability/active-ownership/>.

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 has received reporting from the Manager on the application of its policy.

The board's commitment to stakeholders – section 172 Companies Act 2006 statement

The board has identified its key stakeholders as the Company's shareholders and service providers. The board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its service providers have.

Engagement with key stakeholders assists the board in meeting the obligation for directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and the impact on decision making where appropriate, and cross-refers to the decisions made by the board during the year, detailed elsewhere in this report.

As detailed in "Promotion" on page 16 and "Relations with Shareholders" on page 17, the Company engages with its shareholders. The board considered feedback by shareholders, relayed by the Manager and the corporate broker, when making decisions relating to share issuance, dividend decisions and review of board composition. Further details on shareholder engagement are included in the Chairman's Statement.

As detailed in "Purpose, Values and Culture" on page 16, the board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. Relevant engagement is detailed in the Chairman's Statement, Managers' Review, Audit and Risk Committee and Management Engagement Committee 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 and Risk 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 assessment at least annually. The last assessment took place in November 2021.

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.

Actions taken by the board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Emerging risks and uncertainties

During the year, the board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk and climate change risk. The board has determined that these risks are worthy of close monitoring, although they do not meet the threshold for inclusion as principal risks at this time. The board receives updates from the Manager, Company Secretary and other service providers on other potential risks that could affect the Company.

Political risk includes the fallout from Brexit, trade wars and regional tensions. The board continues to monitor developments for the UK's departure from the European Union and to assess the potential consequences for the Company's future activities. The board is also mindful that changes to public policy in the UK could impact the Company in the future.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The board notes the Manager has integrated ESG considerations, including climate change, into the investment process. The board will continue to monitor this.

*The "Change" column on the right highlights at a glance the board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased or decreased, and dashes show risks as stable.

Risk	Mitigation and management	Change (post 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.	The appropriateness of the Company's investment remit is periodically reviewed and success of the Company in meeting its stated objectives is monitored. Share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. The marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.	—
The Company's cost base could become uncompetitive, particularly in light of open-ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against its 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. The Manager also reported on the impact of COVID-19 on the Company's portfolio, and the market generally. Annual review of the ongoing suitability of the Manager, including resources and key personnel risk.	—

Strategic Review

Risk	Mitigation and management	Change (post mitigation and management)*
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.	The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager.	—
Currency Currency risk is the risk that changes in foreign currency exchange rates impact negatively the value or level of dividend of the Company's investments.	The Manager monitors the impact of foreign currency movements on the portfolio and is able to rebalance the portfolio towards stocks which are less impacted by changes in foreign currency exchange rates if required.	—
Custody Safe custody of the Company's assets may be compromised through control failures by the depositary.	The depositary reports on the safe custody of the Company's assets, including cash and portfolio holdings, which are independently reconciled with the Manager's records. The review of audited internal controls reports covering custodial arrangements is undertaken. An annual report from the depositary on its activities, including matters arising from custody operations is reviewed.	—
Gearing and leverage The Company utilises a credit facility. This arrangement increases 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 are 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.	The confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published annual report are subject to stringent review processes. Procedures have been 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 are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of services provided are monitored. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.	—
Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.	Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack. In addition, the board received presentations from the Manager, the registrar and the safekeeping agent and custodian on cyber risk.	—

Strategic Review

Risk assessment and internal controls review by the board

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 and Risk 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 and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 19 to the accounts on pages 51 to 55.

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 2021 and the potential impacts of the principal risks and uncertainties it faces for the review period. The directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans.

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 18 and 19 and in particular the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio. The directors have 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 and on that basis consider that five years is an appropriate time period. The Directors also considered the beneficial tax treatment the Company is eligible for as an investment trust. If changes to these taxation arrangements were to be made it would affect the viability of the Company to act as an effective investment vehicle.

The directors also considered a stress test in which the Company's NAV dropped by 50% and noted that, based on the assumptions in the test, the Company would continue to be viable over a five year period. Based on the Company's processes for monitoring operating costs, the board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on 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 of their assessment.

Going concern

The Directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. Based on the work the Directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 30 November 2022 which is at least 12 months from the date the financial statements were authorised for issue.

By order of the board

Schroder Investment Management Limited
Company Secretary

11 November 2021

Board of Directors



Bridget Guerin

Status: independent non-executive chairman

Length of service: 9 years – appointed as a director on 1 June 2012 and chairman in December 2019

Experience: Bridget 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 Mobeus Income & Growth VCT plc and of Invesco Perpetual UK Smaller Companies Investment Trust plc. She is also a non-executive director of the GAM Systematic Core Macro Fund, a Cayman Islands CTA Fund managed by GAM. From 2000 until 2009 she was a director of Matrix Group Limited and sat on the Board of Charles Stanley Group plc between 2012 and 2020.

Committee membership: Audit and Risk, Management Engagement, Nomination and Remuneration Committees (chairman of the Management Engagement Committee)

Current remuneration: £36,000 per annum

Shares held: 18,852*



Ewen Cameron Watt

Status: senior independent non-executive director

Length of service: 4 years – appointed a director in December 2017

Experience: Ewen Cameron Watt was a managing director at Blackrock, where he spent the majority of his career (including predecessor companies). From 2011 to 2016, he was chief investment strategist at Blackrock Investment Institute. Prior to joining Blackrock, he held senior investment roles in the UK and Hong Kong, including as portfolio manager from 1995 to 2010 and head of Asian research for SG Warburg from 1990 to 1995. Ewen is also an independent adviser to a number of endowments and pension funds. He began his career as an analyst at EB Savory Miln in 1978.

Committee membership: Audit and Risk, Management Engagement, Nomination and Remuneration Committees (chairman of the Nomination Committee)

Current remuneration: £26,000 per annum

Shares held: 10,000*

Board of Directors



Fraser McIntyre

Status: independent non-executive director

Length of service: 2 years – appointed as a director on 17 December 2019

Experience: Fraser McIntyre has nearly 30 years of experience in financial services, including asset management, investment banking and audit. He started his career auditing financial services companies before working in the prime brokerage/equity divisions of two banks. He has been COO at several multi-billion dollar hedge funds where he was responsible for overseeing all operational areas of the business, including finance and accounting, operations, risk, legal and compliance. He has sat on a number of fund and management company boards whose investments covered a wide range of asset classes across traditional and alternative strategies.

Fraser is a Chartered Accountant. He has held a variety of executive positions within the financial services sector, most recently as Chief Operating Officer of Cantab Capital LLP which became part of GAM.

Committee membership: Audit and Risk, Management Engagement, Nomination and Remuneration Committees (chairman of the Audit and Risk Committee)

Current remuneration: £31,000 per annum

Shares held: 7,419



Victoria Muir

Status: independent non-executive director

Length of service: 2 years – appointed a director on 23 July 2019

Experience: Victoria Muir is a Chartered Director and a Fellow of the Institute of Directors. She has held a variety of executive positions within the financial services sector, most notably as an executive director of Royal London Asset Management Ltd and some of its sister companies, before pursuing a career as a non-executive director. She is chair of Invesco Select Trust plc, and a director of Premier Miton Global Renewables Trust plc and its subsidiary PMGR Securities 2025 plc. Victoria has over 25 years of experience in financial services, including asset management and inter-dealer broking. Her experience covers a broad range of products and services including investment trusts, segregated accounts, pension funds, insurance products, VCTs and hedge funds and a wide breadth of asset classes across both traditional and alternative investments.

Committee membership: Audit and Risk, Management Engagement, Nomination and Remuneration Committees (chairman of the Remuneration Committee)

Current remuneration: £26,000 per annum

Shares held: 3,500*

*Shareholdings are as at 11 November 2021 and include the holdings of connected persons. Full details of directors' shareholdings are set out in the Directors' Remuneration Report on page 32.

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 August 2021.

Directors and officers

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 21. She has no conflicting relationships.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the board and is responsible for assisting the Chairman with board meetings and advising the board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. 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.

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 objective of the Company continues 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. The Strategic Review on pages 11 to 20 sets out further detail of how the board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

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 meets at least quarterly and 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.

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.

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. No directors have any connections with the Manager, shared directorships with other directors or material interests in any contract which is significant to the Company's business.

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 appropriate professional indemnity insurance cover in place.

The Schroders Group manages £700.4 billion (as at 30 June 2021) 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.

For the period from 1 September 2020 to 28 February 2021, the Manager was entitled to a management fee at a rate of 0.65% per annum on the first £200 million 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 ("chargeable assets") and a management fee of 0.55% on subsequent amounts. This was payable quarterly in arrears. From 1 March 2021, a management fee was charged at 0.45% per annum of chargeable assets. A further fee of £150,000 per annum is payable to cover administration and company secretarial fees.

The management fee payable in respect of the year ended 31 August 2021 amounted to £1,184,000 (2020: £1,320,000).

Details of all amounts payable to the Manager are set out in note 4 on page 46.

Directors' Report

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 Financial Conduct Authority 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. HSBC Bank plc may only be removed from office when a new depositary is appointed by the Company.

Registrar

Equiniti Limited has been appointed as the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

Revenue and dividend policy

The net revenue return for the year, before finance costs and taxation, was £8,458,000 (2020: 8,254,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £8,370,000 (2020: £8,042,000) equivalent to net revenue of 12.08p (2020: 11.69p) per ordinary share.

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 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 2021, the directors have declared four interim dividends, totalling 12.80 (2020: 12.60) pence per ordinary share.

Compliance with the AIC Code of Corporate governance

The board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

The Financial Conduct Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 34 and 20 respectively indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's risk management, governance and diversity policies.

The Company has complied with the Principles and Provisions of the AIC Code. The remuneration policy and remuneration of non-executive Directors are reviewed by the Remuneration Committee and approved by the Board.

The Chairman has served on the board for more than nine years but is still considered independent. Further details can be found on page 29 of the Nomination Committee report. The board takes an approach to chairman tenure to help the Company manage succession planning, whilst at the same time still address the need for regular refreshment and diversity.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

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 reports of the Audit and Risk Committee, Nomination Committee, Remuneration committee and Management Engagement Committee are incorporated and form part of the Directors' Report.

Directors' Report

Other required Directors' Report disclosures under laws, regulations, and the AIC Code

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. 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 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 the 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") in 2025 and thereafter at five yearly intervals.

Share capital and substantial share interests

As at 11 November, 2021, the Company had 69,463,343 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 69,463,343. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 50.

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 attached to the Company's issued share capital.

	As at 31 August 2021	% of total voting rights
Charles Stanley & Co. Limited	3,446,355	4.98

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

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.

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; promotion of the Company; and services provided by third parties. Additional meetings of the board are arranged as required.

The number of scheduled and ad hoc 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 AGM.

Director	Board	Audit and Risk Committee	Management Engagement Committee
Bridget Guerin	7/7	2/2	1/1
Ewen Cameron Watt	7/7	2/2	1/1
Fraser McIntyre	7/7	2/2	1/1
Victoria Muir	7/7	2/2	1/1
David Causer ¹	3/3	1/1	-

¹David Causer resigned on 17 December 2020.

The board is satisfied that the Chairman and each of the other non-executive directors commits sufficient time to the affairs of the Company to fulfil their duties.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the directors throughout the year. 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 is a qualifying third party indemnity provision and was in place throughout the year under review and to the date of this report.

By order of the board

Schroder Investment Management Limited
Company Secretary

11 November 2021

Audit and Risk Committee Report

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail below, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/incomegrowth.

All directors are members of the committee. Fraser McIntyre is the chair of committee. The board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence relevant to the sector in which the company operates.



Approach		
The committee's key roles and responsibilities are set out below.		
Risks and Internal Controls	Financial Reports and Valuation	Audit
Principal risks To establish a process for identifying, assessing, managing and monitoring emerging and principal risks of the Company.	Financial statements To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and valuation. To review the half year report.	Audit results To discuss any matters arising from the audit and recommendations made by the auditor.
Emerging risks and uncertainties To ensure a robust assessment of the Company's emerging and principal risks and procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.	Going concern To review the position and make recommendations to the board in relation to whether it considers it appropriate to adopt the going concern basis of accounting in preparing its annual and half-yearly financial statements.	Auditor appointment, independence and performance To make recommendations to the board, in relation to the appointment, re-appointment, effectiveness and removal of the external auditor, to review their independence, and to approve their remuneration and terms of engagement. Reviewing the audit plan and engagement letter.

The below table sets out how the committee discharged its duties during the year. The committee met twice during the year. Further details on attendance can be found on page 25. An evaluation of the committee's effectiveness and review of its terms of reference was completed during the year.

Significant issues identified during the committee's review of the Company's principal risks and uncertainties, and key matters communicated by the auditor during its reporting are outlined in blue.

Application during the year		
Risks and Internal Controls	Financial Reports and Valuation	Audit
Service provider controls Reviewing the operational controls maintained by the Manager, depositary and registrar.	Recognition of investment income Considered dividends received against forecast and the allocation of special dividends to income or capital.	Effectiveness of the independent audit process and auditor performance Evaluated the effectiveness of the independent audit firm and process prior to making a recommendation that it should be re-appointed at the forthcoming AGM. Evaluated 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 was considered, alongside feedback from the Manager on the audit process. Professional scepticism of the auditor was questioned and the committee was satisfied with the auditor's replies.

Audit and Risk Committee Report

Application during the year		
Risks and Internal Controls	Financial Reports and Valuation	Audit
Internal controls and risk management Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports and presentations on these controls.	Calculation of the investment management fee and performance fee Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.	Auditor independence Ernst & Young LLP has provided audit services to the Company since it was appointed on 17 May 2019. The auditors are required to rotate the senior statutory auditor every five years. There are no contractual obligations restricting the choice of external auditors. This is the third year that the senior statutory auditor, Matthew Price has conducted the audit of the Company's financial statements.
Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010 Consideration of the Manager's report confirming compliance.	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.	Audit results Met with and reviewed a comprehensive report from the auditor which detailed the results of the audit, compliance with regulatory requirements, safeguards that have been established, and on their own internal quality control procedures.
Principal risks Reviewing the principal risks faced by the Company and the system of internal control.	Valuation and existence of holdings Quarterly review of portfolio holdings and assurance reports.	Meetings with the auditor Met the auditors without representatives of the Manager present. Representatives of the auditors attended the committee meeting at which the draft annual report and accounts was considered.
	Fair, balanced and understandable Reviewed the annual report and accounts to ensure that it was fair, balanced and understandable.	Provision of non-audit services by the auditor The 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 auditor. The committee has determined that the Company's appointed 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 which will be judged on a case-by-case basis. The auditor did not provide any non-audit services to the Company during the year.
	Going concern and viability Reviewing the impact of risks on going concern and longer-term viability.	Consent to continue as auditor Ernst & Young LLP indicated to the committee their willingness to continue to act as auditor.



Recommendations made to, and approved by, the Board:

The committee recommended that the Board approve the quarterly valuation and period end report and accounts.

The committee recommended that the going concern assumption be adopted in the report and accounts and the explanations set out in the viability statement.

As a result of the work performed, the committee has concluded that the report for the period ended 31 August 2021, 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 34.

Having reviewed the performance of the auditors as described above, the committee considered it appropriate to recommend the firm's re-appointment. Resolutions to re-appoint Ernst & Young LLP as auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Fraser McIntyre

Audit and Risk Committee chair

11 November 2021

Management Engagement Committee Report

The Management Engagement Committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All directors are members of the committee. Bridget Guerin is the chairman of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/incomegrowth.

Approach	
Oversight of the Manager	Oversight of other service providers
<p>The committee:</p> <ul style="list-style-type: none"> reviews the Manager's performance, over the short- and long-term, against the reference index, peer group and the market. considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders. assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees. reviews the appropriateness of the Manager's contract, including terms such as notice period. assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager. 	<p>The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:</p> <ul style="list-style-type: none"> Depository and custodian Corporate broker Registrars Lender <p>The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.</p> <p>The committee noted the Audit and Risk Committee's review of the auditor.</p>

Application during the year	
<p>The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.</p> <p>The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose. The committee engaged with the Manager and secured a reduction in the AIFM fee rate during the year.</p> <p>The committee reviewed the other services provided by the Manager and agreed they were satisfactory.</p>	<p>The annual review of each of the service providers was satisfactory.</p> <p>The committee noted that the Audit and Risk Committee had undertaken a detailed evaluation of the Manager, registrar, and depository and custodian's internal controls.</p>

Recommendations made to, and approved by, the board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement, including the fee, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination Committee Report

The Nomination Committee is responsible for (1) the recruitment, selection and induction of directors, (2) their assessment during their tenure, and (3) the board's succession. All directors are members of the committee. Ewen Cameron Watt is the chairman of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/incomegrowth.

Oversight of directors



Approach		
Selection and induction	Board evaluation	Succession
<ul style="list-style-type: none">• Committee prepares a job specification for each role, which is shared with an independent recruitment firm. For the Chairman and the chairs of committees, the committee also considers current board members.• Job specification outlines the knowledge, professional skills, personal qualities and experience requirements.• Potential candidates are assessed against the Company's diversity policy.• Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the board.• Committee reviews the induction and training of new directors.	<ul style="list-style-type: none">• Committee assesses each director annually and considers whether an external evaluation should take place.• Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the board during the year, taking into account time commitment, independence, conflicts and training needs.• Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM.• All directors retire at the AGM and their re-election is subject to shareholder approval.	<ul style="list-style-type: none">• Having considered diversity, the need for regular refreshment and orderly succession, the board's policy is that directors' tenure will be for no longer than nine years, with the exception of the chairman, who should not serve longer than 12 years, in ordinary circumstances and that each director will be subject to annual re-election at the AGM.• Committee reviews the board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process.• Committee oversees the handover process for retiring directors.
For application see page 30		

Nomination Committee Report

Application during the year		
Selection and induction	Board evaluation	Succession
<ul style="list-style-type: none"> No director recruitment processes took place in the year under review. 	<ul style="list-style-type: none"> The board evaluation was undertaken in August 2021. The committee also reviewed each director's time commitment and independence to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. <p>The committee considered each director's contributions, and noted that in addition to extensive experience as professionals and non-executive directors, each director had valuable skills and experience, as detailed in their biographies on pages 21 and 22.</p> <p>All directors were considered to be independent in character and judgement.</p> <ul style="list-style-type: none"> Based on its assessment, the committee provided individual recommendations for each director's re-election. 	<ul style="list-style-type: none"> The committee reviewed the succession policy and agreed it was still fit for purpose. As part of the Company's ongoing progressive board refreshment programme, Victoria Muir and Fraser McIntyre were appointed as directors in 2019, and Bridget Guerin, an existing director of the Company, was appointed as Chairman with effect from the Company's 2019 AGM. This refreshment significantly reduced the average tenure of the board. <p>The nine-year anniversary of the Chairman's appointment was 1 June 2021. The Board's succession policy, which reflects the specific circumstances of the Company, in particular the need for orderly succession, states that the maximum tenure for a chairman is 12 years. The committee confirmed that it still considers the Chairman to be independent.</p>



Recommendations made to, and approved by, the board:

- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the board, contribute towards the Company's long-term success, and remain free from conflicts with the Company and its directors, so should all be recommended for re-election by shareholders at the AGM.
- That, in order to achieve better division of responsibilities, and compliance with the AIC Code, Ewen Cameron Watt be appointed as Senior Independent Director and chair of the Nomination Committee, and Victoria Muir be appointed as chair of the Remuneration Committee.

Remuneration Committee Report

The Remuneration Committee is responsible for the making recommendations to the board about the remuneration of the directors. All directors are members of the committee. Victoria Muir is the chairman of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/incomegrowth.

Approach	Application during the year
The committee determines and agrees with the board the framework or broad policy for the remuneration of the directors. The objective of the policy shall be to ensure that members of the board are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. No director shall be involved in any decisions as to their own remuneration outcome.	The remuneration framework, as set out in the Remuneration Report, was unchanged during the year.
The committee reviews the ongoing appropriateness and relevance of the remuneration policy;	The committee concluded that the remuneration policy remained appropriate and relevant.
The committee reviews director remuneration annually and make recommendations on the fees paid to non-executive directors in light of directors' workloads, levels of responsibility and industry norms;	The committee reviewed directors' fees, using external benchmarking, and recommended an increase in directors' fees of £2,000 per annum, effective 1 September 2021.
The committee ensures that each year the Remuneration Report is put to shareholders for approval as an advisory vote at the AGM, and the Remuneration Policy is put to shareholders for approval every three years at the AGM.	The Remuneration Report will be put to shareholders for approval at the forthcoming annual general meeting. The Remuneration Policy is next due to be put to shareholders in 2023.

Recommendations made to, and approved by, the board:

- That the remuneration framework and remuneration policy remained appropriate.
- That the directors' remuneration should be increased by £2,000 per annum for each director.
- That the Remuneration Report should be put to shareholders for approval as an advisory vote at the forthcoming AGM.

Directors' Remuneration Report

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The shareholders approved the Directors' Remuneration Policy at the 2020 AGM and the current policy provisions will apply until the policy is next considered by shareholders at the 2023 AGM. Additionally, an ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 17 December 2020, 98.33% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour while 1.67% were against. 80,492 votes were withheld.

At the AGM held on 17 December 2020, 98.28% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the Directors' Remuneration Report for the year ended 31 August 2020 were in favour, while 1.72% were against. 75,208 votes were withheld.

Directors' remuneration policy

The determination of the directors' fees is the responsibility of the Remuneration Committee, which makes recommendations to the board.

It is the Remuneration Committee'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 and Risk 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.

Any director who performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid additional remuneration to be determined by the directors, subject to the previously mentioned fee cap.

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, although 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.

Fees paid to directors

The following amounts were paid by the Company to directors for their services in respect of the year ended 31 August 2021 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Financial highlights".

Director	Fees		Taxable benefits ¹		Total		Change in annual fee rate over two years ended 31 August 2021
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £	%
Bridget Guerin (chairman) ²	34,000	30,655	–	724	34,000	31,379	41.7
Ian Barby ³	–	10,084	–	1,035	–	11,119	N/a
Ewen Cameron Watt	24,000	24,000	–	257	24,000	24,257	0.0
David Causer ⁴	8,601	29,000	1,043	–	9,644	29,000	N/a
Fraser McIntyre ⁵	27,539	15,973	106	163	27,645	16,136	20.8
Victoria Muir	24,000	23,961	–	329	24,000	24,290	0.0
Total	118,140	133,673	1,149	2,508	119,289	136,181	

¹Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

²Appointed chairman on 17 December 2019.

³Retired as chairman and as a director on 17 December 2019.

⁴Retired from the board on 17 December 2020.

⁵Appointed as a director on 17 December 2019, and as audit committee chair on 17 December 2020.

The information in the above table has been audited.

Directors' Remuneration Report

Implementation of policy

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, subject to COVID-19 restrictions. During such restrictions, interested parties are invited to email the Company Secretary on amcompanysecretary@schroders.com to arrange access to these.

The board did not consult with any individual shareholders before setting this remuneration policy, although feedback from the Company's Manager and Corporate Broker on shareholder views was considered. Any specific 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 2021.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the Remuneration Committee in November 2021. The members of the committee and board at the time that remuneration levels were considered were as set out on pages 21 and 22. 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 an increase of £2,000 per annum for each director's fees was warranted, with effect from 1 September 2021, the last increase having taken effect from 1 September 2017.

Expenditure by the Company on remuneration and distributions to shareholders

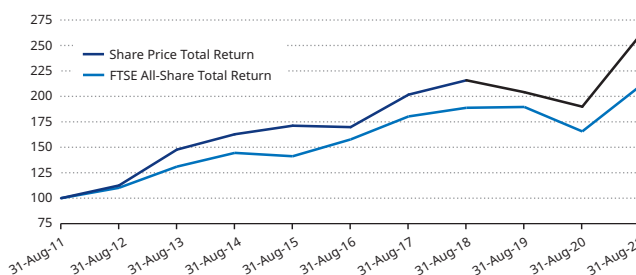
The table below compares the remuneration payable to directors to distributions paid to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objectives.

	Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000	% change
Remuneration payable to directors	119	136	-12.5 ¹
Distributions paid to shareholders – dividends	8,722	8,732	-0.1

¹Board number has reduced

Performance graph

A graph showing the Company's share price total return compared with the FTSE All-Share Index total return, over the last ten 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.



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 2021	At 1 September 2020
Bridget Guerin	18,852	28,311
Ewen Cameron Watt	10,000	10,000
Fraser McIntyre	7,419	7,131
Victoria Muir	3,500	3,500

The information in the above table has been audited. There have been no changes since the year end.

Victoria Muir

Chair of the Remuneration Committee

11 November 2021

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the annual report, and the financial statements in accordance with applicable law and regulation.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the 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 Directors' Remuneration Report comply with the Companies Act 2006.

The directors 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 manager is 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.

The directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 21 and 22, confirm that to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report 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.

By order of the board

Bridget Guerin
Chairman

11 November 2021

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

Opinion

We have audited the financial statements of Schroder Income Growth plc (the "Company") for the year ended 31 August 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process and engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 31 December 2022 which is at least twelve months from the date these financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Reviewing of the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast and the liquidity assessment of the investments. We considered the appropriateness of the methods used to calculate the revenue forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- In relation to the Company's borrowing arrangements, our inspection of the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Directors and performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
- Considering the mitigating factors included in the revenue forecast and covenant calculations that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover the working capital requirements should revenue decline significantly.
- Reviewing the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 31 December 2022, which is at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. 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.

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

Overview of our audit approach

Key audit matters

- Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement
- Risk of incorrect valuation or ownership of the investment portfolio

Materiality

- Overall materiality of £2.20m which represents 1% of shareholders' funds

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement (as described on page 26 in the Audit and Risk Committee Report and as per the accounting policy set out on page 45).</p> <p>The total income for the year to 31 August 2021 was £11.26m (2020: £9.24m), consisting primarily of dividend income from listed investments.</p> <p>The total amount of special dividends received and accrued by the Company was £2.55m, of which £0.72m was classified as revenue and £1.83m as capital (2020: £0.39m, all classified as revenue).</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply the appropriate accounting treatment.</p> <p>In addition to the above, the Directors may, in certain circumstances, exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>We obtained an understanding of the processes and controls surrounding revenue recognition by performing walkthrough procedures.</p> <p>For all dividends received and accrued we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share which was agreed to an independent data vendor. For a sample of dividends received and all dividends accrued, we agreed amounts to bank statements and, where applicable, agreed the exchange rates to an external source.</p> <p>For dividends accrued, we reviewed the investee company announcements to assess whether the dividend obligations arose prior to 31 August 2021.</p> <p>To test completeness of recorded income, we tested that expected dividends for each investee company held during the year had been recorded as income with reference to investee company announcements obtained from an independent data vendor.</p> <p>For all investments held during the year, we reviewed the type of dividends paid</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.</p>

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

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Risk of incorrect valuation or ownership of the investment portfolio (as described on page 26 in the Audit and Risk Committee Report and as per the accounting policy set out on page 44).</p> <p>The valuation of the investment portfolio as at 31 August 2021 was £234.81m (2020: £185.33m) consisting of listed investments.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Inappropriate investment pricing, or a failure to maintain proper legal title of the investments held by the Company, could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of listed investments is determined by reference to stock exchange listed market bid prices at close of business on the reporting date.</p>	<p>with reference to an external data source to identify those which were 'special'. We confirmed five special dividends, amounting to £2.55m, had been received or accrued during the year. Four of the special dividends were above our testing threshold and we tested these by recalculating the amount received and assessing the appropriateness of the classification as revenue or capital.</p> <p>We obtained an understanding of the processes and controls surrounding investment title and the pricing of listed securities by performing walkthrough procedures.</p> <p>For all investments in the portfolio, we compared the market prices applied to an independent pricing vendor and recalculated the investment valuations as at the year end.</p> <p>We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed around the year end and verified whether the listed price is a valid fair value through review of trading activity.</p> <p>We agreed the Company's investments to the independent confirmations received from the Company's Custodian and Depositary as at 31 August 2021.</p>	<p>The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio.</p>

In the prior year, our auditor's report included a key audit matter in relation to the impact of COVID-19. The impact of COVID-19 on going concern continued to be relevant to our audit of the Company and we considered this as part of our overall work on going concern which is set out under "Conclusions relating to going concern". The other elements of the prior year key audit matter have not been included as a separate key audit matter as it was determined that they did not have a significant impact on our audit strategy for this year's audit.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £2.20m (2020: £1.70m), which is 1% (2020: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measure of the Company's performance.

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

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £1.65m (2020: £1.28m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Income Statement of £0.42m (2020: £0.40m) being 5% of revenue return before taxation (2020: being 5% of the revenue return before taxation).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.11m (2020: £0.09m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Directors' Reports have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

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

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 17;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 1;
- Directors' statement on fair, balanced and understandable set out on page 34;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 18; and;
- The section describing the work of the Audit and Risk Committee set out on page 26.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 34, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and Company Secretary, and review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the key audit matter above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the Company Secretary's reporting to the Directors with respect to the application of the

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

documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Company on 5 July 2019 to audit the financial statements for the year ending 31 August 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 August 2019 to 31 August 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

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.

Matthew Price (*Senior statutory auditor*)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

11 November 2021

Income Statement

for the year ended 31 August 2021

	Note	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	-	47,565	47,565	-	(33,534)	(33,534)
Net foreign currency gains		-	5	5	-	6	6
Income from investments	3	9,432	1,832	11,264	9,225	-	9,225
Other interest receivable and similar income	3	-	-	-	10	-	10
Gross return/(loss)		9,432	49,402	58,834	9,235	(33,528)	(24,293)
Investment management fee	4	(592)	(592)	(1,184)	(660)	(660)	(1,320)
Administrative expenses	5	(382)	-	(382)	(321)	-	(321)
Net return/(loss) before finance costs and taxation		8,458	48,810	57,268	8,254	(34,188)	(25,934)
Finance costs	6	(88)	(88)	(176)	(157)	(157)	(314)
Net return/(loss) before taxation		8,370	48,722	57,092	8,097	(34,345)	(26,248)
Taxation	7	-	-	-	(55)	-	(55)
Net return/(loss) after taxation		8,370	48,722	57,092	8,042	(34,345)	(26,303)
Return/(loss) per share	9	12.08p	70.33p	82.41p	11.69p	(49.94)p	(38.25)p

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 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 44 to 55 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 August 2021

	Note	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 2019		6,869	7,404	2,011	1,596	34,936	139,482	12,160	204,458
Issue of new shares	35	866	–	–	–	–	–	–	901
Net (loss)/return on ordinary activities		–	–	–	–	–	(34,345)	8,042	(26,303)
Dividends paid in the year	8	–	–	–	–	–	–	(8,732)	(8,732)
At 31 August 2020		6,904	8,270	2,011	1,596	34,936	105,137	11,470	170,324
Issue of new shares	42	1,179	–	–	–	–	–	–	1,221
Net return on ordinary activities		–	–	–	–	–	48,722	8,370	57,092
Dividends paid in the year	8	–	–	–	–	–	–	(8,722)	(8,722)
At 31 August 2021		6,946	9,449	2,011	1,596	34,936	153,859	11,118	219,915

The notes on pages 44 to 55 form an integral part of these accounts.

Statement of Financial Position at 31 August 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	234,811	185,331
Current assets			
Debtors	11	2,796	1,594
Cash at bank and in hand		7,718	3,877
		10,514	5,471
Current liabilities			
Creditors: amounts falling due within one year	12	(25,410)	(20,478)
Net current liabilities		(14,896)	(15,007)
Total assets less current liabilities		219,915	170,324
Net assets		219,915	170,324
Capital and reserves			
Called-up share capital	13	6,946	6,904
Share premium	14	9,449	8,270
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	153,859	105,137
Revenue reserve	14	11,118	11,470
Total equity shareholders' funds		219,915	170,324
Net asset value per share	15	316.59p	246.71p

These accounts were approved and authorised for issue by the board of directors on 11 November 2021 and signed on its behalf by:

Bridget Guerin
Chairman

The notes on pages 44 to 55 form an integral part of these accounts.

Registered in England and Wales as a public company limited by shares

Company registration number: 03008494

Notes to the accounts for the year ended 31 August 2021

1. Accounting Policies

(a) Basis of accounting

Schroder Income Growth Fund plc ("the Company") is registered in England and Wales as a public company limited by shares. The Company's registered office is 1 London Wall Place, London EC2Y 5AU.

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 October 2019. 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 and derivative financial instruments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating for at least 12 months from the date of approval of these accounts. In forming this opinion, the directors have taken into consideration: the controls and monitoring processes in place; the Company's low level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; and that the Company's assets comprise cash and readily realisable securities quoted in active markets.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions.

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 2020.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial year.

(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 recognised 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 for investments traded in active markets.

Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's fair value pricing committee and by the directors.

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

(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 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.

Notes to the accounts

Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance included in revenue.

(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 purchases and sales of investments are written off to capital at the time of acquisition. 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 49.

(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 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 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.

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

Dividends on equity shares are recognised as a deduction of equity when a liability to pay the dividends arises. Consequently, interim dividends are recognised when paid and final dividends when approved in the general meeting.

Notes to the accounts

2. Gains/(losses) on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Gains/(losses) on sales of investments based on historic cost	12,533	(19,649)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	1,834	2,387
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	14,367	(17,262)
Net movement in investment holding gains and losses	33,198	(16,272)
Gains/(losses) on investments held at fair value through profit or loss	47,565	(33,534)

3. Income

	2021 £'000	2020 £'000
Income from investments:		
UK dividends	8,196	8,516
UK special dividends	721	238
Overseas dividends	380	417
Scrip dividends	135	54
	9,432	9,225
Other interest receivable and similar income:		
Deposit interest	–	3
Underwriting commission	–	2
Other income	–	5
	–	10
Total income	9,432	9,235
Capital:		
Special dividends allocated to capital	1,832	–

4. Investment management fee

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Management fee	592	592	1,184	660	660	1,320

The basis for calculating the management fee is set out in the Directors' Report on page 23.

5. Administrative expenses

	2021 £'000	2020 £'000
Administration expenses	235	159
Directors' fees	118	134
Auditor's remuneration for the audit of the Company's financial statements ¹	29	28
	382	321

¹Includes £5,000 (2019: £5,000) irrecoverable VAT.

Notes to the accounts

6. Finance costs

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Interest on bank loans and overdrafts	88	88	176	157	157	314

7. Taxation

(a) Analysis of charge in the year:

	2021 £'000	2020 £'000
Irrecoverable overseas tax	-	55
Tax charge for the year	-	55

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2020: higher) than the Company's applicable rate of corporation tax for the year of 19.0% (2020: 19.0%)

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

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	8,370	48,722	57,092	8,097	(34,345)	(26,248)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2020: 19.0%)	1,590	9,257	10,847	1,539	(6,526)	(4,987)
Effects of:						
Capital return/loss on investments	-	(9,038)	(9,038)	-	6,371	6,371
Tax relief on overseas tax suffered	(4)	-	(4)	(6)	-	(6)
Income not chargeable to corporation tax	(1,726)	(348)	(2,074)	(1,674)	-	(1,674)
Unrelieved expenses	140	129	269	141	155	296
Irrecoverable overseas tax	-	-	-	55	-	55
Tax charge for the year	-	-	-	55	-	55

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £8,229,000 (2020: £5,985,000) based on a main rate of corporation tax of 25% (2020: 19%). In its 2021 budget, the government announced that the main rate of corporation tax (for all profits except ring-fence profits) for the fiscal year beginning on 1 April 2023 would increase to 25%.

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 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

	2021 £'000	2020 £'000
(a) Dividends paid and declared		
2020 fourth interim dividend of 5.1p (2019: 5.2p)	3,521	3,572
First interim dividend of 2.5p (2020: 2.5p)	1,732	1,717
Second interim dividend of 2.5p (2020: 2.5p)	1,732	1,717
Third interim dividend of 2.5p (2020: 2.5p)	1,737	1,726
Total dividends paid in the year	8,722	8,732
	2021 £'000	2020 £'000
Fourth interim dividend declared of 5.3p (2020: 5.1p)	3,682	3,521

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 £8,370,000 (2020: £8,042,000).

	2021 £'000	2020 £'000
First interim dividend of 2.5p (2020: 2.5p)	1,732	1,717
Second interim dividend of 2.5p (2020: 2.5p)	1,732	1,717
Third interim dividend of 2.5p (2020: 2.5p)	1,737	1,726
Fourth interim dividend of 5.3p (2020: 5.1p)	3,682	3,521
Total dividends of 12.8p (2020: 12.6p) per share	8,883	8,681

9. Return/(loss) per share

	2021 £'000	2020 £'000
Revenue return	8,370	8,042
Capital return/(loss)	48,722	(34,345)
Total return/(loss)	57,092	(26,303)
Weighted average number of ordinary shares in issue during the year	69,279,644	68,771,540
Revenue return per share	12.08p	11.69p
Capital return/(loss) per share (49.94)p	70.33p	
Total return/(loss) per share (38.25)p	82.41p	

Notes to the accounts

10. Investments held at fair value through profit or loss*

	2021 £'000	2020 £'000
Opening book cost	173,482	209,128
Opening investment holding gains	11,849	25,734
Opening fair value	185,331	234,862
Analysis of transactions made during the year		
Purchases at cost	73,435	50,026
Sales proceeds	(71,520)	(66,023)
Gains/(losses) on investments held at fair value	47,565	(33,534)
Closing fair value	234,811	185,331
Closing book cost	187,930	173,482
Closing investment holding gains	46,881	11,849
Closing fair value	234,811	185,331

All investments are listed on a recognised stock exchange.

Sales proceeds amounting to £71,520,000 (2020: £66,023,000) were receivable from disposal of investments in the year. The book cost of these investments when they were purchased was £58,987,000 (2020: £85,672,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

	2021 £'000	2020 £'000
On acquisitions	379	238
On disposals	36	25
	415	263

11. Debtors

	2021 £'000	2020 £'000
Dividends and interest receivable	2,678	1,514
Securities sold awaiting settlement	85	68
Taxation recoverable	19	6
Other debtors	14	6
	2,796	1,594

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

12. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loan	25,000	20,000
Securities purchased awaiting settlement	–	98
Other creditors and accruals	410	380
	25,410	20,478

Notes to the accounts

The bank loan comprises £25 million (2020: £20 million) drawn down on the Company's revolving credit facility with SMBC Bank International plc (formerly Sumitomo Mistui Banking Corporation Europe Limited). The facility was extended for a further 364 day period, effective 24 August 2021, but with an increased limit of £32.5 million (2020: £20 million).

The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 19(a)(i) on page 51.

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

13. Called-up share capital

	2021 £'000	2020 £'000
Ordinary shares allotted, called-up and fully paid:		
Ordinary shares of 10p each		
Opening balance of 69,038,343 (2020: 68,688,343) shares	6,904	6,869
Issue of 425,000 (2020: 350,000) new shares	42	35
Total of 69,463,343 (2020: 69,038,343) shares	6,946	6,904

During the year, 425,000 new shares, nominal value £42,500, were issued to the market at a premium to NAV per share to satisfy demand. These shares were issued at an average price of 287.40p per share, for a total consideration of £1,221,000.

14. Reserves

	Share premium ¹ £'000	Capital redemption reserve ¹ £'000	Warrant exercise reserve ¹ £'000	Share purchase reserve ² £'000	Capital reserves Gains and losses on sales of investments ² £'000	Investment holding gains and losses ³ £'000	Revenue reserve ⁴ £'000
Opening balance	8,270	2,011	1,596	34,936	93,288	11,849	11,470
Gains on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	-	14,367	-	-
Net movement in investment holding gains and losses	-	-	-	-	-	33,198	-
Transfer on disposal of investments	-	-	-	-	(1,834)	1,834	-
Realised exchange gains on currency balances	-	-	-	-	5	-	-
Issue of new shares	1,179	-	-	-	-	-	-
Management fee and finance costs allocated to capital	-	-	-	-	(680)	-	-
Special dividends allocated to capital	-	-	-	-	1,832	-	-
Dividends paid	-	-	-	-	-	-	(8,722)
Retained revenue for the year	-	-	-	-	-	-	8,370
Closing balance	9,449	2,011	1,596	34,936	106,978	46,881	11,118

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

¹These reserves are not distributable.

²These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends.

³This 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.

⁴The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

Notes to the accounts

15. Net asset value per share

	2021	2020
Net assets attributable to shareholders (£'000)	219,915	170,324
Shares in issue at the year end	69,463,343	69,038,343
Net asset value per share	316.59p	246.71p

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 23. 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 2021 amounted to £1,184,000 (2020: £1,320,000) of which £265,000 (2020: £300,000) 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 are given in the Directors' Remuneration Report on page 32 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 33. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2020: 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.

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 Company's valuation policy are given in note 1(b) on page 44.

At 31 August 2021, all investments in the Company's portfolio are categorised as Level 1 (2020: same).

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, the purpose of which are to assist with financing the Company's operations.

(a) Market risk

The fair value or 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

Notes to the accounts

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. Any amount drawn on the facility would normally be for a one month period, at the end of which the drawdown may be rolled over, 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.

The Company also arranged a £5m overdraft facility with HSBC Bank plc on 6 August 2021, but this was not utilised during the year.

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:

	2021 £'000	2020 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	7,718	3,877
Creditors falling due within one year: bank loan	(25,000)	(20,000)
Total exposure	(17,282)	(16,123)

Interest receivable on cash balances is at a margin below LIBOR, or its replacement reference rate (2020: same).

The Company extended its credit facility with SMBC Bank International plc (formerly Sumitomo Mitsui Banking Corporation Europe Limited) for a further 364 day period effective 24 August 2021, but with an increased limit of £32.5 million (2020: £20 million). Interest payable will be calculated at the aggregate of the Compounded Reference Rate (as a replacement for LIBOR), plus a margin, plus Mandatory Costs, which are the lender's cost of complying with certain regulatory requirements of the Bank of England, at 31 August 2021, the Company had drawn down £25 million (2020: £20 million) for a one month period at an interest rate of 0.88% (2020: 0.83%) 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:

	2021 £'000	2020 £'000
Minimum debit interest rate exposure during the year – net debt	(11,240)	(15,861)
Maximum debit interest rate exposure during the year – net debt	(19,298)	(31,225)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2020: 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 balance sheet date which are exposed to interest rate movements, with all other variables held constant.

Notes to the accounts

	2021		2020	
	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	(24)	24	(31)	31
Capital return	(63)	63	(50)	50
Total return after taxation	(87)	87	(81)	81
Net assets	(87)	87	(81)	81

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:

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	234,811	185,331

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 10. 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% (2020: 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.

	2021		2020	
	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	(53)	53	(60)	60
Capital return	23,428	(23,428)	18,473	(18,473)
Total return after taxation and net assets	23,375	(23,375)	18,413	(18,413)
Change in net asset value	10.6%	(10.6%)	10.8%	(10.8%)

Notes to the accounts

(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 liquidity 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.

Liquidity risk exposure

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

	2021		2020	
	Three months or less £'000	Total £'000	Three months or less £'000	Total £'000
Creditors: amounts falling due within one year				
Securities purchased awaiting settlement	–	–	98	98
Other creditors and accruals	406	406	377	377
Bank loan – including interest	25,018	25,018	20,014	20,014
	25,424	25,424	20,489	20,489

(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 A1 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.

Notes to the accounts

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.

	2021		2020	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	234,811	–	185,331	–
Current assets				
Debtors – dividends and interest receivable and other debtors	2,796	2,796	1,594	1,594
Cash at bank and in hand	7,718	7,718	3,877	3,877
	245,325	10,514	190,802	5,471

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:

	2021 £'000	2020 £'000
Debt		
Bank loan	25,000	20,000
Equity		
Called-up share capital	6,946	6,904
Reserves	212,969	163,420
	219,915	170,324
Total debt and equity	244,915	190,324

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.

	2021 £'000	2020 £'000
Borrowings used for investment purposes, less cash	17,282	16,123
Net assets	219,915	170,324
Gearing	7.9%	9.5%

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 – Recommendations

The Annual General Meeting (“AGM”) of the Company will be held on Thursday, 16 December 2021 at 12.00 p.m. The formal Notice of Meeting is set out on page 57.

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.

COVID-19 and the AGM

The presentation by the manager will not be held at the AGM. It will be a webinar on Tuesday, 30 November 2021 at 10.00am. To sign up please visit https://us02web.zoom.us/webinar/register/WN_IglSzqyqSQ2fXsupwo_opw. Shareholders are encouraged to vote by proxy, appointing the chairman of the meeting as their proxy.

Ordinary business

Resolutions 1 to 8 are all ordinary resolutions

Resolution 1 is a required resolution. Resolution 2 concerns the Directors’ Remuneration Report, on pages 32 and 33. Resolutions 3 to 6 invite shareholders to re-elect each of the directors for another year. The re-elections have been recommended by the Nomination Committee on pages 29 and 30 (their biographies are set out on pages 21 and 22). Resolutions 7 and 8 concern the re-appointment and remuneration of the Company’s auditor, discussed in the Audit and Risk Committee Report on pages 26 and 27.

Special business

Resolution 9: approval of the Company’s dividend policy (ordinary resolution)

In line with corporate governance best practice the board is putting the Company’s dividend policy to shareholders for approval. No change to the Company’s dividend policy is proposed at this time.

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

The directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £694,633 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £694,633 (being 10% of the Company’s issued share capital as at the date of the Notice of the AGM).

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company’s existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2022 unless renewed, varied or revoked earlier.

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

At the AGM held on 17 December 2020, the Company was granted authority to make market purchases of up to 10,348,848 ordinary shares of 10p each for cancellation. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 10,348,848 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 NAV and the purchase of ordinary shares. 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 as at the date of the Notice of the AGM. The directors will exercise this authority only if the directors 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. If renewed, the authority to be given at the 2021 AGM will lapse at the conclusion of the AGM in 2022 unless renewed, varied or revoked earlier.

Recommendations

The board considers that the resolutions relating to the above items of business are in the best interests of shareholders as a whole. Accordingly, the board unanimously recommends to shareholders that they vote in favour of the above 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 Thursday, 16 December 2021 at 12.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider 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 Report of the Directors and the audited Accounts for the year ended 31 August 2021.
2. To approve the Directors' Remuneration Report for the year ended 31 August 2021.
3. To approve the re-election of Bridget Guerin as a director of the Company.
4. To approve the re-election of Ewen Cameron Watt as a director of the Company.
5. To approve the re-election of Fraser McIntyre as a director of the Company.
6. To approve the re-election of Victoria Muir as a director of the Company.
7. To re-appoint Ernst & Young LLP as auditors to the Company.
8. To authorise the directors to determine the remuneration of Ernst and Young LLP as auditors to the Company.
9. To approve the Company's dividend policy, as set out on page 24 of the Annual Report and Accounts for the year ended 31 August 2021.
10. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £694,633 (being 10% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the board may allot relevant securities in pursuance of that offer or agreement."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to the passing of Resolution 11 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(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 11 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

By order of the board
for and on behalf of
Schroder Investment Management Limited
Company Secretary

11 November 2021
Registered Number: 03008494

shall be limited to the allotment of equity securities up to an aggregate nominal amount of £694,633 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

 - (a) the maximum number of Shares which may be purchased is 10,412,555, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;
 - (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;
 - i) 105% 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
 - ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
 - (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;
 - (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2022 (unless previously renewed, varied or revoked by the Company prior to such date);
 - (e) the Company may make a contract to purchase Shares under the authority hereby conferred 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; and
 - (f) any Shares so purchased will be cancelled or held in treasury.

Registered office:
1 London Wall Place
London EC2Y 5AU

Explanatory Notes to the Notice of Annual General 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. Due to COVID-19 shareholders are asked not to attend.

A proxy form is attached. Due to COVID-19 shareholders are encouraged to appoint the Chairman as proxy.

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 attached 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 Number 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 using their user ID and password. Once logged in, click "view" on the "My Investments" page, click on the link to vote, then follow the on-screen instructions. 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 12.00 p.m. on 14 December 2021. 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 Annual General Meeting.

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 Annual General 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 14 December 2021, 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 14 December 2021 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

Explanatory Notes to the Notice of Annual General Meeting

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.

Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

5. Copies of the terms of appointment of the non-executive directors and a statement of all transactions of each director and of his/her 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 Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General 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 are set out on pages 21 and 22 of the Company's annual report and accounts for the year ended 31 August 2021.
7. As at 11 November 2021, 69,463,343 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 11 November 2021 was 69,463,343.
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 from the Company's webpages, www.schroders.co.uk/incomegrowth.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General 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.
10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:
 - (a) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or
 - (b) any circumstance connected with an auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
11. The Company's privacy policy is available on its webpages <http://www.schroders.co.uk/incomegrowth>.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified Alternative Performance Measures as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

Consumer Prices Index ("CPI")

The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living. The CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.

Reference index

The index against which it is deemed most appropriate to measure the Company's performance. The reference index is the FTSE All-Share Index.

Net asset value ("NAV") per share

The NAV per share of 316.59p (2020: 246.71p) represents the net assets attributable to equity shareholders of £219,915,000 (2020: £170,324,000) divided by the number of shares in issue of 69,463,343 (2020: 69,038,343).

The change in the NAV amounted to +28.3% (2020: -17.1%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return definitions and calculations are given below.

Total return

The combined effect of any dividends paid, together with the rise or fall in the NAV per share or share price. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 31 August 2021 is calculated as follows:

NAV at 31/8/20	246.71p
NAV at 31/8/21	316.59p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
5.1p	08/10/2020	250.66p	1.0203	1.0203
2.5p	24/12/2020	277.78p	1.0091	1.0296
2.5p	01/04/2021	290.90p	1.0086	1.0385
2.5p	08/07/2021	305.71p	1.0082	1.0470

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV

+34.4%

The NAV total return for the year ended 31 August 2020 is calculated as follows:

NAV at 31/8/19	297.66p
NAV at 31/8/20	246.71p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
5.2p	10/10/2019	294.11p	1.0177	1.0177
2.5p	24/12/2019	325.50p	1.0078	1.0256
2.5p	09/04/2020	237.75p	1.0105	1.0364
2.5p	09/07/2020	240.18p	1.0104	1.0472

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV

-13.2%

The share price total return for the year ended 31 August 2021 is calculated as follows:

Share price at 31/8/20	242.00p
Share price at 31/8/21	316.50p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
5.1p	08/10/2020	242.00p	1.0211	1.0211
2.5p	24/12/2020	273.50p	1.0093	1.0306
2.5p	01/04/2021	292.00p	1.0086	1.0394
2.5p	08/07/2021	305.00p	1.0082	1.0479

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price

+37.0%

Definitions of Terms and Performance Measures

The share price total return for the year ended 31 August 2020 is calculated as follows:

Share price at 31/8/19 273.00p
Share price at 31/8/20 242.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
5.2p	10/10/2019	274.00p	1.0190	1.0190
2.5p	24/12/2019	314.00p	1.0081	1.0273
2.5p	09/04/2020	231.00p	1.0108	1.0384
2.5p	09/07/2020	236.00p	1.0106	1.0494

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price -7.0%

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £1,566,000 (2020: £1,641,000), expressed as a percentage of the average daily net asset values during the year of £198,074,000 (2020: £190,905,000).

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount/premium at the year end was nil% (2020: 1.9% discount), as the closing share price at 316.50p (2020: 242.00p) was approximately equivalent to (2020: 1.90% lower than) the closing NAV of 316.59p (2020: 246.71p).

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the year end is calculated as follows:

	2021 £'000	2020 £'000
Borrowings used for investment purposes, less cash	17,282	16,123
Net assets	219,915	170,324
Gearing	7.9%	9.5%

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

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Shareholder Information

Webpage and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/incomegrowth. The webpages have 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 annual reports 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 webpages contain 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 NAV 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 the company's webpages.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, www.theaic.co.uk.

Individual Savings Account ("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
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
Annual general meeting	December

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this annual report or on the Company's webpages.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the Company's webpages.

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 Company's webpages and within this report. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2021 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	200.0%	117.7%
Commitment method	200.0%	104.2%

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 Investor Relations section of Schroders' website www.schroders.com.

Publication of key information document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Investment Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Directors

Bridget Guerin
Ewen Cameron Watt
Fraser McIntyre
Victoria Muir

Advisers

Alternative investment fund manager (the “Manager”)

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 6501

Registered office

1 London Wall Place
London EC2Y 5AU

Depository and custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending bank

Sumitomo Mitsui Banking Corporation
99 Queen Victoria Street
London EC4V 4EH

Corporate broker

Peel Hunt LLP
Moor House
100 Liverpool Street
London
EC2M 2AT

Independent auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Registrar

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.

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

The Company's privacy notice is
available on its webpages.