Schroder Income Growth Fund plc

Annual Report and Accounts
for the year ended 31 August 2023

Schroders

Investment objectives

The Company's principal objectives are to provide growth in income that exceeds the rate of inflation and capital growth as a consequence of rising income.

Why Invest in the Company?

Benefit from consistent rising income

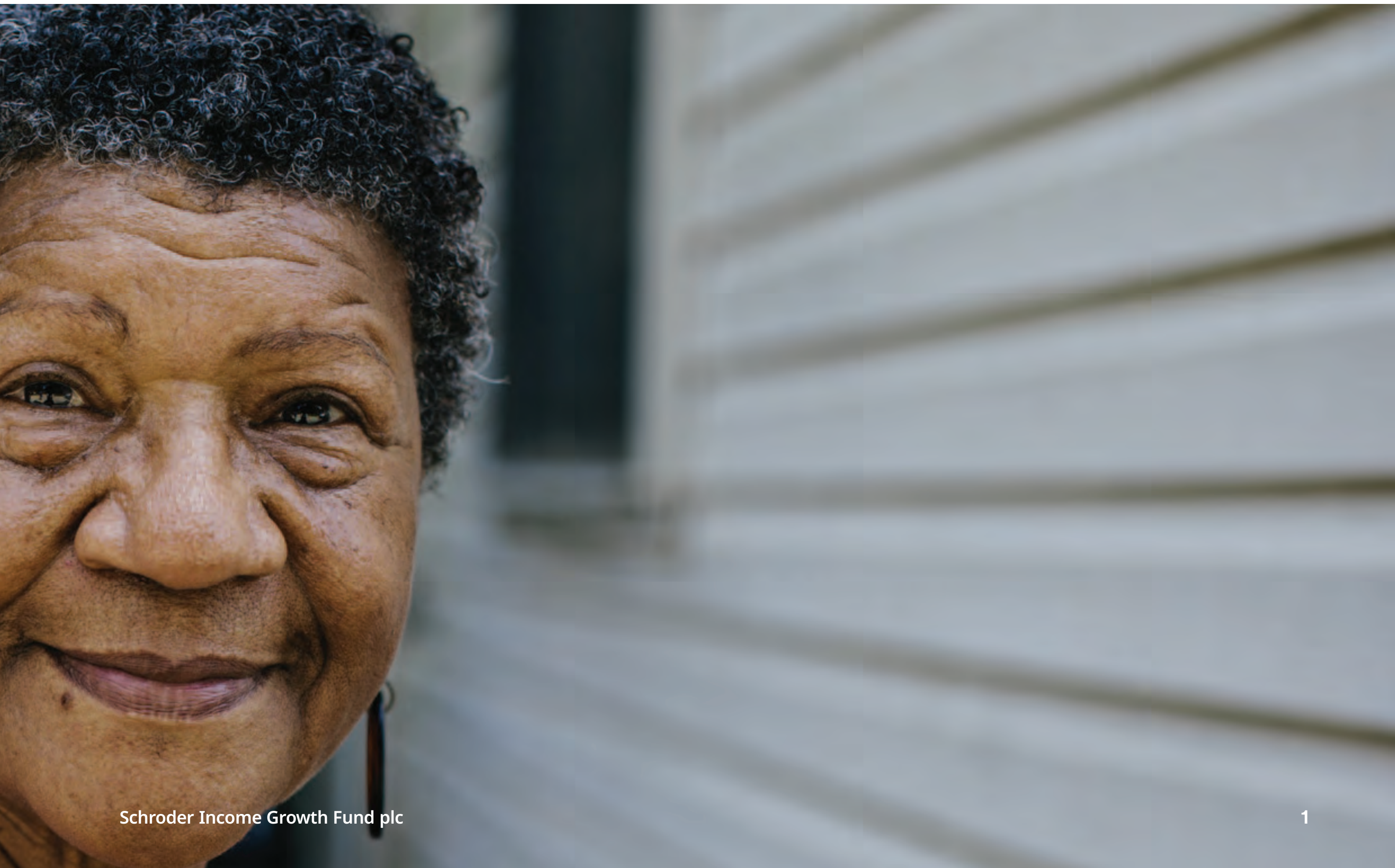
SCF has delivered reliable dividend growth for shareholders in each of the last 28 years, allowing investors to capture fully the significant power of long-term compounding.

Rely on decades of deep expertise

Managed by Schroders Head of UK Equities, Sue Noffke, with support from an investment team with nearly a century of combined experience.

Capture long-term capital growth

Strong long-term performance through successful stock-picking, with the team adding value across the market cap spectrum.



Overview

Performance Summary

Net asset value ("NAV") per share total return*	Share price total return*	Dividends per share	Dividend growth for the year
4.2%	**-3.0%**	**13.80p**	**+4.6%**
2022: –2.7%	2022: –4.7%	2022: 13.2p	2022: +3.1%

Some of the financial measures 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 pages 79 and 80 together with supporting calculations where appropriate.

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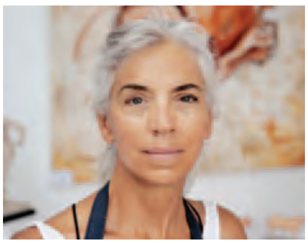

Governance

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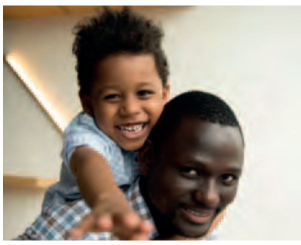

Other Information

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Ongoing charges ratio*

0.77%

2022: 0.74%

Share price discount to NAV per share*

8.9%

2022: 2.1%

Revenue earnings per share

13.14p

2022: 13.96p

Gearing*

13.7%

2022: 13.5%

Share price

267.50p

2022: 289.00p

Net revenues after taxation

9.130m

2022: 9.697m

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Strategic Report

Strategic Report

Chairman's Statement

Your Company was able to increase your dividend for the 28th year running. Dividends per share for the year of 13.80p represent a 4.6% increase on the previous year, in accordance with the Company's objective to increase the dividend in line with inflation over the longer term.

I am pleased to present the first set of annual results of Schroder Income Growth Fund plc since becoming Chairman in December 2022. Rising interest rates and sluggish global growth have made navigating equity markets a challenging task during the year. Your Manager has not allowed these distractions to alter their fundamental and well tested investment philosophy.

Revenue and dividends

Despite difficult conditions, your Company was able to increase your dividend for the 28th year running. Dividends per share for the year of 13.80p represent a 4.6% increase on the previous year, in accordance with the Company's objective to increase the dividend in line with inflation over the longer term. In this respect we define the medium term as five years and the longer term as ten.

Earnings per share fell by 5.9% to 13.14p. The dividend of 13.80p was 95.2% covered by earnings. After payment of the fourth interim dividend on 3 November 2023, the revenue reserve will be £7.5 million, representing 10.80p per ordinary share or over nine months of the annual dividend. The ability to smooth income by judicious use of revenue reserves remains a particular advantage of investment trusts over open ended funds.

Income earned by the Company came under pressure during the year for two main reasons. Firstly, lower commodity prices led to a notable reduction in earnings and dividends from mining shares. Secondly corporate managements pivoted from special dividends towards share buybacks thus reducing income for the market and your Company. The reduction in earnings per share masks very strong dividend growth across many stocks held in the portfolio.

In tandem with much higher inflation the Company was consequently unable to increase the dividend in real terms this year without drawing heavily on reserves. Such outcomes have arisen from time to time in the last 28 years of our history. Despite this, we have continued to fulfil the primary objective of 'real growth of income' above the levels of inflation over the longer term.

Performance

During a volatile period for UK equity markets the Company returned 4.2% in net asset value total returns. Share price total returns over the period were -3.0% as compares to a return of 5.2% for the FTSE All-Share total return index. A bias towards medium and smaller sized companies, whose returns lagged those of the larger FTSE100, detracted from short term performance but have added significant value over the longer term. For more details of performance please refer to the Manager's Review.

Share price performance and discount to NAV

The Company's share price discount to NAV averaged 1.60% during the year but widened towards the latter part of the year to end at 8.9%. Whilst the Company did not buy back any shares during the year, your Board continues to monitor the discount closely and will take appropriate action as required.

Gearing

The Company has renewed its £30 million revolving credit facility with Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC") for a further year effective from 22 September 2023. The average gearing level over the year was 12.01% and at the end of the Company's financial year the level of gearing was 13.7%.

Annual General Meeting

The AGM will be held at 12.30pm on Wednesday, 13 December 2023 at Schroders' offices at 1 London Wall Place, London EC2Y 5AU. Your Board strongly encourages shareholders to attend and participate in the meeting. Shareholders will also be able to hear a presentation from the Manager and light refreshments will be served. Please note that all voting will be by poll and we encourage all shareholders to exercise their votes by means of registering them with the Company's registrar ahead of the meeting, online or by completing paper proxy forms, and to appoint the Chairman of the meeting as their proxy. Information on voting can be found in the Notice of Meeting on pages 75 to 78. In the event that shareholders have a question for your Board, please email amcompanysecretary@schroders.com in advance of the AGM.

Changes to the Articles of Association

One of the resolutions that will be proposed at the AGM is an amendment to the Company's Articles of Association (the "Articles") to

We are confident in your Manager and their abilities to deploy their investment approach and exploit the market inefficiencies to drive returns over the long term.

We base such confidence on the record since Sue Noffke and her team took over managing the portfolio in 2011. In that period the share price total return performance of 126.47% and the NAV total return of 128.46% are both well ahead of the FTSE All-Share Index total return of 103.50%.

allow for flexibility to hold shareholder meetings (wholly or partially) by electronic means. This will allow your Board to hold hybrid or virtual meetings when in the best interests of shareholder safety, for example, in the event of a future pandemic. The amendments will not prevent the Company from holding physical meetings and the Board's intention and strong preference is always to hold a physical general meeting when safe and practical to do so.

Other amendments primarily relate to changes in law and regulation and developments in market practice since the Articles were last adopted. Further details can be found in the Director's Report and a summary of all the changes being introduced can be found in the Annual General Meeting – Recommendations section on pages 72 to 74.

Results Webinar

Please join the Manager for a webinar in which they will report on the year ended 31 August 2023 and outline their thoughts on the future direction of the portfolio. The presentation will be followed by a live Q&A session. The webinar will take place on 20 November 2023 at 2pm. Register for the event at https://registration.duuzra.com/form/SCF2023 or via the QR code below.

Outlook

Many of the challenges the Company has faced look set to continue into the year ahead. Concerns surrounding inflation and interest rate rises have been a feature of the last year. It seems likely that interest rates will stay higher for longer to help bring inflation into line with Bank of England's and other Central Banks' targets. Concerns over fiscal sustainability have broadened from the UK to the US and Europe leading to falls in government bond markets and consequent pressure on equities.

The UK market continues to face negative investor sentiment, relative to Global and European markets, and investor outflows have been a drag on UK market returns. In addition, geopolitical risks understandably remain front of mind for investors. Such sentiment also creates significant opportunities for the Company over the longer term. The de-rating of UK smaller and medium sized companies is a prime example of this, and it is pleasing to see your Manager actively taking advantage of the valuation dislocations. Company managements seem to agree their shares are good value with a shift towards buybacks and away from dividends.

We cannot ignore the reality that higher interest rates allow savers with an income target choice from a wider range of investments. The abiding feature of equities though is that their profits and dividends grow over the long term in nominal and real terms, a factor sometimes ignored when looking at shorter term cash rates.

For investors real returns matter particularly in periods of rising inflation and interest rates. This is why the principal aim of the Company is to increase income above the rate of inflation over the medium and longer term.

We remain committed to paying an increasing annual dividend and grow income adjusted for inflation over the long term, and I am pleased that we have been able to deliver such increases for 28 years. Whilst we utilised the Company's reserves on this occasion, they remain strong, having added to them in the previous financial year. We continue to monitor the income from the portfolio and remain committed to the sustainability of the Company's dividend.

Whilst it is disappointing the Company's performance over the last year has lagged the broader UK market we are confident in your Manager and their abilities to deploy their investment approach and exploit the market inefficiencies to drive returns over the long term. We base such confidence on the record since Sue Noffke and her team took over managing the portfolio in 2011. In that period the share price total return performance of 126.47% and the NAV total return of 128.46% are both well ahead of the FTSE All-Share Index total return of 103.50%. Investment performance will fluctuate with market cycles but we, as your Board, are focused on ensuring the Company continues to meet its investment objectives over the long term.

Ewen Cameron Watt
Chairman
25 October 2023

Manager's Review

At a market level we believe a total shareholder yield in excess of 6% represents an attractive level in absolute terms, relative to other equity markets and other assets – including bonds and cash.

The net asset value total return in the 12 months to 31 August 2023 was 4.2%. This compares to 5.2% from the FTSE All Share Total Return Index. The share price return was -3.0%. The AIC UK Equity Income median return was 4.4% over the period. It is disappointing to report that your Company's return lagged these comparators over the 12 month period.

Revenue after tax for your Company fell by 5.9% compared to the same period last year. The decline was the result of a fall in income received and a rise in the cost of gearing, as interest costs reflected higher average interest rates in the latest 12 months compared to those in the prior period.

Total income for the Company fell 3.6% compared to the same period last year, due to three factors. The principal reason was a halving of total income from the mining sector. Lower commodity prices, compared to their peak levels of 2021/22, led to a marked reduction in earnings and dividends from the companies in this sector from the extraordinarily high level of the prior two years. Ordinary dividends were lower whilst special dividends, which had been material in the prior period, were absent except for a small special dividend payment by Glencore. Your Company had less invested in the mining sector during the last 12 months compared to the prior period, on the belief that we had passed the peak for the commodity cycle. Whilst the fall in mining sector income had been anticipated, the Company was not able to offset the full reduction despite income from banks holdings increasing by over 50% and from oils by over 30%.

The second reason was the non-payment of a dividend by the insurance company Direct Line Group due to disappointing operating performance, detailed in the performance section. Your Company exited its position in the stock.

Lastly some changes to dividend dates for a few holdings meant being paid in September rather than August this year, resulting in some income being shifted from this period into the Company's next financial year. Contributions to your Company's income from special dividends peaked in the 12-month period to August 2021 and has fallen back, in each of the past two years, to levels that appear normal in historical terms.

Additional factors weighing on income in the year was the split of GlaxoSmithKline into two businesses, the biopharma company, rebasing its dividend to free up funds for investment in research and development. Dividends were around one quarter below their level of the prior period. Gambling company 888 did not pay a dividend in the period as the company prioritised balance sheet leverage resulting from the purchase of William Hill's UK assets. Additionally, movements in dividend dates impacted three of the holdings which last year paid dividends in August and this year switched to September – asset manager M&G, Asian life insurance business Prudential, and student property company, Empiric.

On the positive side a diverse range of holdings saw dividends grow significantly, at more than 20%. Oil majors, Shell and BP, continued to build back their dividend payments to shareholders after the cuts of two years ago. Asian oriented banks, HSBC and Standard Chartered, saw particularly strong growth while domestic bank NatWest Group and financial services infrastructure business TP ICAP also grew robustly. Several of your Company's holdings in the consumer discretionary area rewarded shareholders with excellent dividend growth as their businesses flourished following the pandemic disruptions - Whitbread and Hollywood Bowl saw dividends double and triple respectively, with strong growth from studios and broadcaster ITV and luxury goods company Burberry. Double digit dividend increases were received from domestic bank Lloyds, investment company 3i, financial services provider XPS Pensions, power utilities companies SSE and Drax and infrastructure and construction company Balfour Beatty.

Elsewhere more stable companies – information providers RELX and Pearson, distribution services business Bunzl, retailer Pets at Home, utility company National Grid, GP patient practice business Assura, defence services business QinetiQ, engineering group Spectris, and insurance company Legal & General all increased dividends by mid to high single digits. Companies in the portfolio with low or no dividend growth are typically in a growth phase such as pharmaceuticals company AstraZeneca, telecoms company BT and sustainable technologies company Johnson Matthey, or they have switched preference to share buy backs over dividends as a way of rewarding shareholders, an example of this is food retailer Tesco.

A feature of the market, particularly evident in the mining, banks and oils sectors, has been a trend to favour share buy backs in capital allocation decisions. With resulting dividend payments spread over reduced share counts, this approach, all other things equal, improves the sustainability, and growth, of income for these more cyclical sectors which are particularly sensitive to the economic cycle. Companies and their boards must determine whether the price paid for shares in conducting a share buyback offer attractive returns when benchmarked against other uses of capital, such as investment in projects, research and development, staff, facilities or acquisitions. Several other companies across a range of industries are conducting share buybacks including food retailer Tesco, budget hotel operator

Manager's Review

Whitbread, luxury fashion house Burberry, consumer goods company Unilever, infrastructure and construction firm Balfour Beatty, TP ICAP and information companies RELX and Pearson. Some 17 of your Company's 43 holdings conducted share buy backs over the period.

At a market level we believe a total shareholder yield in excess of 6% represents an attractive level in absolute terms, relative to other equity markets and other assets – including bonds and cash[1].

Market background

While global economic activity has generally surprised to the upside in 2023, inflation has been stronger and stickier than had been assumed. Central Banks around the world continued to raise interest rates during the period which has pushed up bond yields towards historic averages from the abnormally low levels seen in the post Global Financial Crisis era. In the second half of the period, bond and equity markets have been looking for signs that inflation is under sufficient control for central banks to signal the monetary tightening is done.

At the start of the period in September 2022 UK gilts suffered an especially sharp decline, along with Sterling, leading to stresses in the pensions and fixed income market (LDI) which was driven by the Truss/Kwarteng 'mini budget'. This resulted in Bank of England intervention, criticism from outside authorities including the US government and the International Monetary Fund (IMF), and another change in the UK's Prime Minister and Chancellor. UK bond and stock markets did eventually calm down after many of the policies announced by Kwarteng were subsequently reversed by the new Chancellor, Jeremy Hunt, in his Autumn statement promising the country would tighten its belt in future.

Further afield China loosened its pandemic restrictions, although the boost to economic activity was underwhelming and China has fallen short of original expectations with issues in the real estate sector weighing on activity and confidence. The collapse of Silicon Valley Bank (SVB) in the US in March raised concerns particularly over US regional banks that are subject to less regulation than their global peers. Subsequently in Europe, troubled lender Credit Suisse was subject to an emergency takeover from rival UBS in a deal brokered by the Swiss authorities. Enthusiasm for Artificial Intelligence (AI) drove huge gains in select areas of the US market as investors poured money into the technology sector.

Portfolio performance

Disappointingly the NAV total return underperformed the FTSE All-Share Index. Your Company generated a total return of 4.2% over the 12-month period against 5.2% for the FTSE All-Share Index. Portfolio performance was insufficient to offset the higher cost of gearing in the period. A bias towards medium and smaller sized companies, whose returns lagged behind those of the larger FTSE100, detracted from performance.

At a sector level the main driver of negative relative returns was stock selection in industrials. Your Company did not own the strongly performing stocks in this sector. Aerospace and defence companies, Rolls Royce, Melrose and BAE Systems, rose as orderbooks strengthened with a strong post covid recovery in civil and defence aerospace end markets. CRH benefitted from a re-rating of the shares

1Total shareholder yield is the sum of a stock's dividend yield (paid over previous twelve months less any special dividends) and the percentage of net share buybacks over the previous twelve months.

Five top/bottom relative performers

	Portfolio weight (%)[1]	Weight relative to index (%)[1]	Relative performance (%)[2]	Impact (%)[3]
British American Tobacco	0.0	-2.9	-23.3	+0.8
Hollywood Bowl	2.0	2.0	40.2	+0.7
Diageo	0.0	-3.5	-17.0	+0.6
3i Group	1.9	1.2	64.2	+0.6
Whitbread	2.2	1.9	35.5	+0.6

	Portfolio weight (%)[1]	Weight relative to index (%)[1]	Relative performance (%)[2]	Impact (%)[3]
Assura	1.7	1.6	-30.6	-0.7
BT Group	2.6	2.2	-23.3	-0.6
Rolls Royce	0.0	-0.5	183.4	-0.5
Direct Line	0.9	0.8	-26.5	-0.5
Johnson Matthey	2.1	1.9	-21.0	-0.5

Source: Schroders, FactSet, for Schroder Income Growth investment portfolio, 12 months to end August 2023.

[1]Average weights over the period.

[2]Total return of the stock relative to the FTSE All-Share TR over the period.

[3]Contribution to performance relative to the FTSE All-Share TR. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Manager's Review

> *Many of your Company's holdings are resilient businesses offering consumers good value for money and they have gained market share in recent years from weaker competitors exiting the market.*

in advance of its move to relist on the US stock exchange, whilst Ashtead continued to experience robust demand for equipment rental in the USA.

Additionally having more exposure in basic materials than in the benchmark index detracted from performance with weakness in commodity prices, particularly precious metals, impacting holdings in miner Anglo American and sustainability solutions company Johnson Matthey. Anglo American suffered from a combination of weaker commodity prices and operational difficulties, now resolved. Your Manager continues to find the diversified exposure to forward facing metals and valuation of the business attractive. Lower precious metals prices weighed on Johnson Matthey whilst increased investment across areas of the group have hit profits. New management has begun to execute its strategy and your Manager is encouraged that Standard Industries, a US activist industrial investor, has increased its stake in the business (announced in September 2023) to 10% from its original 5% stake in April 2022.

Property companies suffered the ructions of bond markets in the autumn of 2022 as yields rose sharply. Assura was the largest individual detractor in the period. The shares suffered as bond yields rose and the market fretted about the higher costs of refinancing debt. BT weighed on performance as the market worried about a range of issues from the near-term cash flow impact of significant broadband investment, the impact of higher bond yields on the large company pension scheme and a change in CEO. The incoming CEO has been an independent director on the board of BT for 2 years and is likely to hit the ground running. The group has potential levers to demonstrate value and the valuation of the shares remains compelling. Your Company's position in Direct Line, now sold, was a significant drag on performance over the period. The impact of adverse weather and significant claims inflation was detrimental to profits and capital leading to the company forgoing payment of a dividend until profits and capital have been restored.

Positioning in the two consumer sector positions contributed positively to performance by owning less than the market in consumer staples and owning more than the market in consumer discretionary sectors. Staples companies underperformed over the period as they experienced an unwind of the pandemic boost to volumes of cigarettes and alcohol as well as a headwind to profits from currency moves over the period as the pound staged a part recovery from the lows of September 2022. Not owning British American Tobacco, Imperial Brands or international drinks company Diageo, all of which were weak, was positive for your Company. Consumer discretionary stocks performed strongly as they recovered from the sharp selloff in the summer and early autumn of 2022 on fears over domestic politics and economic prospects and in the face of a mounting cost of living crisis and higher costs of servicing mortgages. Many of your Company's holdings are resilient businesses offering consumers good value for money and they have gained market share in recent years from weaker competitors exiting the market. Your Company's material positions in Whitbread, Hollywood Bowl and Pets at Home, as well as financial investment group 3i (whose main asset is European value for money retailer Action) all had strong operating and share price performances.

Portfolio activity

Your Manager has continued to review the portfolio for opportunities to add new investments for attractive medium term total returns, augment existing holdings at compelling levels or exit those where share prices are fully valued or where the investment case and conviction has weakened. During the 12-month period, six new holdings were added to your Company and seven were sold.

At a sector level, the principal changes to your Company were a reduction in exposure to property and additions to existing positions in banks and utilities. Your Manager sold out of purpose-built student accommodation (PBSA) provider Unite Group in September, prior to the significant rise in government bond (gilt) yields arising from the LDI fallout of the UK's autumn statement, viewing the valuation of the shares as close to fair value. Positions in fellow PBSA company, Empiric Student Property, and Assura, were reduced later in the period. Large diversified international bank HSBC was considered attractive given the likelihood of higher for longer interest rates, the stock's low valuation, both relative to history and in absolute terms, the strong capital position and attractive dividend yield together with additional capital returns, in the form of share buy backs. Your Company added to its existing positions in regulated electricity network and renewables company SSE and to electricity and gas transmission and distribution business National Grid. Both businesses have attractive growth pathways investing for the energy transition in renewable electricity in the former and in the electricity grid in both the UK and USA in the latter. Additionally, their dividend yields, and future dividend growth are attractive characteristics.

Whilst maintaining your Company's commodity sector exposures overall your Manager made changes to its preferences within the oil and mining areas. The Company established a new holding in BP through a part reduction in the Company's large position in fellow oil major Shell. At its 2022 results, BP signalled its ambition to grow its dividend, extend share buy backs whilst accelerating investments into both low carbon energy and fossil fuels, and reduce debt. Your Manager believes there is scope for Shell to follow a similar strategy but opted to introduce diversity by owning both companies. The Company sold iron ore producer Rio Tinto and reduced its position in Anglo American, subsequently investing the proceeds into a new holding in diversified miner Glencore. Your Manager is attracted to Glencore's asset mix of forward-facing minerals which are well positioned to benefit as the world moves to decarbonise energy and industry. Extensive research has been conducted on the company, particularly around ethics, governance, climate and social risks. Additionally, several engagements were conducted to understand better the business strategy and the firm's commitment to cultural change associated with the settlement of bribery and corruption fines from the Department of Justice and Senior Fraud Office authorities. Your Manager believes that there is sufficient evidence of culture change and commitment to further improvements which, taken together justifies a position in the portfolio. Rio Tinto was exited due to a view of the greater risks and costs associated with the development of a new iron ore facility in Simandou, Guinea.

Your Company sold out of private assets investment manager Petershill, reinvesting the proceeds into peer Intermediate Capital, which it believes is higher quality and more attractively valued. The holding in National Express (now Mobico) was exited on concerns over availability and cost inflation pressures of bus drivers, together with a

Manager's Review

Investing in a market that remains significantly out of favour with investors provides a plethora of opportunities across the market spectrum, which should provide patient investors with highly attractive returns in the medium term.

stretched balance sheet. Direct Line Insurance was sold in two stages, the first following a disappointing trading update, the remainder following the full year results, and the subsequent announcement of forgoing a dividend. Part of the proceeds were invested in topping up its position in global asset management company M&G. Your Company exited its holding in the mid cap recruitment company SThree, which focuses on the permanent and flexible contract roles in STEM areas across Europe and the US, as in the near term it sees more headwinds as the post Covid hiring has begun to normalise, especially in the company's core areas of technology and healthcare. Your Company also sold its allocation to consumer healthcare business Haleon following its split from GlaxoSmithKline as it was a small holding with a low dividend yield.

Your Manager saw upside potential from ITV's strong cash generation and longer-term digital initiatives and added a new holding in the media group. A new position was also established in Victrex, a world leader in high performance polymer solutions for a range of industrial and medical device applications. The company has strong pricing power, growth potential and balance sheet. Food producer Cranswick has industry leading capabilities and continues to invest at pace into a broad range of growth opportunities for attractive returns. The shares have derated over the past three years whilst the business has grown, expanded new facilities (pork and poultry), developed new capabilities (breaded chicken) and diversified into new areas (pet foods). A new holding was established in XPS Pensions, a leading pensions consulting and administration business with significant organic growth opportunities as it takes share in a large addressable market, the shares offer an attractive and growing dividend yield.

Your Manager continues to add to existing holdings on share price weakness when there is conviction in the investment case, in line with the investment process. Research into other potential investments is conducted continuously, along with risk/reward assessments versus existing portfolio holdings, in a healthy competition for capital. Your Manager is genuinely excited about the companies in the portfolio and see exceptional opportunities within the market to deliver growth in capital and income.

Outlook

Global economic activity in 2023 has surprised on the upside, leading to higher and more stubborn inflation than anticipated by both global Central Banks and markets. However, inflation has moderated from its peak levels. Higher for longer interest rates are now seen as necessary to bring inflation down towards the targets and forecasts of Central Banks. Central Banks are currently at or close to peak rates as the impact of significant rate rises over the past two years, which always work with a lag, appears to be taking effect, cooling both activity and inflation. In addition to economic risks, there are political risks that include a US election and likely a UK election in 2024, ongoing geopolitical tensions between the USA and China, and unresolved conflict between Russia and Ukraine. While the risks of a recession may have diminished, they have not entirely disappeared.

Investing in the UK equity market is not the same as investing in the UK economy. Listed UK equities include a wide array of international firms, many of which are global leaders in their fields and derive the majority of their revenues from overseas. In fact, 77% of FTSE All Share revenues come from outside the UK. However, the negative narrative surrounding the UK economy has heavily impacted investor sentiment in the UK equity market, leading to an acceleration of outflows from the market into mainly global equities and other asset classes.

Since the Brexit vote in 2016, the UK has gained a reputation as a problematic economy among major economies, with political instability generating uncertainty about the nation's future and a lack of confidence from both domestic and overseas investors. However, the economic performance of the UK has been better than feared. While Brexit has weakened supply potential, the UK economy has broadly kept pace with the trends seen across advanced economies over the past seven years. Recent revisions to UK economic data challenge the prevailing view that the UK lags behind all other major industrial economies (the G7) in its economic performance since the Covid pandemic. UK business investment has also been picking up more recently, having initially stalled after the UK's vote to leave the EU and the aftermath of the pandemic. Recent data continues to exceed expectations, and UK corporates have strong balance sheets and liquidity to increase investment spending.

Sentiment towards UK equities has remained very negative, with persistent outflows weighing on market valuations. This has heavily impacted the absolute and relative valuations of listed UK companies, particularly those in the small and medium-sized (SMID) sectors. There has been a significant de-rating of medium and smaller-sized companies over the past two years, both in absolute terms and relative to the largest FTSE 100 companies, due to selling pressures from outflows. However, SMID companies have traditionally outgrown larger companies in the UK and have delivered attractive total returns that have kept pace with the best returns from global equity markets over the long term. The convergence of valuations between SMID and large-cap areas presents a mispriced opportunity.

Negative sentiment has resulted in aggregate valuations of UK equities at multi-year lows. Total shareholder yields are high in absolute terms, relative to other equity markets and other assets, including bonds and cash. Companies across the market, including those in your portfolio, are particularly active in buying back their own shares, as they see compelling returns from investing in their businesses at current prices. Small and medium-sized stocks are subject to ongoing bid activity from overseas and private equity-backed entities. These low valuations are unlikely to persist indefinitely, and there is currently a broad set of investment opportunities within the UK equity market that may well be considered bargains in the future.

Fading political uncertainty, combined with a reassessment of economic performance on growth and inflation, could support a revision of the negative narrative on UK risk assets and be one of the catalysts to address the market's persistent undervaluation. Investing in a market that remains significantly out of favour with investors provides a plethora of opportunities across the market spectrum, which should provide patient investors with highly attractive returns in the medium term.

Sue Noffke
Portfolio Manager
Schroder Investment Management Limited
25 October 2023

ESG

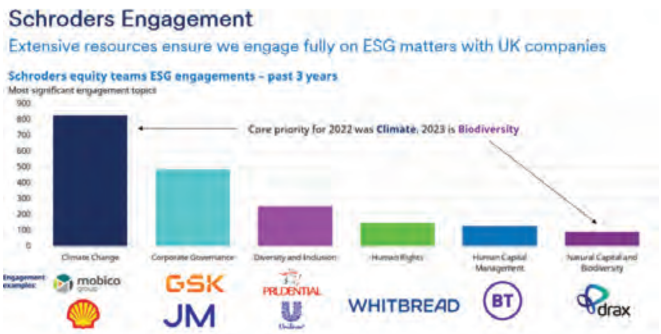
Integration of ESG into the investment process

ESG is integrated within your Manager's investment approach. In your Manager's view, ESG and industry trends are intrinsically linked. Your Manager identifies the key ESG issues of each company it invests in and analyses and examines the management of these to determine the risks and opportunities of an investment. A range of inputs to help identify these including proprietary analysis done by the team based on information published by the companies themselves, output from proprietary internal tools, work done by internal analysts as well as input from external providers such as MSCI or Sustainalytics. To your Manager, 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 to third parties.

Extensive engagement with portfolio companies

Regular engagement with the board, executive management, investor relations and sustainability professionals of a portfolio company is a key feature of our approach. Your Manager meets with the management of all portfolio companies at least once a year. In many cases your Manager meets more frequently. These engagements are led by the investment team in most cases as they have the knowledge of and relationships with the companies. Your Manager also benefits from engagements led by other Schroders' teams. Your Manager is not afraid to be robust with management teams where needed. To achieve the goals with engagements, your Manager works closely with Schroders' Sustainable Investment team, consisting of over 50 dedicated specialists. Engagement is usually directly with management teams and, where necessary as a form of escalation, the team will use voting rights against management to encourage change. Once your Manager engages with companies, its findings will be documented in its proprietary tool called ActiveIQ, which helps keep track of the progress made and monitor the success of previous engagements with the company. Your Manager reviews engagement progress quarterly and where an engagement may be stalling, your Manager will discuss next steps and how to take this forward.

The chart below shows an illustration of the main engagement issues the investment team have had with UK companies over the past three years:



Source: Schroders. Most significant engagement topics over 3 years to 31 December 2022. Engagement topics are grouped by Blueprint theme. For more information refer to https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf; our vision for active ownership at Schroders. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

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

	2023[1] Number	2023[1] (%)	2021-23 Number	2021-23 (%)
Meetings	43		145	
Resolutions	915		2646	
Votes with management	902	98.6	2554	96.5
Votes against management	13	1.4	52	2.0
Did not vote	0	0	0	0

[1] Calendar years. 2023 to 31 August.

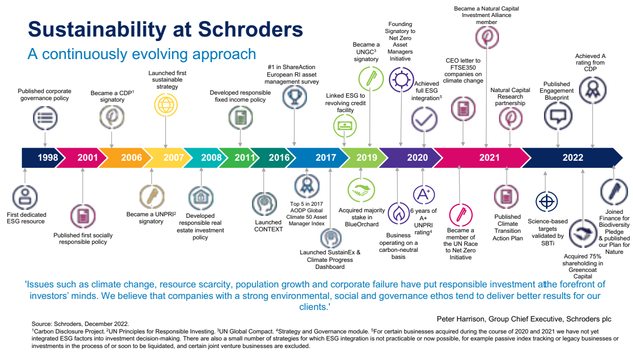
Where your Manager votes against on behalf of the Company, in most cases this has been to oppose the re-election of a director or to oppose the remuneration report. Your Manager will oppose the re-election of a director for several reasons including 'over-boarding', where it believes a director holds too many board positions at once so are unable to dedicate sufficient time to each. In the case of remuneration, your Manager pushes for management teams to have firm alignment with shareholders.

ESG in practice

Several topics come up consistently in your Manager's engagements with all companies. Governance structures, capital allocation and executive remuneration would be key examples. Your Manager engages to ensure that companies have the right governance structures in place to make effective capital allocation decisions that are in the interests of shareholders and that executive pay is of an appropriate quantum, is aligned with the interest of shareholders and incorporates ESG metrics in an appropriate way. Another particular focus for engagement in FY23 has been Climate and Biodiversity. The investment team conducted several engagements with portfolio companies over the course of the year to understand approaches to these topics and encourage best practice. As part of these engagements, your Manager met with several more carbon intensive companies to understand better their transition plans, benchmark their strategy against peers and provide feedback (and voting decisions) to reflect your Manager's view as to whether the strategy is sufficiently ambitious and achievable.

Sustainability at Schroders

Your Manager's policies on sustainability are based on what it has learned from more than 20 years of integrating ESG analysis for its clients. The below chart shows several milestones hit over the last 20 years of ESG integration at Schroders.



Source: Schroders, December 2022. [1]Carbon Disclosure Project. [2]UN Principles for Responsible Investing. [3]UN Global Compact. [4]Strategy and Governance module. [5]For certain businesses acquired recently we have not yet integrated ESG factors into investment decision-making. There are also a small number of strategies for which ESG integration is not practicable or possible, for example passive index tracking or legacy business or investments in the process of or soon to be liquidated, and certain joint venture businesses are excluded.

ESG

Internal accreditation

In 2019 Schroders introduced an internal ESG accreditation process. Each investment manager 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 several 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, 2021, 2022 and 2023. The award submission detailed the Manager's use of Schroders proprietary tools and significant engagement with portfolio companies to deepen our ESG analysis.

Climate related disclosures

On 30 June 2023, the Company's AIFM produced a product level disclosure consistent with the Task Force on Climate-Related Financial Disclosures ("TCFD") for the period 1 January 2022 to 31 December 2022. This can be found here:
https://mybrand.schroders.com/m/6f7e91c1169baada/original/TCFD-Schroder-Income-Growth-Fund-20221231.pdf

Investment Portfolio as at 31 August 2023

Companies in bold represent the 20 largest investments, which by value account for 66.6% (2022: 68.3%) 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		
HSBC	**9,733**	**4.2**
Legal & General	**6,257**	**2.7**
Standard Chartered	**6,245**	**2.7**
Lloyds Bank	**5,690**	**2.5**
3i Group	**5,668**	**2.5**
Prudential	**5,655**	**2.5**
M&G	4,680	2.0
Intermediate Capital	4,423	1.9
Empiric Student Property	4,359	1.9
Assura	3,203	1.4
TP ICAP	3,022	1.3
Natwest	2,560	1.1
Total Financials	**61,495**	**26.7**
Consumer Services		
RELX	**9,728**	**4.2**
Pets At Home	**6,504**	**2.8**
Pearson	**6,253**	**2.7**
Whitbread	**5,452**	**2.4**
Hollywood Bowl	4,386	1.9
Tesco	3,816	1.7
XPS	2,234	1.0
888 (Gibraltar)	1,760	0.8
ITV	1,497	0.7
Cazoo	7	0.0
Total Consumer Services	**41,637**	**18.2**
Healthcare		
AstraZeneca	**15,565**	**6.8**
GSK (GlaxoSmithKline)	**9,014**	**3.9**
ConvaTec	4,859	2.1
Total Healthcare	**29,438**	**12.8**

	£'000	%
Basic Materials		
Glencore	**8,623**	**3.8**
Anglo American	4,822	2.1
Johnson Matthey	4,665	2.0
Victrex	1,528	0.7
Total Basic Materials	**19,638**	**8.6**
Oil and Gas		
Shell	**14,840**	**6.5**
BP	4,596	2.0
Total Oil and Gas	**19,436**	**8.5**
Industrials		
QinetiQ	**5,546**	**2.4**
Balfour Beatty	5,257	2.3
Bunzl	4,409	1.9
Paypoint	2,072	0.9
Spectris	1,385	0.6
Total Industrials	**18,669**	**8.1**
Consumer Goods		
Unilever	**8,115**	**3.5**
Burberry	**6,684**	**2.9**
Cranswick	2,386	1.0
Total Consumer Goods	**17,185**	**7.4**
Utilities		
SSE	**6,262**	**2.7**
National Grid	**5,920**	**2.6**
Drax	4,722	2.1
Total Utilities	**16,904**	**7.4**
Telecommunications		
BT	**5,312**	**2.3**
Total Telecommunications	**5,312**	**2.3**
Total Investments	**229,714**	**100.0**

Ten Year Financial Record

At 31 August	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Shareholders' funds (£'000)	188,936	188,165	196,490	216,718	216,740	204,458	170,324	219,915	205,100	203,932
NAV per share (pence)	275.06	273.94	286.06	315.51	315.54	297.66	246.71	316.59	295.26	293.58
Share price (pence)	266.50	269.75	257.00	293.63	301.00	273.00	242.00	316.50	289.00	267.50
Share price discount to NAV per share* (%)	(3.1)	(1.5)	(10.2)	(6.9)	(4.6)	(8.3)	(1.9)	0.0	(2.1)	(8.9)
Gearing* (%)[1]	9.6	9.5	8.4	5.8	8.3	15.5	9.5	7.9	13.5	13.7

For the year ended 31 August	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net revenue return after taxation (£'000)	7,428	7,761	8,299	9,107	8,767	9,744	8,042	8,370	9,697	9,130
Revenue return per share (pence)	10.82	11.30	12.08	13.26	12.76	14.19	11.69	12.08	13.96	13.14
Dividends per share (pence)	10.10	10.30	10.60	11.20	11.80	12.40	12.60	12.80	13.20	13.80
Ongoing charges* (%)[2]	0.93	0.99	1.00	0.95	0.93	0.87	0.86	0.79	0.74	0.77

Performance[3]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NAV total return*	100.0	143.1	147.8	160.3	183.1	190.5	186.9	162.2	217.9	211.7	220.6
Share price total return*	100.0	144.8	152.2	151.0	179.4	191.9	181.5	168.8	231.3	220.4	213.8
FTSE All-Share Index total return	100.0	131.2	128.1	143.1	163.7	171.3	172.1	150.3	190.8	192.7	170.6

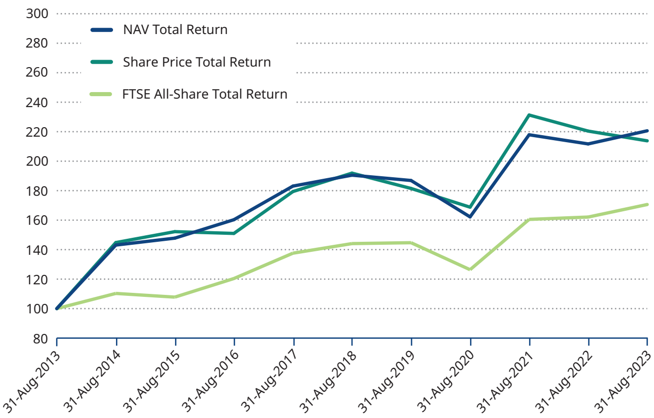
[1]Borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this is shown as a "Net cash" position.

[2]Ongoing 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.

[3]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2013.

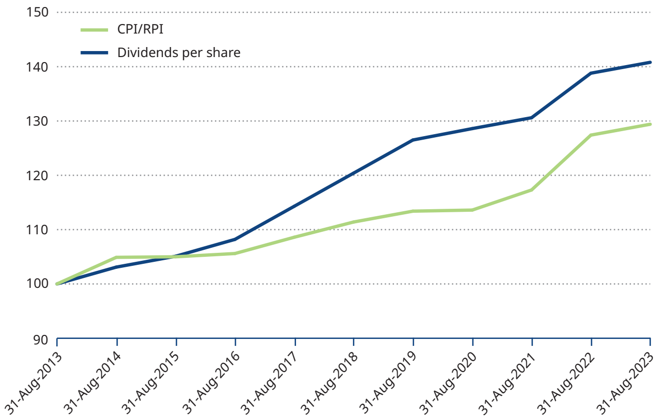
*Alternative Performance Measures.

NAV/share price/FTSE All-Share Index total returns for the ten years ended 31 August 2023



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2013

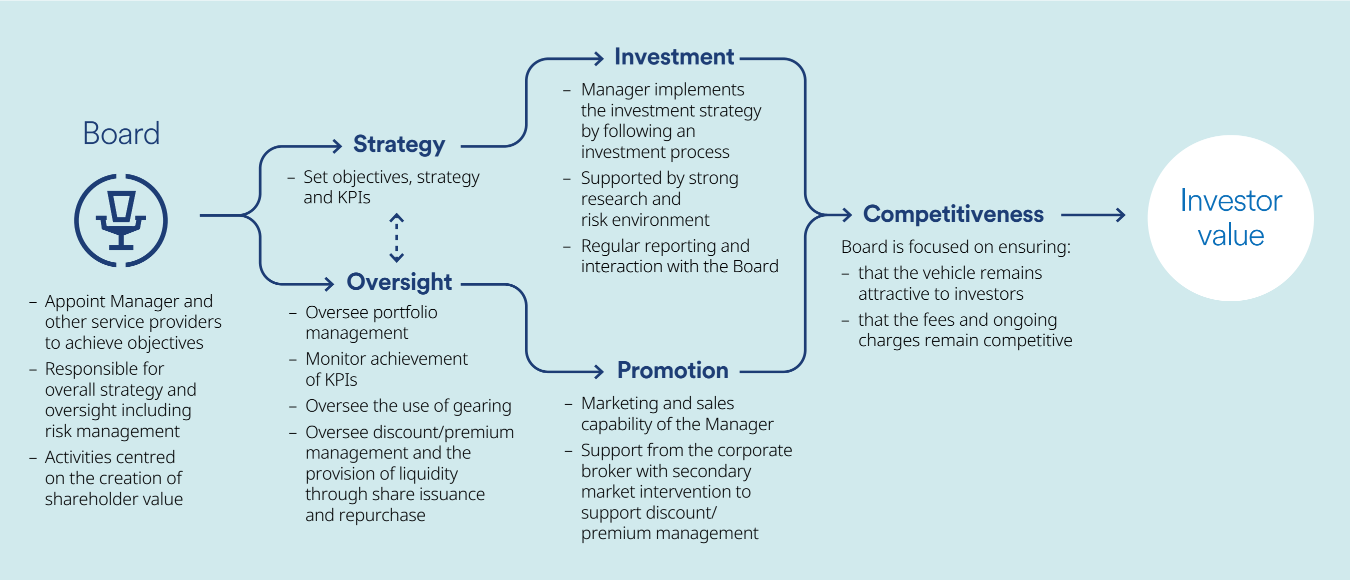
Dividends per share versus the rate of inflation for the ten years ended 31 August 2023



Source: Morningstar/Office for National Statistics. Rebased to 100 at 31 August 2013. The Retail Prices Index ("RPI") was used as the measure of inflation up to 31 August 2014 and the Consumer Prices Index ("CPI") thereafter.

Business Review

Business model



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.

Strategy and 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 objectives

The Company's principal objectives are to provide growth in income that exceeds the rate of inflation and capital growth as a consequence of 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.

Investment restrictions and spread of investment risk

Risk in relation to the Company's investments is spread as a result of the Manager investing the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objectives. The key restrictions imposed on the Manager include:

(i) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company;

(ii) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets 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 14 demonstrates that, as at 31 August 2023, the Manager invested in 43 UK equity investments spread across nine 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.

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.

Key performance indicators

The investment objective

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

Commentary on performance against the investment objective can be found in the Chairman's Statement.

At each meeting, the Board considers a number of performance indicators to assess the Company's success in achieving its investment objective. These are as follows:

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

These are classed as Alternative Performance Measures ("APMs") and their calculations are explained in more detail on page 79.

The performance against these indicators is reported on page 15.

Net asset value and share price total return

At each meeting, the Board reviews the performance of the portfolio in detail and discusses the views of the portfolio managers with them.

Share price discount/premium to net asset value per share

The Board reviews the level of discount/premium to net asset value per share at every board meeting and is alert to the value shareholders place on maintaining as low a level of discount/ premium volatility as possible.

Ongoing charges

The Board reviews the Company's ongoing charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management and performance fees, directors' fees and general expenses, is submitted to each board meeting. Management and any performance fees payable are reviewed at least annually.

Revenue and dividend policy

The net revenue return for the year, before finance costs and taxation, was £9,676,000 (2022: £9,912,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £9,130,000 (2022: £9,697,000) equivalent to net revenue of 13.14p (2022: 13.96p) 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 2023, the Directors have declared four interim dividends, totalling 13.80 (2022: 13.20) pence per ordinary share.

Investment process

Your Company's investment team look beyond today's highest dividend payers to provide attractive levels of yield and future income growth. By utilising a barbell approach to income generation, diversification is achieved by allocating towards mispriced opportunities in capital growth and income. Your Manager aims to balance the companies with a sustainably high yield with those that offer a lower dividend but with greater growth prospects.

Your Manager seeks to identify and invest in mispriced situations through fundamental research. While macroeconomic outcomes are difficult to predict precisely, your Manager monitors the risk to the Company's holdings using their experience gained over multiple economic cycles. Your Manager maintains a focus on constructing a diversified portfolio consisting of their highest conviction stock picks for the long term, within the constraints of delivering the Company's required income objective.

Your Company's investment approach is based on Schroders' belief that stock markets are inefficient, whilst your Manager believes it can exploit such inefficiencies by conducting primary research, through disciplined portfolio construction, and taking a long-term view. Your Company's lead Manager, Sue Noffke, is head of UK equities, head of the Prime UK equity team, has been a member of Schroders' UK Equity team for over 30 years and has been managing your Company's portfolio since 2011. Your Company's investment team employs a rigorous and disciplined investment process aiming to deliver consistent outperformance with low volatility against set objectives.

The investment team's edge is built on several pillars:

1. **Experience and stability**. The team has over 93 years' experience[2] investing in the UK equity market.

Business Review

2. **A rigorously implemented, repeatable process**. The foundations of the investment process have been stable since 2006, though significant incremental enhancements have been made.
3. **A pragmatic rather than ideological investment style**. A focus on building style neutral portfolios allows the team to hunt for opportunities in all corners of the market.
4. **Behavioural**. The team's time horizon allows them to embrace short term uncertainty when they are confident in the long-term destination.
5. **The depth of Schroders resources available**. The team are members of the UK Equity community and regularly collaborate with global colleagues.
6. **Active Ownership**. The team's longer holding periods allow them to affect change where appropriate, prevent bad outcomes and ensure alignment of incentives.

1. Experience and Stability

Your Manager believes that just as investment returns compound, knowledge also does. The investment team has over 93 years of investment experience that gives them an important edge. The Portfolio Managers (PMs), led by Sue Noffke, have worked together since 2015. They have built a deep understanding of UK businesses, industries, management teams and competitive dynamics. This knowledge is shared across the team continually, in a collaborative way of working. Consequently, the entire team benefits from the experience of investing through various cycles, interest rate regimes, inflation and valuation environments. The team use this knowledge to build its investment edge. For example, deciding when trends are structural rather than cyclical, spot changes in competitive dynamics and back proven management teams.

2. Rigorously implemented, repeatable process

The investment process is built on the belief that a collaborative, team-based approach is key to avoiding rash decisions. All buy and sell decisions must be unanimous across the portfolio managers. Unanimity creates a high hurdle for buy decisions and a shared responsibility for all holdings. Performance is therefore worn collectively, creating psychological safety. Every week, the investment team hold two portfolio construction meetings where existing positions and new ideas are debated. The team review portfolios, reflect on company meetings and examine mistakes for learning opportunities. A key aspect of the team's edge is both recognising and avoiding the situations and environments we struggle to perform in.

3. Pragmatic rather than ideological investment style

Your Manager believes that the industry terms 'value' and 'growth' create inefficiencies to take advantage of, and to deliver the best risk adjusted returns. Style neutrality allows the team to focus on where the opportunities are and act independently of whichever 'factor' is in favour. Mispricing can occur in a high growth company on high headline multiples of earnings and cash flows, or a mature business priced below market multiples. There are examples of both types of company in your Company's portfolio. Over the years the team have had success identifying mispricings where fundamentally sound companies encounter a serious but temporary problem. They are unafraid to take a contrarian view when backed by research. Over 80% of your Company's active return comes from stock selection.[1] It believes that style neutrality helps deliver consistent alpha generation which gives our clients a smoother experience, reducing the chances of selling prematurely.

4. Behavioural

Your investment team have a behavioural edge that has been repeatedly exploited over many years. It strikes your Manager as odd that the increasing number of portfolio managers proclaiming to be 'long term' investors coincides with a sustained shortening of holding periods. Your Company's 10 year average portfolio turnover is below 20%, implying an average holding period of over 5 years. Many of your Company's peers are unable or unwilling to invest where the next three to six months looks uncertain but the five-year outlook is positive. These are opportunities your Company steps into when confident in the destination, believing that underfollowed and analysed mid-caps represent some of the best opportunities. In the ten years to the end of 2022, an outsized portion of the alpha generated by the underlying portfolio of Schroder Income Growth PLC has come from mid-cap companies.[2] As a result, your Company has increased its mid cap analyst resource in the past 12 months. Furthermore, its two dedicated team analysts have roving roles, freeing them to find the best opportunities rather than be constrained by sector.

5. Schroders resources

Being part of Schroders is a significant benefit to your investment team, enhancing its edge. They are members of the UK Equity Community, a group of 16 investors focused on UK equities. Colleagues share their research, disseminate information that matters and provide alternative viewpoints to challenge existing views. Beyond the UK Equity Community, the team engage with more than 100 equity analysts and 70 Portfolio Managers across the world. As your teams portfolios' are style neutral, they regularly collaborate across the spectrum of investment teams. This provides valuable insight into UK businesses' global competitors. They engage daily with Schroder's team of over 50 sustainability experts.

6. Active Ownership

Active Ownership at Schroders means engaging with companies to encourage responsible behaviour and enhance our investment edge. Your Company's 5 to 7 year holding period means it can build meaningful relationships with management and the board of directors. Your Company's proposals and opinions are given serious consideration due to Schroders' reputation in ESG and because they are in it for the long-term. Moreover, engagements are investor-led. They do not outsource matters of sustainability and proxy voting to its sustainability team. They prefer to engage directly. Active Ownership is focused on aligning the interests of management teams and stakeholders with shareholders. This can prevent bad outcomes and gives an alternative insight into company culture. Your Company is prepared to invest in "progress not perfection".

[1]Source: Schroders performance analysis.

[2]FTSE 250 Mid Cap companies. Source: Schroders.

Promotion and shareholder relations

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 two channels:

– Discretionary fund managers. The Manager promotes the Company via both London and regional sales teams.

Business Review

- 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.

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.

Further disclosures

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 pages 12 and 13, 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. The Board is keen to hear from shareholders and can do so 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.

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 72 to 74.

Diversity policy

The Board has adopted a diversity and inclusion policy which seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Board recognises that its debates and decision-making are greatly enriched by a wider range of perspectives and thinking. The Board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit. 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.

Implementation of diversity policy

The Board has adopted the FCA's Listing Rules (LR 9.8.6R(9)(a) in relation to diversity which requires that:

(i) at least 40% of individuals on the board are women;

(ii) at least one of the senior board positions is held by a woman; and

(iii) at least one individual on the board is from a minority ethnic background.

The FCA defines senior board positions as Chairman, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID). As an investment trust with no executive officers, the Company has no CEO or CFO. The Board has reflected the senior positions of the Chairman and the SID in its diversity tables below.

The Board has chosen to align its diversity reporting reference date with the Company's financial year end and proposes to maintain this alignment for future reporting periods. The Company has met all three targets on board diversity as at its chosen reference date, 31 August 2023, and there have been no changes since then to the date of publication of the annual report and accounts. The data is set out in the tables below.

Financial crime policy

The Company continues to be committed to carrying out its business fairly and 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.

Sex	Number of Board Members	Percentage of the Board	Number of senior positions on the Board	Listing Rules Target
Men	2	50%	1	Women should make up at least 40% of the Board and hold at least one of the senior positions
Women	2	50%	1	
Prefer not to say	–	–	–	

Ethnic background	Number of Board Members	Percentage of the Board	Number of senior positions on the Board	Listing Rules Target
White British or other White (including minority-white groups)	3	75%	2	At least one member of the board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for Asian/Asian British 1 17% – National Statistics)
Mixed/Multiple Ethnic Groups	–	–	–	
Asian/Asian British	1	25%	–	
Black/African/Caribbean/Black British	–	–	–	
Other ethnic group, including Arab	–	–	–	
Not specified/prefer not to say	–	–	–	

Business Review

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.

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 Report on pages 12 to 13, 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.

Business Review

Stakeholder Engagement: Section 172 of the Companies Act 2006

During the year under review to 31 August 2023, the Board discharged its duty under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of all stakeholders. As an externally managed investment trust, the Company has no employees, operations or premises. The Board has identified its key stakeholders as the Company's shareholders, the Manager, other service providers, the Investee companies and the Company's Lender. The table below explains how the Directors have engaged with all stakeholders and outlines key activities undertaken and decisions made by the Board during the reporting period.

Stakeholder	Why they are important	Engagement	2022/23 Highlights
Shareholders	Continued shareholder support and engagement are critical to the continuing existence of the business and the delivery of the long-term strategy of its business	**Annual General Meeting (AGM):** The Company welcomes attendance and participation from shareholders at the AGM. Shareholders have the opportunity to meet the Directors and the Manager and ask questions at the AGM. The Board values the feedback it receives from shareholders which is incorporated into Board discussions. **Publications:** The annual and interim results presentations, as well as quarterly reports and factsheets, are available on the Company's webpage with their availability announced via the stock exchange. Feedback and/or questions received from shareholders enable the Company to evolve its reporting which, in turn, helps to deliver transparent and understandable updates. **Shareholder communication:** The Manager communicates with shareholders periodically. All investors are offered the opportunity to meet the Chair, Senior Independent Director, or other Board members without using the Manager or Company Secretary as a conduit, by writing to the Company's registered office. The Board also corresponds with shareholders by letter and email. The Board receives regular feedback from its broker on investor engagement and sentiment. **Investor Relations updates:** At every Board meeting, the Directors receive updates on the share trading activity, share price performance and any shareholders' feedback, as well as any publications or comments in the press. To gain a deeper understanding of the views of its shareholders and potential investors, the Manager also undertake Investor Roadshows following publications of results.	The AGM was held in person in 2022 and questions and feedback from shareholders were welcomed. The Board, along with the Manager, look forward to meeting and interacting with more shareholders at the forthcoming AGM in December 2023. The Company's webpages have been refreshed and enhanced during the year to optimise the user experience for shareholders and investors. The newsletter has also been refreshed for professional and retail subscribers. The Manager engaged with several major shareholders and investors during the year. The Board continues to work with Kepler on promoting the Company through its research notes which are published twice a year.

Business Review

Stakeholder	Why they are important	Engagement	2022/23 Highlights
		Working with external partners: The Board also engages some external providers, such as investor communications advisors to obtain a more detailed view on specific aspects of shareholder communications, such as developing more effective ways to communicate with investors. **Board Succession Planning:** The composition of the Board and the succession planning is led by the Nomination Committee with changes managed in order to provide regular refreshment, good diversity and a high level of relevant skills as set out in its report on pages 39-40. This ensures the Board has the expertise to effectively manage the Company to contribute to its long-term success and to safeguard shareholders' interests.	The Board has made disclosures in respect of its diversity policy and implementation of this in the year under review.
The Manager	Holding the Company's shares offers investors a liquid investment vehicle through which they can obtain exposure to the Company's diversified portfolio of investment opportunities. The Manager's performance is critical for the Company to deliver its investment strategy successfully and meet its objective 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.	Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager both aim to continue to achieve consistent, long-term returns in line with the investment objective. The Board invites the Manager to attend all Board and certain Committee meetings in order to update the Directors on the performance of the investments and the implementation of the investment strategy and objective. Important components in the collaboration with the Manager are: – Encouraging open discussion with the Manager. – Recognising that the interests of shareholders and the Manager (as well as of its other clients) are, for the most part, well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Manager's terms of engagement. – Drawing on Directors' individual experience to support the Manager in its monitoring and change management of portfolio companies, for the benefit of all stakeholders of the Company.	The Board reviews the portfolio at each quarterly meeting and maintains constructive dialogue with the Manager. The Board has not repurchased any shares during the year but it continues to monitor the discount closely and will take appropriate action as required. The Company could not, without a significant draw down on reserves, to increase the dividend in real terms this year, as has happened several times in the past due to the recent surge in inflation. However, the ability to smooth income by judicious use of revenue reserves remains a particular advantage of investment trusts. Despite difficult conditions, the Board was able to increase its dividend for the 28th consecutive year. The dividend of 13.80p was 95.2% covered by earnings. After payment of the fourth interim dividend, the revenue reserve will be £7.5 million, representing 10.80p per ordinary share or over nine months of the annual dividend.

Business Review

Stakeholder	Why they are important	Engagement	2022/23 Highlights
Investee companies	The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Manager.	In order to achieve this, the Manager has discretionary powers to exercise voting rights on behalf of the Company on all resolutions proposed by the investee companies, when the Company's rights permit voting. The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.	In respect of the year under review, the Manager engaged with many of its investee companies and voted at all of its shareholder meetings (further details can be found on page 12).
Service Providers	In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of advisers to support meeting all relevant obligations.	The Board maintains regular contact with its key external providers, both through the Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views, are routinely taken into account.	During the year, the Management Engagement Committee reviewed its third party service providers including the Manager. The Board considered the ongoing appointments to be in the best interests of the Company and its shareholders as a whole.
Lenders	Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	Considering how important the availability of funding is, the Company aims to demonstrate to lenders that it is a well-managed business and, in particular, that the Board focuses regularly and carefully on the management of risk. The Manager manages the relationship with the Company's lender and reports to the Board at each meeting and as and when required for renewals of terms or negotiation of loan covenants. The Manager provides a monthly statement of compliance of the loan covenants to the lender.	During the year, gearing was regularly considered. The revolving loan facility for £30 million with Sumitomo Mitsui Banking Corporation ("SMBC") has been renewed for a further year from 22 September 2023.

Business Review

Principal risks and uncertainties

The Board, through its delegation to the Audit and Risk Committee, 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 October 2023.

During the year, the Board discussed and monitored a number of risks which could potentially impact the Company's ability to meet its strategic objectives. The Board received updates from the Manager, Company Secretary and other service providers on emerging risks that could affect the Company. The Board was mindful of the following emerging risks during the year; the ongoing conflict in Ukraine, rising inflation and interest rates, the threat of a UK recession and increasing energy prices. These risks were not seen as new principal or emerging risks but those that exacerbate existing risks and have been incorporated in the market risks section in the table below.

Political risk includes the impact of geopolitical risk, regional tensions, trade wars and sanctions against companies. The Board continued to monitor the Russian invasion of Ukraine and its impact on political tensions, supply chains, interest rates and in particular higher inflation in the UK and globally. The Board is also mindful that changes to financial and public policy 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 that the Manager has integrated ESG considerations, including climate change, into the investment process. The Board will continue to monitor this. The Board considers that both political risks and climate risks referred to above are covered in the table below under economic and market risks and ESG and climate change risks respectively.

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.

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, decreased or unchanged.

Risk	Mitigation and management	Change
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 Board holds a separate annual strategy meeting to consider the Company's strategy and performance, the appropriateness of the Company's investment remit together with opportunities and threats to its business. Share price relative to NAV per share is monitored at quarterly board meetings and the use of buy back authorities is considered on a regular basis. The marketing and distribution activity is actively reviewed and there is proactive engagement with shareholders. The Company holds a continuation vote every five years on whether the Company should continue in its current form. Shareholders will have the opportunity to vote on the continuation of the Company at its AGM in 2025.	→
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.	→

Business Review

Risk	Mitigation and management	Change
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager, including resources and key personnel risk.	→
Economic and 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 portfolio will normally be fairly fully invested and as such will therefore inevitably be exposed to economic and market risk. Changes in general economic and market conditions, such as currency exchange rates, interest rates, inflation rates, industry conditions, tax laws, political events and trends can substantially and adversely affect the value of investments. Market risk includes the potential impact of events which are outside the Company's control, such as pandemics, civil unrest and wars.	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. There are inherent risks involved in stock selection. The Manager is experienced and has a long track record in successfully investing in public equity holdings. 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.	↑ The increased risk reflects the continuing geopolitical concerns globally as well as higher inflation, interest rate rises and the ongoing economic impact of these. The Board continues to monitor these macro events on a regular basis.
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 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.	↑ The loan was renewed in September 2023 for a further year. Borrowing remains expensive in the current falling market environment However, the Manager optimises the use of gearing to maximise the return to its equity shareholders through appropriate borrowing levels.

Business Review

Risk	Mitigation and management	Change
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. Audited internal controls reports from key service providers, including confirmation of business continuity arrangements, are reviewed annually.	→
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.	↑ The evolving nature of cyber attacks remains prevalent across the industry. While the risk of financial loss is probably small, the risk of reputational damage and loss of sensitive information continues to be significant.
ESG and climate change The failure of the Manager to identify ESG issues, including the impact of climate change, could impact shareholder returns due to valuation issues in investee companies and the Company's shares becoming less attractive to investors.	The Manager's ESG policies, including those relating to climate change, which have been adopted by the Company, are fully integrated into the investment process, as set out in the Strategic Report. Investments are valued at fair value and reflect market participants' views of ESG and climate change risk on the Company's portfolio investments. The Manager regularly reports to the Board on ESG and climate change matters, including engagement with investee companies. Any investor feedback is also taken into consideration by the Board.	→

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 65 to 69.

Business Review

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 2023 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.

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 24 to 26 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.

Whilst the Company's Articles of Association require that a proposal for the continuation of the Company be put forward at the AGM in 2025, the Directors have no present reason to believe such a resolution will not be passed by shareholders.

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. The Board have considered climate risk, political risk and external market factors in their assessment. 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 2024 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
25 October 2023

Governance

Governance

Board of Directors

Ewen Cameron Watt

Status: independent non-executive Chairman

Length of service: 6 years – appointed a Director on 18 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 the 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.

Contribution: Ewen brings his extensive financial services and investment experience.

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

Current remuneration: £38,000 per annum*

Shares held: 13,000**

June Aitken

Status: independent non-executive Director

Length of service: 9 months – appointed a Director on 1 January 2023

Experience: June Aitken has over 30 years' experience with a successful equities distribution platform background. She worked in partnership with institutional investors and subsequently co-founded an investment manager focused on environmental and responsible equity mandates for pension funds and endowments globally. She brings her knowledge of the investment trust market, including intermediary and retail investor distribution, and experience of risk and governance frameworks. She has previously held roles with Berkshire Capital ICAV, Asian Masters Fund, Emerging Markets Masters Fund and Aquarius Fund. June is currently a non-executive Director of JP Morgan Asia Growth and Income plc, CC Japan Income & Growth Trust plc and BBGI Global Infrastructure S.A.

Contribution: June brings broad based experience in investment trusts and financial services including distribution, responsible investment and governance.

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

Current remuneration: £28,000 per annum*

Shares held: 10,163**

Board of Directors

Fraser McIntyre

Status: independent non-executive Director

Length of service: 4 years – appointed a Director on 17 December 2019

Experience: Fraser McIntyre has over 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, Goldman Sachs and UBS. 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.

Contribution: Fraser brings his experience in financial services, including asset management, investment banking and audit.

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

Current remuneration: £33,000 per annum*

Shares held: 15,415***

Victoria Muir

Status: senior independent non-executive Director

Length of service: 4 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.

Contribution: Victoria brings her experience in financial services, particularly asset management with a focus on distribution, strategy and governance.

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

Current remuneration: £28,000 per annum*

Shares held: 3,500**

* Current remuneration effective 1 September 2023.

** Shareholdings are as at 25 October 2023. Full details of Directors' shareholdings and fees paid to Directors are set out in the Directors' Remuneration Report on pages 42 to 44.

*** Mr McIntyre's shareholding as at 25 October 2023 includes the holdings of a connected person.

Directors' Report

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 30. He has no conflicting relationships.

Senior Independent Director

Victoria Muir is the Board's Senior Independent Director ("SID") and has held this position since 15 December 2022. She acts as a sounding board for the Chairman, meets with major shareholders as appropriate, provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors.

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 or by email to amcompanysecretary@schroders.com.

Role and operation of the Board

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 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 Report on pages 6 to 27 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 £726.1 billion (as at 30 June 2023) 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.

Under the terms of the AIFM Agreement, a management fee is payable at a rate of 0.45% per annum of chargeable assets. A further fee of £150,000 plus VAT per annum is payable to cover administration and company secretarial fees.

The management fee payable in respect of the year ended 31 August 2023 amounted to £1,055,000 (2022: £1,054,000).

Details of all amounts payable to the Manager are set out in note 4 on page 59.

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.

Corporate Governance Statement

The Financial Conduct Authority requires all UK listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the "UK Code") issued by the Financial Reporting Council ("FRC").

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

The Board confirms that the Company has complied with the AIC Code, in so far as they apply to the Company's business, throughout the year under review. As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following UK Code Provisions:

- the role of the executive directors and senior management;
- the need for an internal audit function; and
- executive directors' remuneration.

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.

Share capital and substantial share interests

As at 25 October 2023, 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 63.

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 2023	% 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' Report

Directors' attendance at meetings

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.

	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Ewen Cameron Watt	4/4	2/2	2/2	2/2	2/2
June Aitken[1]	2/4	1/2	1/2	1/2	1/2
Bridget Guerin[2]	2/4	1/2	1/2	1/2	1/2
Fraser McIntyre	4/4	2/2	2/2	2/2	2/2
Victoria Muir	4/4	2/2	2/2	2/2	2/2

[1]Ms Aitken was appointed to the Board on 1 January 2023.
[2]Ms Guerin retired from the Board on 15 December 2022.

In addition to the scheduled quarterly Board meetings, the Board met once during the year to review and focus on the Company's strategy. The Board is satisfied that the Chairman and each of the other non-executive Directors commit 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
25 October 2023

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 Chairman of the 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. The Chairman of the Board is a member of the Committee, and was independent on appointment. Provision 24 of the UK Code states that the chairman of the board should not be a member of the audit committee. However, the AIC Code permits the Chairman to be a member of, but not chair, the Committee if they were independent on appointment. In view of the size of the Board, the Directors feel it is appropriate for him to continue as a member, so that the Committee can continue to benefit from his experience and knowledge. The activities of the Committee were considered as part of the internally facilitated board appraisal process completed in accordance with standard governance arrangements. The evaluation found that the Committee functioned well, with the right balance of membership, skills and experience.

Approach		
The Committee's key roles and responsibilities are set out below.		
Risks and Internal Controls	**Financial Reports and Valuation**	**Audit**
Principal and Emerging risks and uncertainties To establish a process for identifying, assessing, managing and monitoring emerging and principal risks of the Company, and an explanation of how these are being managed or mitigated. The Committee is responsible for reviewing the adequacy and effectiveness of the Company's internal controls and the whistleblowing procedures operated by the AIFM and other services providers.	**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.
	Going concern and viability 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. The Committee is also responsible for reviewing the disclosures made by the Company in the viability statement.	**Auditor appointment, independence and performance** To make recommendations to the Board, in relation to the appointment, re-appointment, effectiveness, any non-audit services by the auditor, removal of the external auditor, to review their independence, and to approve their remuneration and terms of engagement. To review the audit plan and engagement letter.

Audit and Risk Committee Report

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 34. An evaluation of the Committee's effectiveness and review of its terms of reference was completed during the year.

<table>
<tr><th colspan="3">Application during the year</th></tr>
<tr><th>Risks and Internal Controls</th><th>Financial Reports and Valuation</th><th>Audit</th></tr>
<tr><td>Principal and Emerging risks
Reviewed the principal and emerging risks faced by the Company together with the systems, processes and oversight in place to manage and mitigate them.

Service provider controls
Consideration of the operational controls maintained by the Manager, Depositary and Registrar.</td><td>Recognition of investment income
Considered dividends received against forecast and the allocation of special dividends to income or capital.</td><td>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.</td></tr>
<tr><td>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.</td><td>Calculation of the investment management fee
Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.</td><td>Auditor independence
Ernst & Young LLP has provided audit services to the Company since it was appointed on 17 May 2019.
The auditor is required to rotate the senior statutory auditor every five years.
There are no contractual obligations restricting the choice of external auditor.
This is the fourth year that the senior statutory auditor, Matthew Price, has conducted the audit of the Company's financial statements.</td></tr>
<tr><td>Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010
Consideration of the Manager's report confirming compliance.</td><td>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.</td><td>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.</td></tr>
<tr><td></td><td>Valuation and existence of holdings
Quarterly review of portfolio holdings and assurance reports.</td><td>Meetings with the auditor
Met the auditor without representatives of the Manager present. Representatives of the auditor attended the Committee meeting at which the draft annual report and accounts was considered.</td></tr>
</table>

Audit and Risk Committee Report

Application during the year		
Risks and Internal Controls	**Financial Reports and Valuation**	**Audit**
	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 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 report and accounts. The Committee is also responsible for reviewing the disclosures made by the Company in the viability statement.	**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 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 2023, 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 45.**
- **Having reviewed the performance of the auditor 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
Chairman of the Audit and Risk Committee
25 October 2023

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. 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. The activities of the Committee were considered as part of the internally facilitated board appraisal process completed in accordance with standard governance arrangements. The evaluation found that the Committee functioned well, with the right balance of membership, skills and experience.

Approach

Oversight of the Manager

The Committee:

- 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.

Oversight of other service providers

The Committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Depositary
- Corporate broker
- Registrar
- Lender

The Committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The Committee notes the Audit and Risk Committee's review of the auditor.

Application during the year

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.

The Committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.

The Committee reviewed the other services provided by the Manager and agreed they were satisfactory.

The annual review of each of the service providers was satisfactory.

The Committee noted that the Audit and Risk Committee had undertaken a detailed evaluation of the Manager, registrar, and depositary and custodian's internal controls.

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. June Aitken is the Chairman of the Committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/incomegrowth. The activities of the Committee were considered as part of the internally facilitated board appraisal process completed in accordance with standard governance arrangements. The evaluation found that the Committee functioned well, with the right balance of membership, skills and experience.

Oversight of Directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

Approach

Selection and induction	Board evaluation	Succession
• The 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. • The Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. • The Committee reviews the induction and training of new Directors.	• The 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.	• 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 9 years, in ordinary circumstances and that each Director will be subject to annual re-election at the AGM. • The Committee reviews the Board's current and future needs at least annually. Should any need be identified the Committee will initiate the selection process. • The Committee oversees the handover process for retiring Directors.

Nomination Committee Report

Application during the year		
Selection and induction	**Board evaluation**	**Succession**
• Following a rigorous selection process using an independent external recruitment agency, Cornforth Consulting Limited, June Aitken was appointed to the Board on 1 January 2023. An induction session was held with the Manager and its various operating functions.	• The Board evaluation was undertaken in July 2023 and concluded that the Board and its Committees functioned well, with the right balance of membership, skills and experience. • 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. 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 30 and 31. All Directors were considered to be independent in character and judgement. • Based on its assessment, the Committee provided individual recommendations for each Director's election or re-election.	• The Committee believes it is important for the Board to have the appropriate skills and diversity and has reviewed composition and succession plans with these in mind. • The Board has complied with the FCA Listing Rule in relation to diversity and provided necessary disclosures on page 19.

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 election or re-election by shareholders at the AGM.**

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 Directors' 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 makes 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 determined they remained appropriate.
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 and Remuneration Policy will be put to shareholders for approval at the forthcoming AGM.

Recommendations made to, and approved by, the Board:
- **That the remuneration framework and Remuneration Policy remained appropriate.**
- **That the Remuneration Report should be put to shareholders for approval as an advisory vote at the forthcoming AGM.**
- **That the Remuneration Policy should be put to shareholders for approval 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 forthcoming 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 15 December 2022, 97.50% 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 2022 were in favour, while 2.50% were against. 35,896 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 receive 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 2023 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 15.

	Fees		Taxable benefits[1]		Total		Change in annual fee over years ended 31 August[6]		
Director	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £	2023 %	2022 %	2021 %
Ewen Cameron Watt (Chairman)[2]	34,176	26,000	440	157	34,616	26,157	32.3	9.0	(1.1)
June Aitken[3]	18,000	–	103	–	18,103	–	0.0	n/a	n/a
Bridget Guerin[4]	10,771	36,000	568	253	11,339	36,253	(68.7)	5.5	8.4
Fraser McIntyre[5]	32,000	31,000	1,749	116	33,749	31,116	8.5	12.6	71.3
Victoria Muir	27,000	26,000	1,696	–	28,696	26,000	10.3	8.3	(1.2)
Total	121,946	119,000	4,556	526	126,503	119,526			

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

[2]Appointed Chairman on 15 December 2022.

[3]Appointed to the Board on 1 January 2023.

[4]Retired from the Board and as Chairman on 15 December 2022.

[5]Appointed as Director on 17 December 2019 and Audit Chairman on 17 December 2020.

[6]The percentage increase is attributable to the taxable benefits resulting from a two year delay caused by the Covid pandemic and a return to face to face meetings.

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.

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 2023.

Consideration of matters relating to Directors' remuneration

Directors' fees to 31 August 2023 were as follows: Chairman £37,000; Audit Committee Chairman £32,000; Director £27,000. Directors' remuneration was last reviewed by the Remuneration Committee in July 2023. The members of the Committee and Board at the time that remuneration levels were considered were as set out on pages 30 and 31. 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 this review, it was agreed that with effect from 1 September 2023, annual fees would be increased to £38,000 for the Chairman, £33,000 for the Audit Committee Chairman and £28,000 for Directors.

The Remuneration Committee believes that the level of increase and resulting fees appropriately reflects prevailing market rates for an investment trust of the Company's size, the increasing complexity of regulation and resultant time spent by the Directors on Company matters, and will also enable the Company to attract appropriately experienced additional Directors in the future.

The maximum level of fees payable, in aggregate, to the Directors of the Company is currently £150,000 per annum.

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.

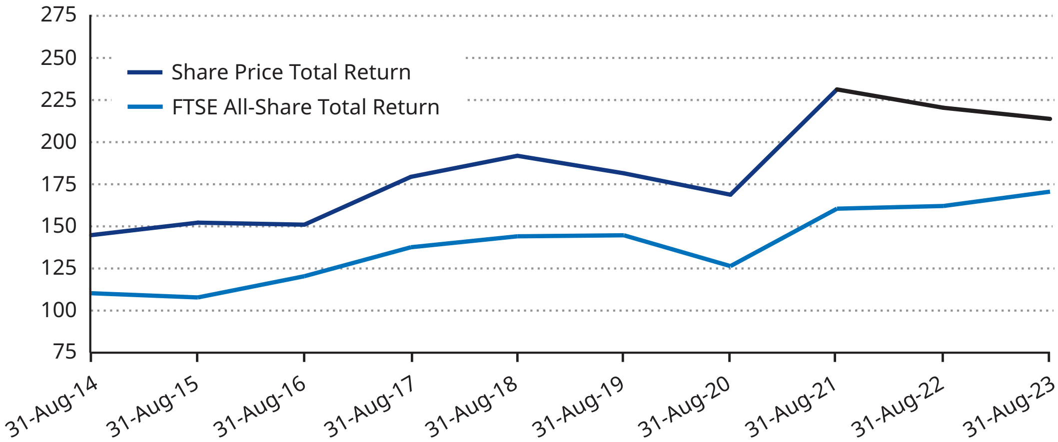
	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000	% change
Remuneration payable to Directors	127	120	5.8[1]
Distribution paid to shareholders – dividends	9,586	9,170	4.5

[1]The percentage fee increase is attributable to the taxable benefits resulting from a two year delay caused by the Covid pandemic and a return to face to face meetings.

Directors' Remuneration Report

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.



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2013.

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 2023	At 1 September 2022
Ewen Cameron Watt	13,000	10,000
June Aitken	10,163	–
Fraser McIntyre	7,984	7,704
Victoria Muir	3,500	3,500

The information in the above table has been audited. On 8 and 11 September 2023, a connected person to Mr McIntyre purchased 3,748 and 3,683 shares respectively. Following this purchase, Mr McIntyre's interests increased to 15,415 ordinary shares in the Company. There have been no purchases of shares by any of the other Directors since the year end.

Victoria Muir

Chairman of the Remuneration Committee

25 October 2023

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.

Directors' Statement

Each of the Directors, whose names and functions are listed on pages 30 and 31, 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

Ewen Cameron Watt
Chairman

25 October 2023

Financial

Financial

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

Opinion

We have audited the financial statements of Schroder Income Growth Fund plc ("The Company") for the year ended 31 August 2023 which comprise the Income Statement, Statement of Changes in Equity, 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 2023 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of Company in conducting the audit.

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 the following procedures;

- Confirmation of our understanding of the Company's going concern assessment process and engagement with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspection of the Directors' assessment of going concern, including the revenue forecast, for the period to 30 November 2024 which is at least 12 months from the date the financial statements will be 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.
- Review of the factors and assumptions, including the impact of the current economic environment, 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 are appropriate to be able to make an assessment for the Company.
- Consideration of the mitigating factors included in the revenue forecasts 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 in order to cover working capital requirements should revenue decline significantly.
- Review of 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.
- Review of the Company's going concern disclosures included in the annual report in order to assess that 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 a period covered by the directors to 30 November 2024 which is at least 12 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.

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 £2.04m 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, the potential impact of climate change 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.

Climate change

Stakeholders have been increasingly interested as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and the overall investment process. This is explained in the principal risks section on page 26 and which forms part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1(a) and conclusion that there was no material impact of climate change on the valuation of the investments. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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
Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement *As Described in the Audit and Risk Committee Report (page 24); Accounting policies (note 1 to the financial statement pages 42 to 43);* The total revenue for the year to 31 August 2023 was £10.56m (2022: £10.96m), consisting primarily of dividend income from listed equity investments.	**We performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and classification of special dividends by performing walkthrough procedures. For all dividends received and accrued dividends, 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. We also agreed all exchange rates to an external source where applicable and, for a sample of dividends received and all accrued dividends, we agreed the amounts to bank statements.	The results of our procedures identified no material misstatements 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.

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
The Company received special dividends amounting to £0.20m (2022: £2.20m). Of which £0.20m was classed as revenue (2022: £0.50m), and £0m (2022: £1.71m) was classed as capital. The investment income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition, the Directors may be required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	To test completeness of recorded income, we verified that dividends had been recorded for each investee Company held during the year with reference to investee Company announcements obtained from an independent data vendor. For all accrued dividends, we reviewed the investee Company announcements to assess whether the entitlement arose prior to 31 August 2023. We performed a review of the income and acquisition and disposal reports produced by the Administrator to identify all special dividends received and accrued. The Company received two special dividends in the period. For these dividends, we assessed the appropriateness of the Administrator's classification as revenue for these dividends by reviewing the underlying rationale for the distribution.	
Risk of incorrect valuation or ownership of the investment portfolio *As described in the Audit and Risk Committee's Report (page 24); Accounting policies (note 1 to the financial statement pages 42 to 43).* The valuation of the investment portfolio at 31 August 2023 was £229.8 million (2022: £230.5 million) consisting entirely of listed equities. The valuation of investments held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or 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. The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.	We obtained an understanding of the Administrator's processes and controls surrounding investment valuation and legal title by performing walkthrough procedures. For all listed investments in the portfolio we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year end. We reviewed the prices for all investments in the portfolio to identify prices that have not changed within five business days from year end to verify whether the listed price is a valid fair value. Our testing identified no prices which had not changed, and no stale prices were identified. We compared the Company's investment holdings at 31 August 2023 to independent confirmations received directly from the Company's Custodian.	The results of our procedures identified no material misstatements in relation to the risk of incorrect valuation or ownership of the investment portfolio.

There have been no changes to the areas of audit focus raised in the above risk table from the prior year.

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 £2.04m (2022: £2.05m), which is 1% (2022: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measure of the Company's performance.

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% (2022: 75%) of our planning materiality, namely £1.53m (2022: £1.54m). We have set performance materiality at this percentage due to our past experience of working with the key service providers which therefore 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 which is calculated as 5% of net revenue before tax. We determined this to be £0.46m (2022: £0.49m).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.10m (2022: £0.10m), 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 report 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 this gives rise to 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.

Corporate Governance Statement

We have reviewed 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 by the Listing Rules.

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 27;
- 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 27;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 27;
- Directors' statement on fair, balanced and understandable set out on page 37;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 26;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 35 to 37; and;
- The section describing the work of the audit committee set out on pages 35 to 37.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 45, 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.

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

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 United Kingdom Generally Accepted Accounting Practice, 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, 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 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 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 2023 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is five years, covering the years ending 31 August 2019 to 31 August 2023.
- 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

25 October 2023

Income Statement
for the year ended 31 August 2023

	Note	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	326	326	–	(16,596)	(16,596)
Net foreign currency losses		–	–	–	–	(1)	(1)
Income from investments	3	10,560	–	10,560	10,954	1,707	12,661
Other interest receivable and similar income	3	90	–	90	8	–	8
Gross return/(loss)		10,650	326	10,976	10,962	(14,890)	(3,928)
Investment management fee	4	(422)	(633)	(1,055)	(527)	(527)	(1,054)
Administrative expenses	5	(552)	–	(552)	(523)	–	(523)
Net return/(loss) before finance costs and taxation		9,676	(307)	9,369	9,912	(15,417)	(5,505)
Finance costs	6	(546)	(821)	(1,367)	(202)	(202)	(404)
Net return/(loss) before taxation		9,130	(1,128)	8,002	9,710	(15,619)	(5,909)
Taxation	7	–	–	–	(13)	–	(13)
Net return/(loss) after taxation		9,130	(1,128)	8,002	9,697	(15,619)	(5,922)
Return/(loss) per share (pence)	9	13.14	(1.62)	11.52	13.96	(22.49)	(8.53)

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 56 to 70 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 August 2023

	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 2021		6,946	9,449	2,011	1,596	34,936	153,859	11,118	219,915
Issue of new shares		–	–	–	–	–	–	–	–
Net (loss)/return on ordinary activities		–	–	–	–	–	(15,619)	9,697	(5,922)
Dividends paid in the year	8	–	–	–	–	–	–	(8,893)	(8,893)
At 31 August 2022		6,946	9,449	2,011	1,596	34,936	138,240	11,922	205,100
Net (loss)/return on ordinary activities		–	–	–	–	–	(1,128)	9,130	8,002
Dividends paid in the year	8	–	–	–	–	–	–	(9,170)	(9,170)
At 31 August 2023		6,946	9,449	2,011	1,596	34,936	137,112	11,882	203,932

The notes on pages 56 to 70 form an integral part of these accounts.

Statement of Financial Position at 31 August 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	229,714	230,497
Current assets			
Debtors	11	2,557	2,737
Cash at bank and in hand		1,560	2,305
		4,117	5,042
Current liabilities			
Creditors: amounts falling due within one year	12	(29,899)	(30,439)
Net current liabilities		(25,782)	(25,397)
Total assets less current liabilities		203,932	205,100
Net assets		203,932	205,100
Capital and reserves			
Called-up share capital	13	6,946	6,946
Share premium	14	9,449	9,449
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	137,112	138,240
Revenue reserve	14	11,882	11,922
Total equity shareholders' funds		203,932	205,100
Net asset value per share (pence)	15	293.58	295.26

These accounts were approved and authorised for issue by the Board of Directors on 25 October 2023 and signed on its behalf by:

Ewen Cameron Watt
Chairman

The notes on pages 56 to 70 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 2023

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 July 2022. 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 until 30 November 2024, which is 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 directors have considered the impact of climate change risk and emerging risk and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. Further details of directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Principal Risks and uncertainties in the Strategic Report.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions; in particular that substantially all of the Company's investments are highly liquid and carried at market value.

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 2022.

Other than the Director's assessment of going concern, 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 investments are classified as fair value through profit and loss in accordance with FRS 102. Upon initial recognition the investments are measured at the transaction price, 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. Fair value gains or losses are recognised in the capital column of the Income Statement.

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, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

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

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

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

(e) Expenses

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

– The management fee is allocated 40% to revenue and 60% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

Notes to the accounts for the year ended 31 August 2023

– Expenses incidental to the purchase and sale of an investment are written off to capital at the time of acquisition or disposal. 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 61.

(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 40% to revenue and 60% 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 transaction price and, subsequently at amortised cost. They are recorded at the proceeds received net of direct issue costs.

(h) Taxation

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

Deferred tax is accounted for in accordance with FRS 102.

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

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

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 determine 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 the 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 for the year ended 31 August 2023

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

	2023 £'000	2022 £'000
Gains on sales of investments based on historic cost	1,242	6,923
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(2,196)	(10,239)
(Losses) on sales of investments based on the carrying value at the previous balance sheet date	(954)	(3,316)
Net movement in investment holding gains and losses	1,280	(13,280)
Gains/(losses) on investments held at fair value through profit or loss	326	(16,596)

3. Income

	2023 £'000	2022 £'000
Income from investments:		
UK dividends	8,763	9,406
UK special dividends	196	496
Overseas dividends	1,538	909
Scrip dividends	63	143
	10,560	10,954
Other interest receivable and similar income:		
Deposit interest	90	8
	90	8
Total income	10,650	10,962
Capital:		
Special dividends allocated to capital	–	1,707

Notes to the accounts for the year ended 31 August 2023

4. Investment management fee

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Management fee	422	633	1,055	527	527	1,054

The basis for calculating the management fee is set out in the Directors' Report on page 32.

5. Administrative expenses

	2023 £'000	2022 £'000
Administration expenses	374	350
Directors' fees	122	119
Auditor's remuneration for the audit of the Company's financial statements[1]	56	54
	552	523

[1]Includes £9,000 (2022: £9,000) irrecoverable VAT.

6. Finance costs

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Interest on bank loans and overdrafts	546	821	1,367	202	202	404

7. Taxation

	2023 £'000	2022 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	–	13
Tax charge for the year	–	13

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2022: higher) than the Company's applicable rate of corporation tax for the year of 21.5% (2022: 19.0%).

Notes to the accounts
for the year ended 31 August 2023

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

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Net gain/return on ordinary activities before taxation	9,130	(1,128)	8,002	9,710	(15,619)	(5,909)
Net gain/return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 21.5% (2022: 19.0%)	1,962	(243)	1,719	1,845	(2,968)	(1,123)
Effects of:						
Capital return/loss on investments	–	(70)	(70)	–	3,153	3,153
Income not chargeable to corporation tax	(2,181)	–	(2,181)	(1,978)	(324)	(2,302)
Unrelieved expenses	219	313	532	133	139	272
Irrecoverable overseas tax	–	–	–	13	–	13
Tax charge for the year	–	–	–	13	–	13

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £9,207,000 (2022: £8,589,000) based on a main rate of corporation tax of 25% (2022: 25%). In its 2021 budget, the UK 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.

8. Dividends

	2023 £'000	2022 £'000
(a) Dividends paid and declared		
2022 fourth interim dividend of 5.7p (2021: 5.3p)	3,959	3,682
First interim dividend of 2.5p (2022: 2.5p)	1,737	1,737
Second interim dividend of 2.5p (2022: 2.5p)	1,737	1,737
Third interim dividend of 2.5p (2022: 2.5p)	1,737	1,737
Total dividends paid in the year	9,170	8,893

	2023 £'000	2022 £'000
Fourth interim dividend declared of 6.3p (2022: 5.7p)	4,376	3,959

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

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

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £9,130,000 (2022: £9,697,000).

Notes to the accounts for the year ended 31 August 2023

	2023 £'000	2022 £'000
First interim dividend of 2.5p (2022: 2.5p)	1,737	1,737
Second interim dividend of 2.5p (2022: 2.5p)	1,737	1,737
Third interim dividend of 2.5p (2022: 2.5p)	1,737	1,737
Fourth interim dividend of 6.3p (2022: 5.3p)	4,376	3,959
Total dividends of 13.80p (2022: 13.20p) per share	9,587	9,170

9. Return/(loss) per share

	2023 £'000	2022 £'000
Revenue return	9,130	9,697
Capital loss	(1,128)	(15,619)
Total return/(loss)	8,002	(5,922)
Weighted average number of ordinary shares in issue during the year	69,463,343	69,463,343
Revenue return per share	13.14p	13.96p
Capital loss per share	(1.62)p	(22.49)p
Total return/gain per share	11.52p	(8.53)p

10. Investments held at fair value through profit or loss

	2023 £'000	2022 £'000
Opening book cost	207,135	187,930
Opening investment holding gains	23,362	46,881
Opening fair value	230,497	234,811
Analysis of transactions made during the year		
Purchases at cost	57,193	69,738
Sales proceeds	(58,302)	(57,456)
Gains/(losses) on investments held at fair value	326	(16,596)
Closing fair value	229,714	230,497
Closing book cost	207,268	207,135
Closing investment holding gains	22,446	23,362
Closing fair value	229,714	230,497

All investments are listed on a recognised stock exchange.

Sales proceeds amounting to £58,302,000 (2022: £57,456,000) were receivable from disposal of investments in the year. The book cost of these investments when they were purchased was £57,059,000 (2022: £50,533,000). 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.

Notes to the accounts for the year ended 31 August 2023

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

	2023 £'000	2022 £'000
On acquisitions	236	352
On disposals	30	24
	266	376

11. Debtors

	2023 £'000	2022 £'000
Dividends and interest receivable	2,537	2,718
Taxation recoverable	5	5
Other debtors	15	14
	2,557	2,737

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

12. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank loan	29,500	30,000
Other creditors and accruals	399	439
	29,899	30,439

The bank loan comprises £29.5 million (2022: £30 million) drawn down on the Company's revolving credit facility with SMBC Bank International plc. The facility was extended for a further year, effective 22 September 2023.

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).

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

Notes to the accounts for the year ended 31 August 2023

13. Called-up share capital

	2023 £'000	2022 £'000
Ordinary shares allotted, called-up and fully paid:		
Ordinary shares of 10p each		
Opening balance of 69,463,343 (2022: 69,463,343) shares	6,946	6,946
Total of 69,463,343 (2022: 69,463,343) shares	6,946	6,946

14. Reserves

Year ended 31 August 2023

				Capital reserves			
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	9,449	2,011	1,596	34,936	114,878	23,362	11,922
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(954)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	1,280	–
Transfer on disposal of investments	–	–	–	–	2,196	(2,196)	–
Management fee and finance costs allocated to capital	–	–	–	–	(1,454)	–	–
Dividends paid	–	–	–	–	–	–	(9,170)
Retained revenue for the year	–	–	–	–	–	–	9,130
Closing balance	9,449	2,011	1,596	34,936	114,666	22,446	11,882

Notes to the accounts for the year ended 31 August 2023

Year ended 31 August 2022

	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	Capital reserves Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	9,449	2,011	1,596	34,936	106,978	46,881	11,118
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(3,316)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	(13,280)	–
Transfer on disposal of investments	–	–	–	–	10,239	(10,239)	–
Realised exchange gains on currency balances	–	–	–	–	(1)	–	–
Management fee and finance costs allocated to capital	–	–	–	–	(729)	–	–
Special dividends allocated to capital	–	–	–	–	1,707	–	–
Dividends paid	–	–	–	–	–	–	(8,893)
Retained revenue for the year	–	–	–	–	–	–	9,697
Closing balance	9,449	2,011	1,596	34,936	114,878	23,362	11,922

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

[1]These reserves are not distributable.

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

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

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

15. Net asset value per share

	2023	2022
Net assets attributable to shareholders (£'000)	203,932	205,100
Shares in issue at the year end	69,463,343	69,463,343
Net asset value per share	293.58p	295.26p

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 32. 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 2023 amounted to £1,055,000 (2022: £1,054,000) of which £259,000 (2022: £259,000) was outstanding at the year end.

Effective from 1 March 2021, the Manager is entitled to receive a further fee to cover administration and company secretarial costs. The secretarial fee payable for the year amounted to £180,000 (2022: £180,000) including VAT, of which £45,000 (2022: £45,000) 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.

Notes to the accounts for the year ended 31 August 2023

17. Related party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on pages 42 to 44 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 44. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2022: 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 valuation techniques used by the Company are given in note 1(b).

At 31 August 2023, all investments in the Company's portfolio are categorised as Level 1 (2022: 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 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 has arranged a £5m overdraft facility with HSBC Bank plc, this was not utilised during the current or comparative year.

Notes to the accounts for the year ended 31 August 2023

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:

	2023 £'000	2022 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	1,560	2,305
Creditors falling due within one year: bank loan	(29,500)	(30,000)
Total exposure	(27,940)	(27,695)

Cash balances earn interest at a floating rate based on the Sterling Overnight Index Average (2022: Sterling Overnight Index Average).

The Company extended its £30 million credit facility with SMBC Bank International plc for a further year, effective from 22 September 2023. Interest payable is calculated at the aggregate of the compounded daily Risk Free Rate ("RFR"), plus a margin. Amounts are normally drawn down on the facility for a one month period, at the end of which it may be rolled over or adjusted. At 31 August 2023, the Company had drawn down £29.5 million (2022: £30 million), for a one month period at an interest rate of 5.91% (2022: 2.52%) 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 cash balances and drawings on the facility have fluctuated. The maximum and minimum exposure during the year was as follows:

	2023 £'000	2022 £'000
Minimum debit interest rate exposure during the year – net debt	(21,727)	(17,972)
Maximum debit interest rate exposure during the year – net debt	(27,940)	(27,695)

Notes to the accounts for the year ended 31 August 2023

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.5% (2022: 1.5%) 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.

	2023		2022	
	1.5% increase in rate £'000	1.5% decrease in rate £'000	1.5% increase in rate £'000	1.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	(154)	154	(145)	145
Capital return	(266)	266	(270)	270
Total return after taxation	(420)	420	(415)	415
Net assets	(420)	420	(415)	415

Given the increase in the UK interest rates, the interest rate sensitivity has been updated to 1.5%. The prior year disclosure has been updated to 1.5% to show a direct comparison in the sensitivity. In the prior year report, the sensitivity was calculated using 1.0%, which was representative of the market at 31 August 2022. As disclosed in the prior year annual report, an increase of 1.0% reduced total return after taxation by £277,000 (a decrease of 1.0% had an equal and opposite effect).

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:

	2023 £'000	2022 £'000
Investments held at fair value through profit or loss	229,714	230,497

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 14. 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 20% (2022: 20%) 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.

Notes to the accounts for the year ended 31 August 2023

	2023 20% increase in fair value £'000	2023 20% decrease in fair value £'000	2022 20% increase in fair value £'000	2022 20% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(83)	83	(104)	104
Capital return	45,819	(45,819)	45,996	(45,996)
Total return after taxation and net assets	45,736	(45,736)	45,892	(45,892)
Change in net asset value	22.4%	(22.4%)	22.4%	(22.4%)

(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:

	2023 Three months or less £'000	2023 Total £'000	2022 Three months or less £'000	2022 Total £'000
Creditors: amounts falling due within one year				
Securities purchased awaiting settlement	–	–	–	–
Other creditors and accruals	399	399	424	424
Bank loan – including interest	29,645	29,645	30,063	30,063
	30,044	30,044	30,487	30,487

(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 Aa3 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 for the year ended 31 August 2023

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.

	2023 Balance sheet £'000	2023 Maximum exposure £'000	2022 Balance sheet £'000	2022 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	229,714	–	230,497	–
Current assets				
Debtors – dividends and interest receivable and other debtors	2,557	2,557	2,737	2,737
Cash at bank and in hand	1,560	1,560	2,305	2,305
	233,831	4,117	235,539	5,042

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:

	2023 £'000	2022 £'000
Debt		
Bank loan	29,500	30,000
Equity		
Called-up share capital	6,946	6,946
Reserves	196,986	198,154
	203,932	205,100
Total debt and equity	233,432	235,100

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.

	2023 £'000	2022 £'000
Borrowings used for investment purposes, less cash	27,940	27,695
Net assets	203,932	205,100
Gearing	13.7%	13.5%

Notes to the accounts for the year ended 31 August 2023

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.

Other Information

Other Information (unaudited)

Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Wednesday, 13 December 2023 at 12.30 p.m. The formal Notice of Meeting is set out on pages 75 to 78.

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.

Ordinary business

Resolutions 1 to 11 are all ordinary resolutions

Resolutions 1 to 10 are ordinary resolutions. Resolutions 2 and 3 concerns the Directors' Remuneration Policy and Remuneration Report, on pages 42 to 44. Resolutions 4 to 7 invite shareholders to re-elect each of the Directors for another year, apart from June Aitken who is standing for election as a Director. The re-elections and election have been recommended by the Nomination Committee on pages 39 and 40 (their biographies are set out on pages 30 and 31). Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 35 and 37. Resolution 10 relates to an advisory vote in respect of the Company's dividend policy.

Special business

Resolution 11: Directors' authority to allot shares (ordinary resolution) and Resolution 12: 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 £694,633.43 (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 £694,633.43 (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. Shares issued under this authority will only be issued at a premium to the NAV (cum income) per share after taking into account the costs of issue, and will not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2024 unless renewed, varied or revoked earlier.

Resolution 13: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 15 December 2022, the Company was granted authority to make market purchases of up to 10,412,555 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 10,412,555 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 2023 AGM will lapse at the conclusion of the AGM in 2024 unless renewed, varied or revoked earlier.

Resolution 14: amendments of the Articles of Association:

As a result of the circumstances that occurred during the COVID-19 pandemic, the Board is proposing to make amendments to the Articles of Association to give the Company the flexibility to hold general meetings (wholly or partially) by electronic means and to enable members to attend and participate in general meetings at one or more satellite meeting places. In addition, the Board is proposing to amend the Articles of Association to give it certain additional powers in respect of postponing or adjourning meetings in appropriate circumstances and the security arrangements at meetings. The amendments are being proposed in response to restrictions on social interactions during the COVID-19 pandemic that, on occasion, made it impossible or impractical for shareholders to attend physical general meetings.

The Board's objective is to make it easier for shareholders to participate in general meetings through introducing electronic access for those not able to travel and to ensure appropriate security measures are in place for the protection and wellbeing of shareholders should circumstances similar to those that occurred during the COVID-19 pandemic occur again. The Board makes it clear that these powers would only be used if the specific circumstances or applicable law and regulation require it and the Board's intention is to always hold a physical AGM provided it is both safe and practical to do so. The safety of all of the Company's stakeholders must of course remain paramount.

The Board is also proposing to update the Articles of Association to comply with FCA rules regarding restrictions on transfer, to add certain provisions to facilitate compliance with the UK's implementation of the EU Alternative Investment Fund Managers directive (No. 2011/61/EU) and to correct certain typographical errors.

The principal changes proposed to be introduced in the Articles of Association, and their effect, are set out below.

(i) Electronic participation in general meetings

The Board will have the ability to determine the means of attendance and participation used in relation to general meetings of the Company, including whether the meeting shall be held physically (at one or more locations), through an electronic facility, or partly in one way and partly in another.

(ii) Adjournment of general meetings

The chairman of the meeting will have the ability to interrupt or adjourn general meetings to such time and with such means of attendance and participation as the chairman may determine without the consent of the meeting if it appears to the chairman that the facilities at any general meeting (including those conducted wholly or partly electronically) have become inadequate.

(iii) Postponement of general meeting

The Board will be granted new powers to postpone and/or move the location of a general meeting will be expanded to allow the Board to change a physical meeting to an electronic meeting and vice versa. The Board may exercise its ability to postpone a meeting if, in its absolute discretion, it considers that it is impractical or unreasonable for any reason to hold the meeting on the date or at the time or at any place specified in the notice calling the general meeting.

(iv) Documents available for inspection at a meeting

If, in the case of a general meeting which is held wholly or partly by means of an electronic facility, any document is required to be on display or available for inspection at that meeting (whether prior to and/or for the duration of the meeting), the Company shall ensure that it is electronically available to persons entitled to inspect it for at least the required period of time.

(v) Accommodation of members and security arrangements

The Board's existing powers to put in place security arrangements at meetings will be expanded to give the Board the ability to make such arrangements as the Board shall in its absolute discretion consider to be appropriate to ensure the security and orderly conduct of the meeting and to control the level of attendance at any meeting (including at any principal meeting place, satellite meeting place or electronic facility). Similarly, if a general meeting is held wholly or partly by means of an electronic facility, the Board may make any arrangement and impose any requirement or restriction that is necessary to ensure the identification of those taking part by way of such electronic facility and the security of electronic communication.

(vi) Method of voting at meetings conducted wholly or partly electronically

A resolution put to the vote at a general meeting held wholly or partly by means of an electronic facility or facilities shall be decided on a poll, with poll votes to be cast by such electronic means as the Board, in its sole discretion, deems appropriate for the purposes of the meeting.

(vii) Restrictions on transfer

Article 50 of the Articles of Association ("*Prohibition on Shareholdings by Non-Qualified Person*") allows the Board to require the transfer of any shares that are held by a "non-qualified person". At present, a "non-qualified person" is broadly defined to include any US Person and any person to whom a transfer of shares might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise have incurred or suffered. Having received advice, the Board does not consider that this provision complies with the requirements of Listing Rule 2.2.4R and the related FCA technical guidance, which require the Company's shares to be freely transferable, save in certain limited circumstances where restrictions are necessary to avoid falling within onerous overseas legislative requirements. The Board is therefore seeking to amend Article 50 to comply with the FCA rules by ensuring that all such restrictions are carefully drafted so that they identify the specific legislative provisions in question. The Company will continue to retain the right to require the transfer of shares that are held by a person who may subject the Company to certain onerous legislative requirements. In connection with these amendments, the Board is also seeking to supplement Article 50 to allow the Company to require additional information from shareholders in order to comply with certain legislative requirements, including the US Foreign Account Tax Compliance Act 2010, and to give the Board certain additional powers in relation to non-qualified persons.

Recommendations

(viii) UK's implementation of the EU Alternative Investment Fund Managers directive (No. 2011/61/EU) (the "UK AIFMD")

The Board is seeking to add certain provisions to facilitate compliance with the UK AIFMD, including provisions relating to valuation, investor disclosures and the ability of a depositary to discharge itself of liability in certain circumstances.

The proposed new Articles of Association (marked to show the proposed changes) will be available for inspection on the Company's website at www.schroders.co.uk/incomegrowth from the date of this Report and Accounts until the conclusion of the Annual General Meeting or may be obtained from the Company Secretary by requesting a copy using the address and details provided on page 83. The proposed new Articles of Association (marked to show the proposed changes) will also be available for inspection at the place of the forthcoming Annual General Meeting for at least 15 minutes before and during that Annual General Meeting.

Resolution 15: notice period for general meetings (special resolution)

Resolution 15 set out in the Notice of AGM is a special resolution and will, if passed, allow the Company to hold general meetings (other than annual general meetings) on a minimum notice period of 14 clear days, rather than 21 clear days as required by the Companies Act 2006. The approval will be effective until the Company's next AGM to be held in 2024. The Directors will only call general meetings on 14 clear days' notice when they consider it to be in the best interests of the Company's shareholders and will only do so if the Company offers facilities for all shareholders to vote by electronic means and when the matter needs to be dealt with expediently.

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 Wednesday, 13 December 2023 at 12.30 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 to 15 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2023.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31 August 2023.
4. To approve the re-election of Ewen Cameron Watt as a Director of the Company.
5. To approve the election of June Aitken as a Director of the Company.
6. To approve the re-election of Fraser McIntyre as a Director of the Company.
7. To approve the re-election of Victoria Muir as a Director of the Company.
8. To re-appoint Ernst & Young LLP as auditor to the Company.
9. To authorise the Directors to determine the remuneration of Ernst & Young LLP as auditor to the Company.
10. To approve the Company's dividend policy, as set out on page 17 of the Annual Report and Accounts for the year ended 31 August 2023.
11. 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 £694,633.43 (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."
12. 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 shall be limited to the allotment of equity securities up to an aggregate nominal amount of £694,633.43 (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."
13. 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 2024 (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."

Notice of Annual General Meeting

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

    "That the amended Articles of Association as set out in the printed document produced to the meeting (and initialled by the Chairman of the meeting for the purposes of identification) be and are hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all existing Articles of Association."

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

    "That a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice."

By order of the Board

for and on behalf of

Schroder Investment Management Limited
Company Secretary

25 October 2023

Registered Number: 03008494

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.

   A proxy form is attached. 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 +44 (0) 800 032 0641, 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, or 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 12.30pm on 11 December 2023. If you have any difficulties with online voting, you should contact the shareholder helpline on +44 (0) 800 032 0641.

   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 11 December 2023, 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 11 December 2023 shall be disregarded in determining the right of any person to attend and vote at the meeting.

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

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his/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.

Explanatory Notes to the Notice of Annual General Meeting

In addition, copies of the marked up Articles of Association of the Company will be available for inspection.

6. The biographies of the Directors offering themselves for election and re-election are set out on pages 30 and 31 of the Company's annual report and accounts for the year ended 31 August 2023.
7. As at 25 October 2023, 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 25 October 2023 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 auditor 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.

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

Definitions of Terms and Alternative 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 293.58p (2022: 295.26p) represents the net assets attributable to equity shareholders of £203,932,000 (2022: £205,100,000) divided by the number of shares in issue of 69,463,343 (2022: 69,463,343).

The change in the NAV amounted to -0.6% (2022: -6.7%) 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 2023 is calculated as follows:

NAV at 31/8/22	295.26p
NAV at 31/8/23	293.58p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
5.7p	03/10/2022	265.18	1.0215	1.0215
2.5p	29/12/2022	298.48	1.0084	1.0301
2.5p	06/04/2023	305.88	1.0082	1.0385
2.5p	06/07/2023	284.73	1.0088	1.0476

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV	4.2%

The NAV total return for the year ended 31 August 2022 is calculated as follows:

NAV at 31/8/21	316.59p
NAV at 31/8/22	295.26p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
5.3p	07/10/2021	299.36	1.0177	1.0177
2.5p	30/12/2021	303.36	1.0082	1.0261
2.5p	07/04/2022	317.39	1.0079	1.0342
2.5p	07/07/2022	295.28	1.0085	1.0429

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV	–2.7%

*Alternative Performance measure

Definitions of Terms and Alternative Performance Measures

The share price total return for the year ended 31 August 2023 is calculated as follows:

Share price at 31/8/22	289.00p
Share price at 31/8/23	267.50p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
5.7p	13/10/2022	257.00p	1.0222	1.0222
2.5p	29/12/2022	305.00p	1.0082	1.0306
2.5p	06/04/2023	301.00p	1.0083	1.0391
2.5p	06/07/2023	281.00p	1.0089	1.0484

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price	–3.0%

The share price total return for the year ended 31 August 2022 is calculated as follows:

Share price at 31/8/21	316.50p
Share price at 31/8/22	289.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
5.3p	07/10/2021	300.00p	1.0177	1.0177
2.5p	30/12/2021	300.00p	1.0083	1.0261
2.5p	07/04/2022	305.00p	1.0082	1.0346
2.5p	07/07/2022	286.50p	1.0088	1.0436

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price	–4.7%

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 at the year end was 8.9% (2022: 2.1%), as the closing share price at 267.50p (2022: 289.00p) was 8.9% (2022: 2.1%) lower than the closing NAV of 293.58p (2022: 295.26p).

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:

	2023 £'000	2022 £'000
Borrowings used for investment purposes, less cash	27,941	27,695
Net assets	203,932	205,100
Gearing	13.7%	13.5%

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.

Ongoing Charges

Ongoing Charges is calculated in accordance with the AIC's recommended methodology and represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £1,607,000 (2022: £1,577,000), expressed as a percentage of the average daily net asset values during the year of £207,871,000 (2022: £212,256,000).

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	October/ 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 2023 these were:

Leverage exposure	Maximum exposure	Actual exposure
Gross method	200.0%	128.9%
Commitment method	200.0%	112.8%

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.

Investor Warning

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments.

These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting https://register.fca.org.uk
- Report the matter to the FCA by calling 0800 111 6768 or visiting https://fca.org.uk/consumers/report-scam-unauthorised-firm
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at https://www.fca.org.uk/consumers/warning-list-unauthorised-firms#list. More detailed information on this or similar activity can be found on the FCA website at https://fca.org.uk/consumers/protect-yourself-scams.

Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque.

Applications for an electronic mandate can be made by contacting the Registrar, Equiniti.

This is the most secure and efficient method of payment and ensures that you receive any dividends promptly.

If you do not have a UK bank or building society account, please contact Equiniti for details of their overseas payment service.

Further information can be found at www.shareview.co.uk, including how to register with Shareview Portfolio and manage your shareholding online.

Information about the Company

www.schroders.co.uk/incomegrowth

Directors

Ewen Cameron Watt
June Aitken
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
Email: amcompanysecretary@schroders.com

Registered office

1 London Wall Place
London EC2Y 5AU

Depositary

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
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

Privacy notice

The Company's privacy notice is available on its webpages

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

Schroders