

Schroders

# Schroder Income Growth Fund plc

Half Year Report and Accounts  
for the six months ended  
29 February 2020

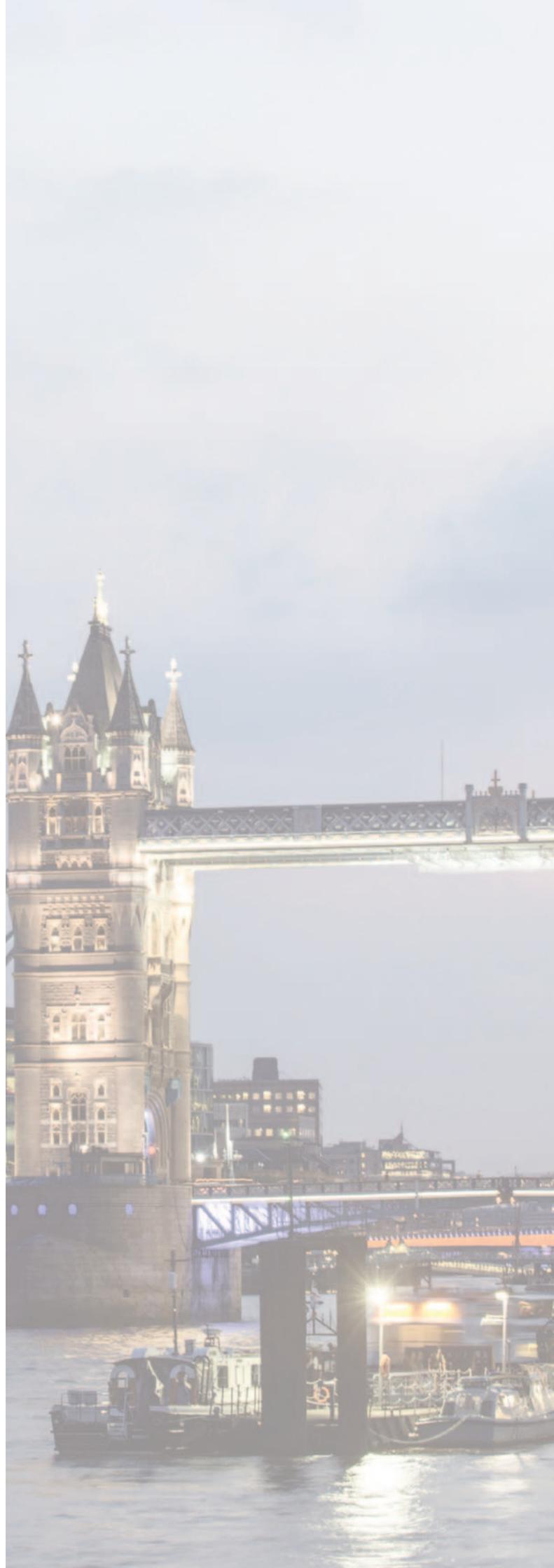


## Investment objectives

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

## Investment policy

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





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# Financial Highlights

## Total returns for the six months ended 29 February 2020<sup>1</sup>



**Net asset value  
("NAV") total return  
per share<sup>2</sup>**



**Share price  
total return<sup>2</sup>**



**FTSE All-Share  
Index total return<sup>3</sup>**

<sup>1</sup> Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. 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 additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

<sup>2</sup> Source: Morningstar, inclusive of re-invested dividends.

<sup>3</sup> Source: Thomson Reuters.

## Other financial information

	29 February 2020	31 August 2019	% Change
Shareholders' funds (£'000)	189,644	204,458	(7.2)
NAV per share (pence)	276.09	297.66	(7.2)
Share price (pence)	265.00	273.00	(2.9)
Share price discount to NAV per share (%)	4.0	8.3	
Gearing (%) <sup>1</sup>	13.5	15.5	

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

## Dividends

Dividends declared in respect of the six months ended 29 February 2020 amounted to 5.0p per share (six months ended 28 February 2019: 4.8p and year ended 31 August 2019: 12.4p).

# Interim Management Report – Chairman’s Statement



This is my first report to shareholders as Chairman, following Ian Barby’s retirement at the Annual General Meeting (“AGM”) on 17 December 2019.

In the Chairman’s Statement in the 2019 Annual Report and Accounts, Ian reflected on the Company’s track record and questioned whether we were moving into a more challenging period of

lower returns on many asset classes. This caution proved well placed, as markets are now reacting to the impact of the Covid-19 pandemic.

## Performance

During the six-month period to 29 February 2020, shortly before the global lockdown started, the Company’s net asset value total return (“NAV”) returned a negative -4.9%, compared to the -5.5% delivered by the FTSE All-Share Index.

The share price fared better, showing a total return of -0.3% as the discount narrowed from 8.3% at the start of the period to 4.0% at its close.

Since the close of the reporting period ended 29 February 2020, due to the sharp drop in markets caused by COVID-19, the Company’s published NAV has dropped to 237.90p per share<sup>1</sup> and the Company’s share price has dropped to 236.0p per share<sup>1</sup>.

More detailed comment on the performance of your Company may be found in the Manager’s review.

## Revenue and dividends

The net revenue return per share for the six months ending 29 February 2020 continued its growth, albeit more modestly than in previous periods, increasing by 3.25%.

During the period, the Company paid two interim dividends for the year ending 31 August 2020 amounting to 5.00 pence per share (2019: 4.80 pence per share). The increase against last year’s interim dividends was to partly rebalance the difference between the first three interim dividends and the last interim dividend during the year.

The board is receiving regular information from the Manager on the portfolio, and the income that it is expected to generate, over the next few quarters. The Company takes comfort from the fact that the revenue reserves are close to the level of the last full years’ total dividend payments.

## Gearing

The Company has in place a £35 million revolving credit facility with Sumitomo Mitsui Banking Corporation Europe Limited (“SMBC”), expiring on 23 August 2020. Average gearing during the period was 14.0% and the gearing is currently 13.3%<sup>1</sup>. We support the Manager’s view that with interest rates at current levels, the gearing has the attraction of increasing the investment income. Additionally, it could provide capital appreciation, provided valuations of portfolio holdings rise by more than the cost of the gearing.

## Amendment to investment policy

At the 2019 AGM, shareholders approved the removal of the words “above average yielding” (preceding “UK Equities”) from the Company’s investment policy. We believe that this change will allow the Manager greater flexibility to focus on dividend stability and growth, as well as continuing to identify high-yielding stocks. This change supports the Company’s objective of increasing its dividend over time. The full amended text is set out on the inside front cover of this report.

## Board composition and succession planning

Fraser McIntyre was elected by shareholders at the AGM, as an additional non-executive director. Fraser has extensive experience as a chief operating officer and a chief financial officer in the investment management sector and is a qualified accountant. The board has already benefited from Fraser’s relevant and recent financial and operations experience.

As previously described in the 2019 Annual Report and Accounts, David Causer who chairs your Audit and Risk Committee intends to retire at the Company’s 2020 AGM. It is intended that Fraser will succeed David as Audit and Risk Committee chair.

## Outlook

The unique structure of a closed ended fund, where revenue reserves accumulated during good times can support payments to shareholders in less favourable market conditions is an advantage today. Your board appreciates this and the importance of reliable income for shareholders. We are also very aware that the status of your Company as a “dividend hero” relies on the sustainability of its dividend payout. We will be taking these points into account when considering future dividend policy.

<sup>1</sup> As at 11 May 2020

# Interim Management Report – Chairman’s Statement

Your board goes into this period with much the same attitude as it did in 2008-09, the last time investment income fell sharply. We treasure the Company's record of increasing its dividend every year since its launch, and want to extend that record if possible. We know that, as in 2008-09, the Manager is concentrating the portfolio in companies believed to be strongly managed and with sound finances. We also know, however, how novel the challenge of the COVID-19 lockdown is and that as I write many UK companies have come to a temporary standstill. We are mindful that companies taking UK government support funds may be constrained in their ability to pay dividends to their shareholders in the near future.

There may be greater clarity on the outlook when the board sets the next two dividends later this year. In the meantime, we want the portfolio to continue to be focused on companies that will come out of these difficulties with renewed dividend-paying capabilities.

**Bridget Guerin**  
Chairman

14 May 2020

# Interim Management Report – Manager’s Review

The Company’s net asset value total return in the six months to 29 February 2020 was -4.9%. This compares to -5.5% from the FTSE All-Share Index.

Total income for the Company – a period unscathed by the impact of COVID-19 – rose 4.2%. Income excluding special dividends rose 3.5%.

The portfolio benefited from significant increases in dividends from a range of holdings, including miner BHP, Portuguese oil producer Galp, Tesco, leisure company Hollywood Bowl and alternative asset manager Intermediate Capital. Offsetting this were partial sales of some of the higher-yielding holdings, including Royal Dutch Shell, Micro Focus and HSBC, and from selling the holdings in Vodafone, Centrica and Halfords. Whilst the proceeds were reinvested across a number of existing holdings (BAE Systems, Tesco, TP ICAP, GlaxoSmithKline and G4S) as well as two new positions (house builder Crest Nicholson and student accommodation provider Empiric Student Properties), the income generated was expected to be somewhat lower.

## Market background

In the six months under review UK equities fell partly due to concerns around the spread of COVID-19, but clearly the real correction came immediately after the end of February.

Prior to this, domestic politics had dominated the narrative around UK assets. The UK election brought a surprisingly strong victory for the Conservative Party, which used its large majority to take the UK out of the EU on 31 January. Domestically-focused areas outperformed as they responded to the reduction in near-term political uncertainty. These trends were further reflected in the recovery in sterling from the lows last summer.

## Performance

The Company’s outperformance of the FTSE All-Share Index was driven by stock selection, despite the gearing proving a headwind during a falling market.

Six months to 29 February 2020	Impact (%)
<b>FTSE All-Share Index</b>	<b>-5.5</b>
Stock selection	1.6
Sector allocation	0.0
Costs	-0.5
Gearing	-0.7
Residual	0.2
<b>NAV total return</b>	<b>-4.9</b>

Source: Schroders.

Stock selection in financials was a positive, with Legal & General, Intermediate Capital and interdealer broker TP ICAP outperforming. Shares in Legal & General, one of the portfolio’s highest conviction domestically-focused

stocks, saw a particularly strong rise. Stock-picking in consumer goods was also a driver, with shares in housebuilders Crest Nicholson and Taylor Wimpey performing well as domestic uncertainties abated. The portfolio also avoided some losses compared to the index by having a smaller holding in Royal Dutch Shell compared to the index, which underperformed in response to a weakening oil price.

The table below shows the biggest impact on portfolio performance, either positive or negative, from stocks either held or not held.

## Top five performers

	Portfolio weight (%) <sup>1</sup>	Portfolio weight relative to the index (%) <sup>1</sup>	Performance relative to the index (%)	Impact on relative performance (%)
Royal Dutch Shell	5.1	-2.6	-18.8	0.6
Crest Nicholson	1.9	1.8	39.6	0.6
Legal & General	3.9	3.2	23.9	0.6
Diageo	0.0	-3.2	-14.8	0.5
Intermediate Capital	2.7	2.5	25.8	0.5

## Bottom five performers

	Portfolio weight (%) <sup>1</sup>	Portfolio weight relative to the index (%) <sup>1</sup>	Performance relative to the index (%)	Impact on relative performance (%)
Pearson	2.5	2.3	-27.5	-0.8
Burberry	2.6	2.2	-17.9	-0.4
Royal Bank of Scotland	1.0	0.6	1.8	-0.4
National Grid	0.0	-1.4	22.1	-0.3
SSE	0.0	-0.6	40.5	-0.2

Source: Factset, 31 August 2019 to 29 February 2020.

<sup>1</sup> Averages over the period. The index referred to is the FTSE All-Share Index.

<sup>2</sup> Performance of stock relative to the FTSE All-Share Index.

On the negative side, the underweight to utilities, the top performing sector, detracted from the portfolio’s outperformance relative to the index. Utilities responded positively to the Conservative election win which reduced political risk, and were subsequently buoyed by their defensive attractions amidst the COVID-19 developments.

## Portfolio activity

Leading up to the UK election, we further increased exposure to domestically-focused companies, adding retailer Next and Royal Bank of Scotland to the portfolio. Later we increased exposure to stable growth stocks such

# Interim Management Report – Manager’s Review

as Unilever and British American Tobacco, while initiating a position in National Grid at what we believed to be attractive prices, dividend yields and levels of dividend growth potential. These purchases were funded through sales of BT, HSBC and the small holding in Euromoney (received as a demerger from the holding in Daily Mail), and reductions in holdings of BP and Royal Dutch Shell.

Other activity included an increase in the holding in G4S, as the stock appeared undervalued having fallen after disappointing results, but where our investment thesis still held firm. We also added to bookmaker William Hill, as we believed progress was being made to augment its position in the de-regulating US. These purchases were funded by the sale of Aviva and taking some profits in speciality property companies Assura and Unite following strong performance.

## Outlook

COVID-19's impact on the corporate sector worldwide is severe. Our Economics team expect 2020 to be the worst year for global economic growth since the 1930s, and very few holdings will be immune. Governments and central banks are providing unprecedented levels of fiscal and monetary support, but the portfolio net asset value is currently 13.8% lower than at the end of February. The investment thesis for some holdings has also been disrupted. Since the half year end we have sold out of four holdings (ITV, Next, Taylor Wimpey and RBS) where the investment case predominantly rested on an improved UK economic backdrop, and Micro Focus, where the operational turnaround will likely prove harder. In all these companies the dividends appeared vulnerable to being, or had already been, cancelled. Proceeds were in part invested in companies which we have a high degree of confidence will continue to pay dividends, such as British American Tobacco and Prudential, which has a strong Asian franchise. We established a new position in UK life assurance and fund management company M&G, where the share price had fallen to extremely low levels and where the dividend yield in our view is affordable and likely to be paid.

The sheer pace of developments and the uncertainty about how long the lockdowns will last mean that the timing and shape of the recovery is unclear. In this context it is hard to be precise on the outlook for the portfolio's likely investment income this year and next. In the last global crisis, in 2008/09, dividends for the whole UK market fell c.20% peak to trough. Given the response from corporates so far, the outcome this year is likely to be significantly worse. Many of the management teams of the companies in the portfolio are still reacting to the situation, prioritising the safety of employees, preserving liquidity and focusing on their balance sheets whilst assessing whether to access government support schemes. We have already seen some holdings (for

example BAE) suspend dividend payments until there is more clarity around their operating environment, while others taking government support (for example Whitbread, William Hill, G4S, Hollywood Bowl, Unite Group and Lloyds Bank) have cancelled their dividends.

The portfolio went into the crisis with a concentration on companies with strong cashflow and balance sheets and robust business models, but with so much activity stopped by the global lockdowns, few are immune. Areas hardest hit are in travel and leisure (Whitbread, Hollywood Bowl, William Hill), construction and building (Crest Nicholson), whilst retail, advertising, banks (Lloyds) and business services companies (G4S) are also heavily impacted. Fortunately some areas of the portfolio are likely to be immune such as pharmaceuticals (GlaxoSmithKline, Astra), healthcare property (Assura) and tobacco (British American Tobacco). Some areas of the portfolio are also likely to be less impacted such as consumer staples (Unilever), essential retailers (Tesco, Pets at Home), utilities (National Grid), professional services (RELX and Pearson), life assurance (L&G, Prudential, M&G), and speciality financial companies (TP ICAP). We expect these to continue to pay dividends.

The market has fallen sharply and many good businesses have seen significant share price declines. Our work has reassured us about the attractive absolute and relative value in the portfolio. We remain positive on the prospects of attractive returns over the longer term and believe that retaining gearing in the portfolio at the current low levels of markets is appropriate for two reasons. Firstly, given the low costs of borrowing, the extra dividends generated from this additional investment benefit portfolio income at a time dividends are under pressure. Secondly, investors will be rewarded over the longer term by the boost to capital returns of any market rise from the current low levels.

## Investment policy

We are sticking to the disciplined investment process that has served us well for over 20 years, and look to take advantage of opportunities in market-leading, cash generative, well-managed business that have been unduly sold off. We continue to work closely with our in-house analysts to help identify attractive investment candidates and to monitor the validity of the case for existing holdings.

# Interim Management Report – Manager’s Review

## Five largest overweight holdings

	Portfolio weight (%)	Index weight (%) <sup>1</sup>	Difference (%)
BAE Systems	4.7	0.9	3.8
Legal & General	4.2	0.7	3.5
Pets at Home	3.4	0.1	3.3
GlaxoSmithKline	6.6	3.7	2.9
John Laing Group	3.0	0.1	2.9

Source: Schroders, as at 29 February 2020.

<sup>1</sup> FTSE All-Share Index.

We seek to add to those of the existing holdings which we believe can survive and thrive over the longer term while such opportunities are not reflected in today's share prices (for example, British American Tobacco). We are also looking at where the turmoil may accelerate trends in the way we live and do business. The drive to spend more on healthcare can only intensify (we have built up the position in Prudential and supported the capital raising for Assura to fund additional opportunities to invest in GP practices). We are researching potential new investments in stocks which have fallen but which are well-capitalised market leaders, as these could emerge competitively stronger after this crisis. We maintain a number of these companies on our watchlist whilst assessing both attractive entry points and funding sources.

### Schroder Investment Management Ltd

14 May 2020

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

# Interim Management Report

## Investment Portfolio at 29 February 2020

Companies in bold represent the 20 largest investments, which by value account for 73.1% (28 February 2019: 71.2% and 31 August 2019: 74.0%) of total investments.

All companies are headquartered in the UK unless otherwise stated. All investments are equities.

	£'000	%		£'000	%
<b>Financials</b>			<b>Oil and Gas</b>		
<b>Legal &amp; General</b>	<b>9,148</b>	<b>4.2</b>	<b>BP</b>	<b>9,010</b>	<b>4.2</b>
<b>Lloyds Bank</b>	<b>8,501</b>	<b>3.9</b>	<b>Royal Dutch Shell 'B'</b>	<b>5,829</b>	<b>2.7</b>
<b>Intermediate Capital</b>	<b>6,716</b>	<b>3.1</b>	Galp Energia (Portugal)	2,722	1.3
<b>John Laing</b>	<b>6,439</b>	<b>3.0</b>	<b>Total Oil and Gas</b>	<b>17,561</b>	<b>8.2</b>
<b>Assura</b>	<b>5,134</b>	<b>2.4</b>	<b>Industrials</b>		
TP ICAP	4,719	2.2	<b>BAE Systems</b>	<b>10,184</b>	<b>4.7</b>
Unite Group	4,405	2.0	<b>G4S</b>	<b>6,428</b>	<b>3.0</b>
Royal Bank Of Scotland	3,746	1.8	<b>Total Industrials</b>	<b>16,612</b>	<b>7.7</b>
Empiric Student Property	2,335	1.1	<b>Utilities</b>		
Prudential	2,147	1.0	National Grid	3,431	1.6
Syncona (Guernsey)	163	0.1	<b>Total Utilities</b>	<b>3,431</b>	<b>1.6</b>
<b>Total Financials</b>	<b>53,453</b>	<b>24.8</b>	<b>Technology</b>		
<b>Consumer Services</b>			Micro Focus	1,424	0.7
<b>RELX</b>	<b>8,262</b>	<b>3.8</b>	<b>Total Technology</b>	<b>1,424</b>	<b>0.7</b>
<b>Tesco</b>	<b>8,221</b>	<b>3.8</b>	<b>Total investments</b>	<b>215,361</b>	<b>100.0</b>
<b>Pets At Home</b>	<b>7,357</b>	<b>3.4</b>			
<b>Whitbread</b>	<b>5,689</b>	<b>2.6</b>			
Pearson	5,097	2.4			
Hollywood Bowl	4,693	2.2			
ITV	3,343	1.6			
William Hill	3,121	1.4			
Next	2,251	1.0			
Daily Mail and General Trust	1,394	0.6			
<b>Total Consumer Services</b>	<b>49,428</b>	<b>22.8</b>			
<b>Consumer Goods</b>					
<b>British American Tobacco</b>	<b>12,424</b>	<b>5.8</b>			
<b>Unilever</b>	<b>7,805</b>	<b>3.6</b>			
Crest Nicholson	5,078	2.4			
Burberry	5,075	2.4			
Taylor Wimpey	2,186	1.1			
<b>Total Consumer Goods</b>	<b>32,568</b>	<b>15.3</b>			
<b>Healthcare</b>					
<b>GlaxoSmithKline</b>	<b>14,216</b>	<b>6.6</b>			
<b>AstraZeneca</b>	<b>8,632</b>	<b>4.0</b>			
<b>Total Healthcare</b>	<b>22,848</b>	<b>10.6</b>			
<b>Basic Materials</b>					
<b>BHP Billiton</b>	<b>6,496</b>	<b>3.0</b>			
<b>Rio Tinto</b>	<b>6,312</b>	<b>2.9</b>			
<b>Johnson Matthey</b>	<b>5,228</b>	<b>2.4</b>			
<b>Total Basic Materials</b>	<b>18,036</b>	<b>8.3</b>			

# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; and service provider. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 13 and 14 of the Company's published annual report and accounts for the year ended 31 August 2019. The board has reviewed the risks related to the COVID-19 pandemic and considers it to be a major event with an ongoing impact on the likelihood and severity of the Company's principal risks. COVID-19 will continue to affect the value of the Company's investments due to the disruption of supply chains and demand for products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The pandemic has triggered a sharp fall in global stock markets and created uncertainty around future dividend income. The fall in the Company's NAV per share and share price after the balance sheet date has been highlighted as a post balance sheet event in Note 9 to the Accounts on page 14. The board notes the Manager's investment process is unaffected by the COVID-19 pandemic and they continue to focus on long-term company fundamentals and detailed analysis of current and future investments. COVID-19 also affected the Company's service providers, who have implemented business continuity plans and are working almost entirely remotely. The board continues to receive regular reporting on operations from the Company's major service providers and does not anticipate a fall in the level of service.

## 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 15 of the published annual report and accounts for the year ended 31 August 2019, as well as considering the additional risks related to COVID-19, and where appropriate, action taken by the Company's service providers in relation to those risks, detailed above, 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 29 February 2020.

## Directors' responsibility 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 and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and updated in October 2019 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

## For the six months ended 29 February 2020 (unaudited)

	(Unaudited) For the six months ended 29 February 2020			(Unaudited) For the six months ended 28 February 2019			(Audited) For the year ended 31 August 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	-	(12,332)	(12,332)	-	(12,285)	(12,285)	-	(13,721)	(13,721)
Net foreign currency gains	-	-	-	-	11	11	-	23	23
Income from investments	3,919	-	3,919	3,763	352	4,115	11,023	673	11,696
Other interest receivable and similar income	3	-	3	2	-	2	6	-	6
<b>Gross return/(loss)</b>	<b>3,922</b>	<b>(12,332)</b>	<b>(8,410)</b>	3,765	(11,922)	(8,157)	11,029	(13,025)	(1,996)
Investment management fee	(361)	(361)	(722)	(343)	(343)	(686)	(713)	(713)	(1,426)
Administrative expenses	(163)	-	(163)	(160)	-	(160)	(350)	-	(350)
<b>Net return/(loss) before finance costs and taxation</b>	<b>3,398</b>	<b>(12,693)</b>	<b>(9,295)</b>	3,262	(12,265)	(9,003)	9,966	(13,738)	(3,772)
Finance costs	(106)	(106)	(212)	(70)	(70)	(140)	(181)	(181)	(362)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>3,292</b>	<b>(12,799)</b>	<b>(9,507)</b>	3,192	(12,335)	(9,143)	9,785	(13,919)	(4,134)
Taxation on ordinary activities (note 3)	(18)	-	(18)	(18)	-	(18)	(41)	-	(41)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>3,274</b>	<b>(12,799)</b>	<b>(9,525)</b>	3,174	(12,335)	(9,161)	9,744	(13,919)	(4,175)
<b>Return/(loss) per share (note 4)</b>	<b>4.77p</b>	<b>(18.63)p</b>	<b>(13.86)p</b>	4.62p	(17.96)p	(13.34)p	14.19p	(20.26)p	(6.07)p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return 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 29 February 2020 (unaudited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2019	6,869	7,404	2,011	1,596	34,936	139,482	12,160	204,458
Net (loss)/return on ordinary activities	-	-	-	-	-	(12,799)	3,274	(9,525)
Dividends paid in the period (note 5)	-	-	-	-	-	-	(5,289)	(5,289)
<b>At 29 February 2020</b>	<b>6,869</b>	<b>7,404</b>	<b>2,011</b>	<b>1,596</b>	<b>34,936</b>	<b>126,683</b>	<b>10,145</b>	<b>189,644</b>

## For the six months ended 28 February 2019 (unaudited)

	Called-up share capital £'000	Share redemption 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 2018	6,869	7,404	2,011	1,596	34,936	153,401	10,523	216,740
Net (loss)/return on ordinary activities	-	-	-	-	-	(12,335)	3,174	(9,161)
Dividends paid in the period (note 5)	-	-	-	-	-	-	(4,809)	(4,809)
<b>At 28 February 2019</b>	<b>6,869</b>	<b>7,404</b>	<b>2,011</b>	<b>1,596</b>	<b>34,936</b>	<b>141,066</b>	<b>8,888</b>	<b>202,770</b>

## For the year ended 31 August 2019 (audited)

	Called-up share capital £'000	Share redemption 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 2018	6,869	7,404	2,011	1,596	34,936	153,401	10,523	216,740
Net (loss)/return on ordinary activities	-	-	-	-	-	(13,919)	9,744	(4,175)
Dividends paid in the year (note 5)	-	-	-	-	-	-	(8,107)	(8,107)
<b>At 31 August 2019</b>	<b>6,869</b>	<b>7,404</b>	<b>2,011</b>	<b>1,596</b>	<b>34,936</b>	<b>139,482</b>	<b>12,160</b>	<b>204,458</b>

# Statement of Financial Position at 29 February 2020 (unaudited)

	(Unaudited) 29 February 2020 £'000	(Unaudited) 28 February 2019 £'000	(Audited) 31 August 2019 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	215,361	219,145	234,862
<b>Current assets</b>			
Debtors	865	1,208	2,009
Cash at bank and in hand	7,467	2,872	347
	<b>8,332</b>	4,080	2,356
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	(34,049)	(20,455)	(32,760)
<b>Net current liabilities</b>	<b>(25,717)</b>	(16,375)	(30,404)
<b>Total assets less current liabilities</b>	<b>189,644</b>	202,770	204,458
<b>Net assets</b>	<b>189,644</b>	202,770	204,458
<b>Capital and reserves</b>			
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	126,683	141,066	139,482
Revenue reserve	10,145	8,888	12,160
<b>Total equity shareholders' funds</b>	<b>189,644</b>	202,770	204,458
<b>Net asset value per share (note 7)</b>	<b>276.09p</b>	295.20p	297.66p

Registered in England and Wales

Company registration number: 03008494

# 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 2019 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 October 2019.

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 2019.

## 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.

## 4. Return/(loss) per share

	(Unaudited) Six months ended 29 February 2020 £'000	(Unaudited) Six months ended 28 February 2019 £'000	(Audited) Year ended 31 August 2019 £'000
Revenue return	3,274	3,174	9,744
Capital loss	(12,799)	(12,335)	(13,919)
<b>Total loss</b>	<b>(9,525)</b>	(9,161)	(4,175)
Weighted average number of shares in issue during the period	68,688,343	68,688,343	68,688,343
Revenue return per share	4.77p	4.62p	14.19p
Capital loss per share	(18.63)p	(17.96)p	(20.26)p
<b>Total loss per share</b>	<b>(13.86)p</b>	(13.34)p	(6.07)p

# Notes to the Accounts continued

## 5. Dividends paid

	(Unaudited) Six months ended 29 February 2020 £'000	(Unaudited) Six months ended 28 February 2019 £'000	(Audited) Year ended 31 August 2019 £'000
2019 fourth interim dividend of 5.2p (2018: 4.6p)	3,572	3,160	3,160
First interim dividend of 2.5p (2019: 2.4p)	1,717	1,649	1,649
Second interim dividend of 2.4p	-	-	1,649
Third interim dividend of 2.4p	-	-	1,649
	<b>5,289</b>	<b>4,809</b>	<b>8,107</b>

A second interim dividend of 2.5p (2019: 2.4p) per share, amounting to £1,717,000 (2019: £1,649,000) has been declared payable in respect of the year ending 31 August 2020.

## 6. Called-up share capital

	(Unaudited) Six months ended 29 February 2020 £'000	(Unaudited) Six months ended 28 February 2019 £'000	(Audited) Year ended 31 August 2019 £'000
Ordinary shares allotted, called up and fully paid: 68,688,343 (28 February 2019 and 31 August 2019: same) shares of 10p each	<b>6,869</b>	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 29 February 2020 of 68,688,343 (28 February 2019 and 31 August 2019: same).

## 8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 29 February 2020, 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 (28 February 2019 and 31 August 2019: same).

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

There have been further significant falls in global stock markets and ongoing volatility after the half year end date, due to the Coronavirus pandemic. At 11 May 2020, the latest practicable date, the Company's NAV per share had fallen to 237.90p, and the share price to 236.0p.

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

# Notes

# Notes



## Directors

Bridget Guerin (Chairman)  
Ewen Cameron Watt  
David Causer  
Fraser McIntyre  
Victoria Muir

## Advisers

### Alternative investment fund manager (the “Manager”)

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

### Investment Manager and Company Secretary

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

### Registered office

1 London Wall Place  
London EC2Y 5AU

### Depositary and custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Lending bank

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

### Corporate broker

Peel Hunt LLP  
Moor House  
120 London Wall  
London EC2Y 5ET

## 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](http://www.shareview.co.uk)

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

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

## Shareholder enquiries

General enquiries about the Company should be addressed to the company secretary at the Company's registered office.

## Dealing codes

ISIN: GB0007915860  
SEDOL: 0791586  
Ticker: SCF

## Global intermediary identification number (GIIN)

T34UKV.99999.SL.826

## Legal entity identifier (LEI)

549300X1RTYYP7S3YE39

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