

Schroder Income Growth Fund plc

Half Year Report and Accounts for the six months ended 28 February 2017



Schroders

Contents, Investment Objectives and Investment Policy

Contents

Financial Highlights	1
Interim Management Report	2
Income Statement	12
Statement of Changes in Equity	13
Statement of Financial Position	14
Notes to the Accounts	15

Investment objectives

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

Investment policy

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

Financial Highlights

	Six months ended 28 February 2017
Total returns (including dividends reinvested)¹	
Net asset value ("NAV") per share ²	8.5%
Share price ²	10.3%
FTSE All-Share Index ³	8.6%

¹Total return calculations assume that any dividends paid out during the period were reinvested.

²Source: Morningstar.

³Source: Thomson Reuters.

Other financial information	28 February 2017	31 August 2016	% Change
Shareholders' funds (£'000)	208,523	196,490	+6.1
NAV per share	303.58p	286.06p	+6.1
Share price	276.50p	257.00p	+7.6
Share price discount to NAV per share	8.9%	10.2%	
Gearing ¹	8.9%	8.4%	

¹Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

Dividends

Dividends declared in respect of the six months ended 28 February 2017 amounted to 4.0p per share (six months ended 29 February 2016: 4.0p and year ended 31 August 2016: 10.6p).

Interim Management Report – Chairman’s Statement

Investment and share price performance

Over the six months to 28 February 2017, your Company’s net asset value (“NAV”) increase broadly matched that of the FTSE All-Share Index, generating a total return of 8.5% compared to the Index total return of 8.6%. The Company’s share price produced a higher total return of 10.3%, reflecting a narrowing in the discount to net asset value at which the Company’s shares traded during the period.

More detailed comment on the performance of your Company is to be found in the Manager’s Review.

Revenue and dividends

As well as the rise in the net asset value, the feature of the six months was a 25.4% increase in the revenue return per share. Income from investments was up 20.3%, much of which was due to the impact of the fall in sterling after the results of the UK’s referendum on membership of the EU (the “Referendum”), reflecting the large number of dividends paid in foreign currencies or earned overseas.

I am pleased to report that your Company has been described as a ‘dividend hero’ by the Association of Investment Companies for having achieved a 20 year record of rising dividends.

The Company paid a first interim dividend for the year ending 31 August 2017 of 2.00 pence per share (2016: 2.00 pence per share) on 31 January 2017 and a second interim dividend of 2.00 pence per share (2016: 2.00 pence per share) on 28 April 2017.

As in recent prior periods, the level of the two interim dividends so far declared this financial year should not be taken as being indicative of the total dividends that may be declared in respect of the full year.

Discount

During the six months under review the share price discount to net asset value narrowed from 10.2% to 8.9% and stood at 8.5% on 22 May 2017 (the latest practicable date prior to publication of this Statement).

Your Board will continue to monitor the Company’s discount relative to net asset value and to consider buying back shares when appropriate.

Gearing

The Company has in place a £20 million term loan, expiring in July 2017, together with an additional £10 million revolving credit facility, with the latter remaining undrawn at 28 February 2017.

The Board is currently reviewing these arrangements – and seeking to refine them so as to continue to provide the Manager with optimal flexibility whilst minimising related financing costs. As at 22 May 2017 the level of gearing was 8.0% and its use over the previous six months has added around 0.8% to the NAV total return.

Board

Your Board continues to review its composition, balance and diversity. One of our longest-serving Directors, Peter Readman stepped down as a Director at the last Annual General Meeting and we shall miss his wise counsel. The Board is currently recruiting a further Director.

Interim Management Report – Chairman’s Statement

Outlook

Whatever the long term consequences of the Referendum, one immediate result has been a material increase in the portfolio’s income arising from the weakness in sterling.

The question now is the sustainability of this increase. Your Manager believes that this will depend on three things: firstly and most importantly, the level of sterling, secondly the performance of the global economy, and thirdly the economic impact of the UK leaving the EU.

Whilst there must remain a degree of uncertainty about the future level of the Company’s dividend, it is fully covered by earnings and the opportunity has been taken to replenish and add to the revenue reserves in recent years. The portfolio continues to offer the reassurance of a running yield well above both UK interest rates and inflation.

All of these factors taken together should provide investors with a high degree of confidence that the Company can continue to deliver its long term objective – which is to grow income at a level in excess of the rate of inflation, and to deliver capital growth as a consequence.

Ian Barby
Chairman
24 May 2017

Interim Management Report – Manager’s Review

In the six months to 28 February 2017 the Company’s net asset value (“NAV”) total return was 8.5%. This compares to 8.6% from the FTSE All-Share Index and 6.0% from the average peer fund (source: Morningstar, AIC UK Equity Income average excluding ZDPs). The share price total return was 10.3%.

While the Company usually receives a relatively small part of its investment income in the first half of its financial year, overall dividends received were up 20% year on year. This was largely driven by sterling’s devaluation following the UK’s decision to leave the EU, and greater positions in high-yielding oil companies Royal Dutch Shell and BP. We also saw notable dividend increases from longstanding holdings in Bellway, ITV and Micro Focus. Lastly, our holding in Rio Tinto, which reduced its dividend in the first half of 2016, witnessed a gain of more than one third in its dividend as a result of the company’s improved profitability and again the exchange rate movements.

Market background

The FTSE All-Share Index performed well, as did other stock markets, reflecting the up-tick in global economic indicators and activity over the period. Global inflation expectations also increased. In the UK inflation is set to rise due in large part to sterling’s depreciation increasing the cost of imports. However, inflation expectations worldwide have also been influenced by the economic policy discussion moving from a sole reliance on monetary stimulus towards incorporating fiscal measures. This is in large part due to political changes and rises in populist sentiment (Britain’s exit from the EU (“Brexit”) and Donald Trump’s election victory in the US). Bond yields rose due both to the improved global growth outlook and likelihood of increased inflation. Within the market there was a rotation away from shares that do well in certain periods to those that benefit from improving economic conditions (“cyclicals”).

Global growth forecasts were upgraded following an improvement in the economic backdrop. Chinese GDP expanded at a faster-than-expected 6.8% in the fourth quarter of 2016, while the US Federal Reserve raised interest rates in December as the US’s economic recovery gathered momentum. The Office for Budget Responsibility upgraded its 2017 UK GDP growth projection after stronger-than-expected consumer spending. Mergers and acquisitions (“M&A”) activity picked up at the period end, with Unilever receiving a bid from US peer Kraft Heinz, which was swiftly rejected and the latter withdrew.

Portfolio performance

The Company’s NAV total return was broadly in line with the FTSE All-Share Index, with weak sector selection in mining and media offset by good stock selection and the benefit of being geared.

Performance attribution

	Impact (%)
FTSE All-Share Index	+8.6
Stock selection	+0.9
Sector selection	-1.2
Gearing	+0.8
Costs	-0.5
Residual	-0.1
NAV total return	+8.5

Source: Schroders’ estimates, six months to 28 February 2017.

Despite holding Rio Tinto, the top individual stock contributor over the period, the underweight to the mining sector detracted from relative performance – in particular, not owning Glencore, Anglo American and BHP Billiton. Resource sectors performed strongly following the commodity upturn that began in early 2016 as the market rotated towards cyclicals and financials in the final months of 2016.

Interim Management Report – Manager’s Review

Within the media sector the holding in publication and education company Pearson detracted from performance as the company warned that it did not expect to meet its operating profit goal for 2018. We continue to hold a position in the company despite recent disappointments with the US higher education courseware business as it transitions towards a digital proposition. The company has the potential to cut costs further, make additional disposals of non-core assets (Penguin Random House and K12 courseware business) and return capital to shareholders.

Our position in BT also disappointed, with the company’s share price falling on revelations of fraud in their Italian division, as well as a tougher regulatory environment and weaker performance in the business services area. However, we remain positive on the shares as BT has strong positions in its growing consumer and mobile businesses.

The Company’s new position in technology company Laird saw a significant profits warning in October as a result of poorer sales in its smartphone division. The company has announced a rights issue and management change at the smartphone division. We continue to hold the shares as we believe the company remains well placed to deliver long-term growth based on its technologies in structural growth areas such as ‘connected vehicle’ solutions.

On the positive side the portfolio’s positioning in the life insurance sector was beneficial, with the share prices in Aviva and Legal & General witnessing significant recoveries since the Brexit vote. Additionally, the holdings in banks Lloyds Banking Group and Nordea were also prominent performers. Financials companies were key beneficiaries of the Trump-propelled reflation trade.

Luxury fashion house Burberry was one of the top contributors. The market began to focus on the potential benefits arising from previously-announced management changes. The shares were boosted by the announcement of a strategic stake taken by GBL, Belgian billionaire Albert Frere’s investment firm that is renowned for encouraging companies to perform.

Five top/bottom relative stock performers

Security	Portfolio (%)	Relative to Index (%)	Relative performance ¹ (%)	Impact (%)
Rio Tinto	3.9	+2.2	+38.8	+0.7
Burberry	1.7	+1.5	+24.7	+0.3
Lloyds Banking	4.0	+2.2	+7.1	+0.3
Nordea	1.9	+1.9	+18.1	+0.3
National Grid	0.0	-1.7	-13.6	+0.3

Security	Portfolio (%)	Relative to Index (%)	Relative performance ¹ (%)	Impact (%)
Glencore	0.0	-1.4	+76.5	-0.7
BT Group	3.3	+1.9	-22.8	-0.5
Pearson	1.5	+1.2	-30.7	-0.4
Laird	0.3	+0.3	-50.7	-0.4
Barclays	0.0	-1.6	+22.9	-0.3

Source: Schroders’ estimates, Factset.

¹Performance relative to the FTSE All-Share Index over the 6 month period.

Portfolio activity

We reduced a number of defensive positions which had performed well or where the investment case had played out. These included tobacco company Imperial Brands, software firm Sage, pharmaceutical company GlaxoSmithKline, along with complete sales of Direct Line and Carnival.

We sold out of the holding in Carnival after its shares had performed well as the management had executed better yield management, whilst also benefiting from buoyant US consumer confidence and low oil prices. However, we have concerns regarding future growth/margin pressures from a reversal in oil prices and future industry capacity

Interim Management Report – Manager’s Review

growth. With Direct Line, we believe that the investment case has played out: the shares have re-rated to higher valuation levels more in line with peers whilst we are likely to have seen the best of the distribution of reserve releases in the form of dividends and special dividends. Proceeds were re-invested in bank holdings Lloyds Banking Group, HSBC and Nordea given attractive valuations and the steeper yield curve, as well as establishing new holdings in industrials and defence stocks.

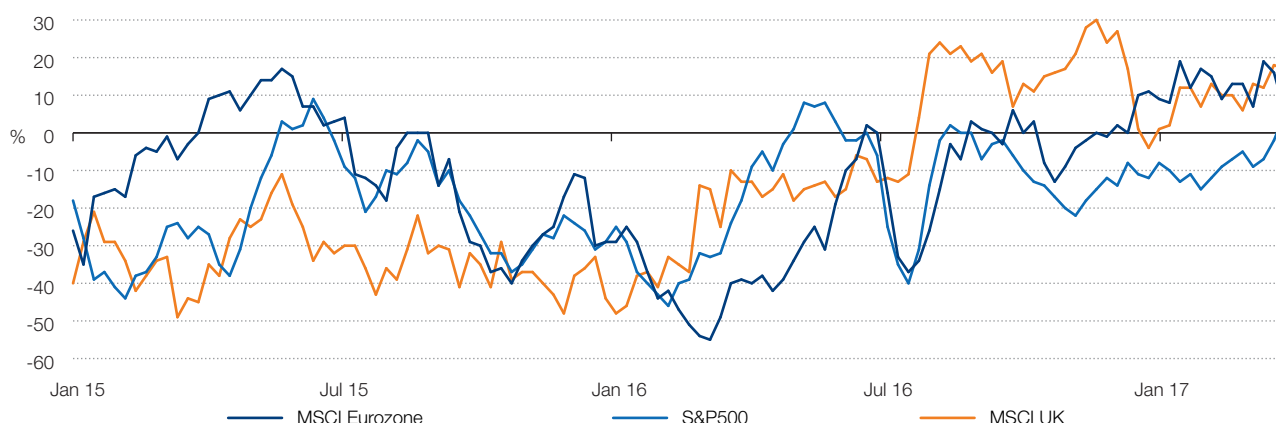
We initiated a new holding in aerospace company BAE Systems. The stock was trading at a significant discount to US defence contractor peers against the 10-year average discount of 10-15%. Additionally, the outlook for defence spending is improving in both the US and the UK. Purchases were made prior to the US election, whilst a Trump victory has further improved the outlook for defence spending in the US and the rest of the world.

We established a new holding in engineering business IMI as a combination of self-help measures together with a stabilisation in the company’s industrial markets are positive for future profits. The shares have valuation appeal whilst the company has a strong balance sheet, attractive dividend yield and a currency tailwind.

Outlook

The global economy has shown renewed signs of life with developed economies and China leading the way. This has generally been supportive for equity markets and should augur well for corporate profits in 2017.

Chart 1: net % of companies seeing positive profits revisions



Source: JPMorgan, IBES, 24 March 2017.

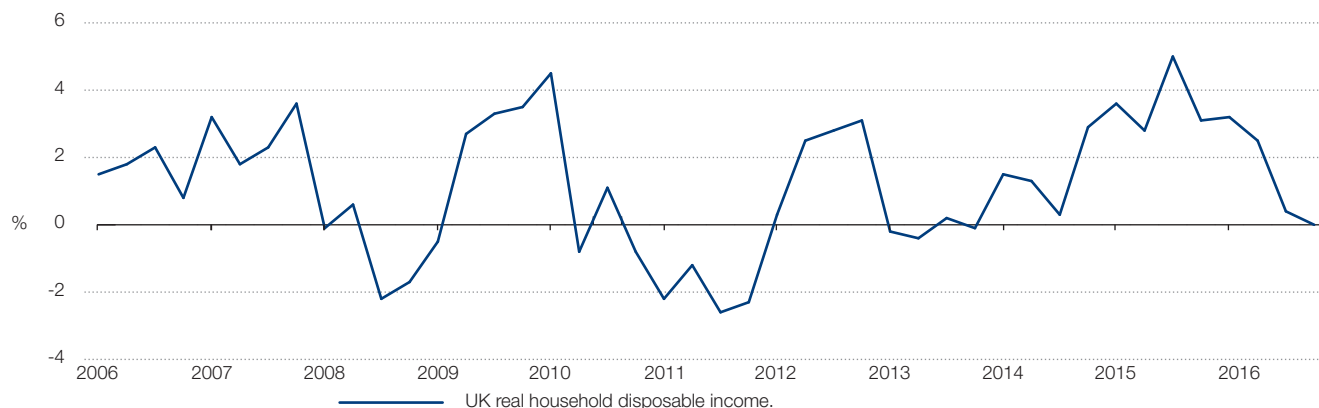
However, there is now considerable optimism within share price and profit forecasts and we are being very selective given that this economic and stock market cycle is already relatively extended.

The domestic front

The UK economy has fared better than many expected in the immediate aftermath of the decision to leave the EU. Profit growth prospects for the market overall in 2017 should be healthy, driven by the devaluation of sterling and rising commodity prices as well as the pick-up in global GDP growth. However, we can expect bumps along the road to Brexit in 2019. We expect the Bank of England to maintain a cautious approach, given the downside risks to growth, and keep interest rates flat for the rest of the year despite a pick-up in inflation.

Interim Management Report – Manager’s Review

Chart 2: growth in UK real disposable income is slowing



Source: Thomson Reuters, as at 31 December 2016.

With UK growth in large part supported by increased consumer borrowing (despite already high debt levels) and rising inflation leading to a squeeze on households' real disposable income, we believe the outlook will remain difficult for domestic consumer cyclical companies, particularly those without the pricing power to push through cost rises. Additionally, many companies face the challenge of continuing to adapt business models to benefit from the digital age. So, despite the more attractive valuations we are being selective in the stocks we are appraising, and largely await better buying opportunities to emerge. On the positive side, we see good value in selected media, financials, healthcare and industrial stocks, but remain focused on companies with strong balance sheets.

Despite all of the Brexit-related uncertainty there are signs of returning business confidence exemplified by improved survey data. We have also seen evidence of big overseas investments into the UK, with, among others, Google committing to invest £1bn by opening a new headquarters in London, and Qatar recently announcing a £5bn investment into UK transport, property and digital technology, as well as substantial Asian investment in the London property market.

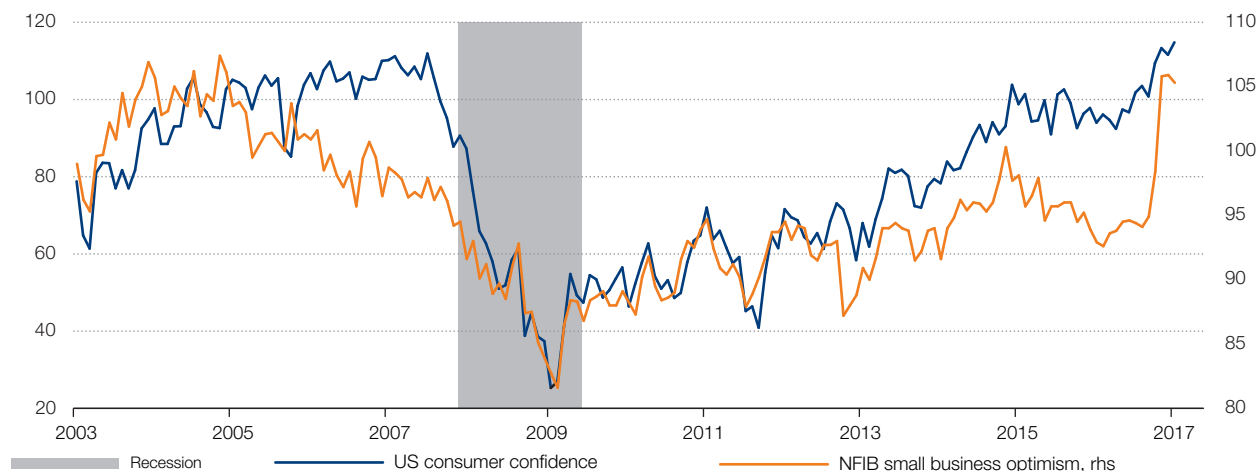
Further afield

In the US, the recent rise in the equity market and elevated business and consumer confidence indicators reflect stronger economic growth together with excitement about President Trump's deregulation agenda and his plans for fiscal expansion. Consequently, the outlook largely depends on his ability to deliver change and for that change to boost activity over the course of his presidency.

We have witnessed slightly more political reality recently. However, that has illustrated the difficulty of effecting this change – although to date this has not negatively impacted the stock market. If President Trump cannot bring about meaningful reforms to tax and healthcare then there will not be the same war chest available to spend on other areas.

Interim Management Report – Manager’s Review

Chart 3: confidence has surged in the US post-election



Source: Thomson Reuters, 23 March 2017.

After raising interest rates in the last quarter, the Federal Reserve has signalled further modest rises over 2017 and 2018 as inflation picks up and the labour market strengthens. Any acceleration of this trajectory can upset markets.

In Europe, important elections are yet to be held in the UK and Germany, which, despite victories predicted for the incumbents, will give markets something to think about. We expect the rise in recent inflation data to moderate as the oil price effect annualises and so do not expect tightening from the European Central Bank.

M&A activity has increased

With cheap financing readily available and companies struggling to generate organic growth, it is not surprising there has been a pick-up in takeovers, which we would expect to continue, notably in the UK by overseas acquirers following the devaluation of sterling. The Kraft Heinz approach for Unilever shows that even the largest companies are not immune from this but it also highlights the political sensitivity towards corporate activity. It seems that this area, together with that of remuneration, are places we can expect more government intervention.

Dividend outlook

The principal influence over dividends in the immediate term is sterling. As around two thirds of dividends are received in the second half of the Company’s financial year, this income will be boosted by weaker sterling compared to the same period in 2016. Commodity price strength will also feature. We have been encouraged by a number of strong dividend increases from the portfolio’s holdings, which will be more than sufficient to offset the reductions announced from Laird, NEX Group and Pearson.

Special dividends have run at high levels in recent years and we would not be surprised to see their impact on income moderate from last year’s peak. However, despite this potential reduction, special dividends are likely to continue to augment the Company’s income.

Investment policy

We continue to prioritise balance sheet strength and companies’ competitive advantages. We remain disciplined in our portfolio construction and actively monitor the holdings to ensure that our highest conviction ideas are held. Our process focuses on building a diversified portfolio within a risk-controlled framework, which aims to deliver attractive levels of income that grow in real terms.

Interim Management Report – Manager’s Review

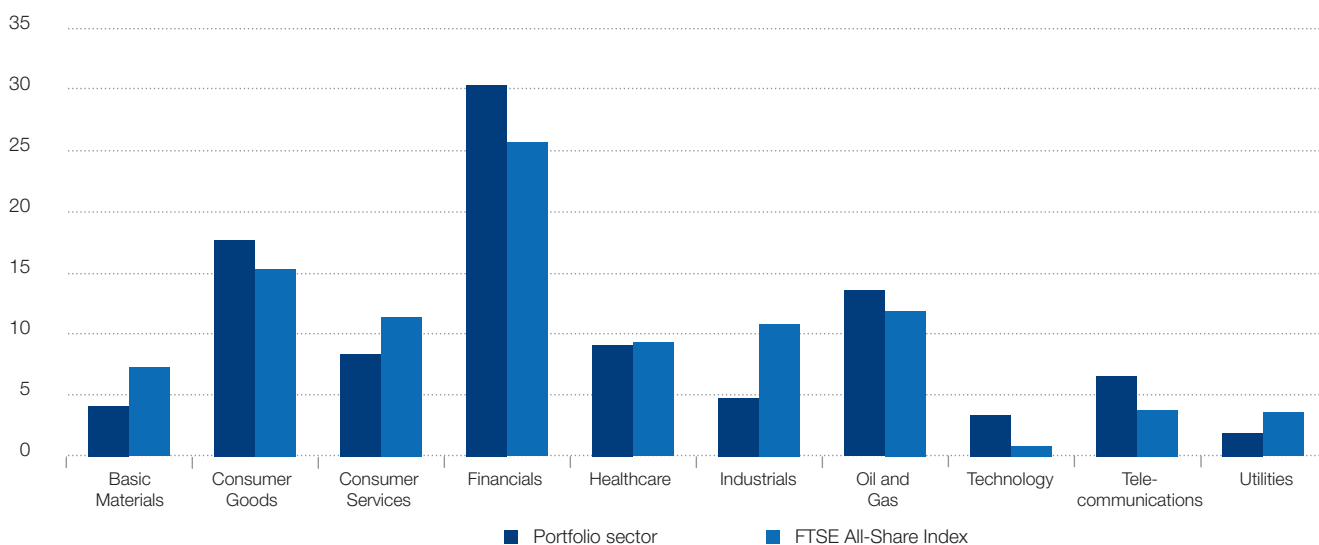
Five largest overweight stocks

Security	Portfolio (%)	Index (%)	Difference (%)
Lloyds Banking	4.8	1.9	+2.9
Aviva	3.6	0.9	+2.7
Micro Focus	2.7	0.2	+2.5
Legal & General	3.1	0.6	+2.5
Rio Tinto	4.1	1.7	+2.4

Source: Factset, excluding cash, as at 28 February 2017.

The cost of debt remains below the average dividend yield on the portfolio. We can continue to justify the use of gearing on this basis. Although we are, on balance, a little more cautious on the extent of capital gains given high market levels, we do not expect a significant fall in markets.

Comparison of portfolio sector distribution with the FTSE All-Share Index at 28 February 2017



Source: Schroders/Thomson Reuters.

Schroder Investment Management Limited

24 May 2017

Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Interim Management Report – Investment Portfolio

At 28 February 2017

Companies in bold represent the 20 largest investments, which by value account for 69.7% (29 February 2016: 70.3% and 31 August 2016: 70.3%).

All companies are headquartered in the UK unless otherwise stated.

	£'000	%		£'000	%
Financials			Consumer Services		
HSBC	11,235	5.0	RELX	5,656	2.5
Lloyds	10,857	4.8	ITV	5,535	2.4
Aviva	8,230	3.6	Pearson	2,921	1.3
Legal & General	7,061	3.1	Daily Mail and General Trust	2,527	1.1
Prudential	6,339	2.8	Halfords	2,450	1.1
Nordea (Sweden)	4,803	2.1	Total Consumer Services	19,089	8.4
John Laing	4,358	1.9	Telecommunications		
NEX (formally ICAP)	3,563	1.6	Vodafone	8,195	3.6
Assura	3,502	1.5	BT	6,726	3.0
TP ICAP	2,452	1.1	Total Telecommunications	14,921	6.6
London Stock Exchange	2,358	1.0	Industrials		
Unite	2,157	1.0	BAE Systems	4,434	2.0
Intermediate Capital	1,745	0.8	IMI	3,819	1.7
Total Financials	68,660	30.3	Smurfit Kappa (Ireland)	2,663	1.2
Consumer Goods			Total Industrials	10,916	4.9
British American Tobacco	12,748	5.6	Basic Materials		
Unilever	6,797	3.0	Rio Tinto	9,235	4.1
Imperial Brands	4,645	2.1	Total Basic Materials	9,235	4.1
Burberry	4,393	1.9	Technology		
Bellway	4,221	1.9	Micro Focus International	6,090	2.7
Taylor Wimpey	4,146	1.7	Laird	829	0.4
Greencore (Ireland)	2,981	1.3	Sage	813	0.4
Total Consumer Goods	39,931	17.5	Total Technology	7,732	3.5
Oil and Gas			Utilities		
Royal Dutch Shell 'B'	14,938	6.6	Centrica	4,219	1.9
BP	8,158	3.6	Total Utilities	4,219	1.9
Galp Energia (Portugal)	2,704	1.2	Total investments	226,001	100.0
ENI (Italy)	2,401	1.1			
John Wood	1,735	0.8			
Royal Dutch Shell 'A' (Netherlands)	838	0.4			
Total Oil and Gas	30,774	13.7			
Healthcare					
AstraZeneca	7,871	3.5			
GlaxoSmithKline	7,837	3.5			
Roche (Switzerland)	4,816	2.1			
Total Healthcare	20,524	9.1			

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategy and competitiveness; investment management; financial and currency; accounting, legal and regulatory; custodian and depositary; and service providers. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 15 and 16 of the Company's published Annual Report and Accounts for the year ended 31 August 2016. These risks and uncertainties have not materially changed during the six months ended 28 February 2017.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 17 of the published Annual Report and Accounts for the year ended 31 August 2016, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2017.

Directors' responsibilities statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Income Statement

	(Unaudited) For the six months ended 28 February 2017			(Unaudited) For the six months ended 29 February 2016			(Audited) For the year ended 31 August 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	14,160	14,160	–	(4,436)	(4,436)	–	7,866	7,866
Net foreign currency (losses)/gains	–	(4)	(4)	–	(6)	(6)	–	91	91
Income from investments	3,650	–	3,650	3,034	–	3,034	9,746	175	9,921
Other interest receivable and similar income	–	–	–	4	–	4	6	–	6
Gross return/(loss)	3,650	14,156	17,806	3,038	(4,442)	(1,404)	9,752	8,132	17,884
Investment management fee	(402)	(402)	(804)	(372)	(372)	(744)	(757)	(757)	(1,514)
Administrative expenses	(150)	–	(150)	(182)	–	(182)	(343)	–	(343)
Net return/(loss) before finance costs and taxation	3,098	13,754	16,852	2,484	(4,814)	(2,330)	8,652	7,375	16,027
Finance costs	(135)	(135)	(270)	(136)	(136)	(272)	(273)	(273)	(546)
Net return/(loss) on ordinary activities before taxation	2,963	13,619	16,582	2,348	(4,950)	(2,602)	8,379	7,102	15,481
Taxation on ordinary activities (note 3)	(15)	–	(15)	–	–	–	(80)	–	(80)
Net return/(loss) on ordinary activities after taxation	2,948	13,619	16,567	2,348	(4,950)	(2,602)	8,299	7,102	15,401
Return/(loss) per share (note 4)	4.29p	19.83p	24.12p	3.42p	(7.21)p	(3.79)p	12.08p	10.34p	22.42p

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

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

Statement of Changes in Equity

for the six months ended 28 February 2017 (unaudited)

	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 2016	6,869	7,404	2,011	1,596	34,936	135,224	8,450	196,490
Net return on ordinary activities	–	–	–	–	–	13,619	2,948	16,567
Dividends paid in the period (note 5)	–	–	–	–	–	–	(4,534)	(4,534)
At 28 February 2017	6,869	7,404	2,011	1,596	34,936	148,843	6,864	208,523

for the six months ended 29 February 2016 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2015	6,869	7,404	2,011	1,596	34,936	128,122	7,227	188,165
Net (loss)/return on ordinary activities	–	–	–	–	–	(4,950)	2,348	(2,602)
Dividends paid in the period (note 5)	–	–	–	–	–	–	(4,328)	(4,328)
At 29 February 2016	6,869	7,404	2,011	1,596	34,936	123,172	5,247	181,235

for the year ended 31 August 2016 (audited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2015	6,869	7,404	2,011	1,596	34,936	128,122	7,227	188,165
Net return on ordinary activities	–	–	–	–	–	7,102	8,299	15,401
Dividends paid in the year (note 5)	–	–	–	–	–	–	(7,076)	(7,076)
At 31 August 2016	6,869	7,404	2,011	1,596	34,936	135,224	8,450	196,490

Statement of Financial Position

	(Unaudited) 28 February 2017 £'000	(Unaudited) 29 February 2016 £'000	(Audited) 31 August 2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	226,001	198,471	211,730
Current assets			
Debtors	1,620	1,437	1,862
Cash at bank and in hand	1,447	4,055	3,557
	3,067	5,492	5,419
Current liabilities			
Creditors: amounts falling due within one year	(20,545)	(2,728)	(20,659)
Net current (liabilities)/assets	(17,478)	2,764	(15,240)
Total assets less current liabilities	208,523	201,235	196,490
Creditors: amounts falling due after more than one year	–	(20,000)	–
Net assets	208,523	181,235	196,490
Capital and reserves			
Called-up share capital (note 6)	6,869	6,869	6,869
Share premium	7,404	7,404	7,404
Capital redemption reserve	2,011	2,011	2,011
Warrant exercise reserve	1,596	1,596	1,596
Share purchase reserve	34,936	34,936	34,936
Capital reserves	148,843	123,172	135,224
Revenue reserve	6,864	5,247	8,450
Total equity shareholders' funds	208,523	181,235	196,490
Net asset value per share (note 7)	303.58p	263.85p	286.06p

Registered in England and Wales

Company registration number: 3008494

Notes to the Accounts

1. Financial Statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's auditor.

The figures and financial information for the year ended 31 August 2016 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in November 2014 and updated in January 2017.

All of the Company's operations are of a continuing nature.

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

3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. Taxation on ordinary activities comprises irrecoverable overseas withholding tax deducted from dividends receivable.

4. Return/(loss) per share

	(Unaudited) Six months ended 28 February 2017 £'000	(Unaudited) Six months ended 29 February 2016 £'000	(Audited) Year ended 31 August 2016 £'000
Revenue return	2,948	2,348	8,299
Capital return/(loss)	13,619	(4,950)	7,102
Total return/(loss)	16,567	(2,602)	15,401
Weighted average number of shares in issue during the period	68,688,343	68,688,343	68,688,343
Revenue return per share	4.29p	3.42p	12.08p
Capital return/(loss) per share	19.83p	(7.21)p	10.34p
Total return/(loss) per share	24.12p	(3.79)p	22.42p

Notes to the Accounts

5. Dividends paid

	(Unaudited) Six months ended 28 February 2017 £'000	(Unaudited) Six months ended 29 February 2016 £'000	(Audited) Year ended 31 August 2016 £'000
2016 fourth interim dividend of 4.6p (2015: 4.3p)	3,160	2,954	2,954
First interim dividend of 2.0p (2016: 2.0p)	1,374	1,374	1,374
Second interim dividend of 2.0p	–	–	1,374
Third interim dividend of 2.0p	–	–	1,374
	4,534	4,328	7,076

A second interim dividend of 2.0p (2016: 2.0p) per share, amounting to £1,374,000 (2016: £1,374,000) has been declared payable in respect of the six months ended 28 February 2017.

6. Called-up share capital

	(Unaudited) 28 February 2017 £'000	(Unaudited) 29 February 2016 £'000	(Audited) 31 August 2016 £'000
Ordinary shares allotted, called up and fully paid: 68,688,343 (29 February 2016 and 31 August 2016: same) shares of 10p each	6,869	6,869	6,869

7. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 28 February 2017 of 68,688,343 (29 February 2016 and 31 August 2016: same).

8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 28 February 2017, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (29 February 2016 and 31 August 2016: same).

9. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any events which have not been reflected in the financial statements.

www.schroders.co.uk/incomegrowth

Directors

Ian Barby (Chairman)
David Causer
Bridget Guerin
Keith Niven

Advisers

Alternative Investment Fund Manager ("Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 6501

Registered Office

31 Gresham Street
London EC2V 7QA

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe PLC
201 Bishopsgate
London EC2M 3NS

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 Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Corporate Broker

Stifel Nicolaus Europe Limited
7th Floor
One Broadgate
London EC2M 2QS

Independent Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website www.schroders.co.uk/its.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website at www.schroders.co.uk/its.

Dealing Codes

ISIN Number: GB0007915860
SEDOL Number: 0791586
Ticker: SCF

Global Intermediary Identification Number (GIIN)

T34UKV.99999.SL.826



Schroders