

Schroder

Income Growth Fund plc

Report and Accounts to 31 August 2010



Schroders

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.

Directors

Sir Paul Judge (Chairman)*†

Aged 61, was appointed as a Director of the Company on 11 January 1995 and is President of the Chartered Institute of Marketing and of the Association of MBAs and a director of ENRC plc and of public companies in the US and South Africa. Formerly he has been a Director of WPP Group plc, ministerial adviser at the Cabinet Office, Director General of the Conservative Party, Chairman of Premier Brands Limited, and Planning Director of Cadbury Schweppes PLC.

David Causer*†

Aged 60, was appointed as a Director on 11 December 2008. He is a Chartered Accountant and a member of The Securities Institute. He has held a number of senior positions within financial organisations including Finance Director of Mercury Asset Management Group plc and a Managing Director of Merrill Lynch Investment Managers until 2001. He was Finance Director of The British Red Cross Society until December 2007. He is currently a director and Audit Committee chairman of Fidelity China Special Situations Plc.

Peregrine Banbury*†

Aged 62, was appointed as a Director of the Company on 11 January 1995. He has an extensive background in private client and institutional investments, having been an investment manager with Robert Fleming & Co. and a Director of EBC Amro Asset Management Limited and a former Managing Partner at Coutts & Co.

Keith Niven†

Aged 62, was appointed as a Director of the Company on 5 January 1995. He is non-executive Chairman of Matrix Income & Growth VCT plc and a non-executive Director of two other investment trusts, Schroder UK Growth Fund plc and Impax Environmental Markets plc. He is also an investment adviser to the Rolls-Royce Pension Fund. Mr Niven was previously a Vice Chairman of Schroder Investment Management Limited and Chairman of Schroder Unit Trusts Limited.

Ian Barby*†

Aged 65, was appointed as a Director of the Company on 31 October 2005. He practised as a Barrister before joining Warburg Investment Management Ltd in 1985, subsequently becoming a Vice Chairman of Mercury Asset Management plc and latterly, until 2003, a Managing Director of Merrill Lynch Investment Managers. He has wide experience of the investment management industry and of the investment trust sector and is currently Chairman of Invesco Perpetual UK Smaller Companies PLC and of Ecofin Water and Power Opportunities plc as well as being a director of Merrill Lynch World Mining Trust plc, Pantheon International Participations PLC and SR Europe Investment Trust plc.

Peter Readman*†

Aged 63, was appointed as a Director of the Company on 15 December 1999. He is Chairman of Abercromby Property International and the Chamber Orchestra of Europe and a director of a number of other companies including Keystone Investment Trust plc and Pantheon International Participations plc.

* Member of the Audit and Management Engagement Committees.

† Member of the Nomination Committee.

Mr Causer is Chairman of the Audit Committee.

Sir Paul Judge is Chairman of the Nomination and Management Engagement Committees.

Advisers

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Financial Highlights

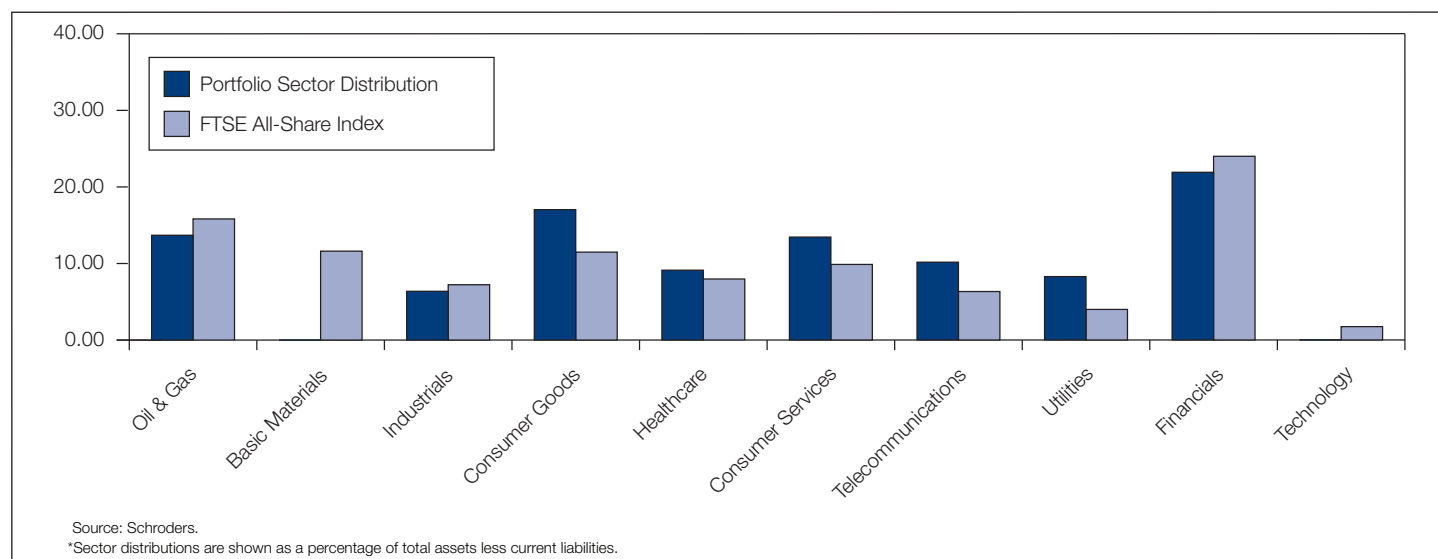
	As at 31 August 2010	As at 31 August 2009	% Change
Net asset value ("NAV") per ordinary share	189.68p	179.77p	5.5
Share price	184.75p	165.25p	11.8
Share price discount	2.6%	8.1%	
Shareholders' funds	£130.29m	£123.48m	5.5
Shares in issue ('000)	68,688	68,688	
	Year ended 31 August 2010	Year ended 31 August 2009	
Revenue return per ordinary share	7.72p	8.38p	(7.9)
Dividends per share declared in respect of the year	9.10p	8.90p	2.2
Retail Price Index	224.5	214.4	4.7
NAV total return*	12.4%	(4.1)%	
FTSE All-Share Index total return**	10.6%	(8.2)%	
FTSE 350 Higher Yield total return**	4.0%	(9.2)%	
Share price total return**	19.4%	2.3%	
Total expense ratio***	0.99%	0.98%	

* Source: Morningstar (www.morningstar.co.uk).

** Source: Thomson Financial Datastream.

*** Calculated in accordance with the Association of Investment Companies (AIC) guidance. Based on operating costs, excluding performance fees, finance costs but after allowing for tax relief and expenses, expressed as a percentage of monthly net assets (if tax relief is ignored, the TER would be 1.00% (2009: 0.99%).

Comparison of Portfolio Sector Distribution with the FTSE All-Share Index* at 31 August 2010

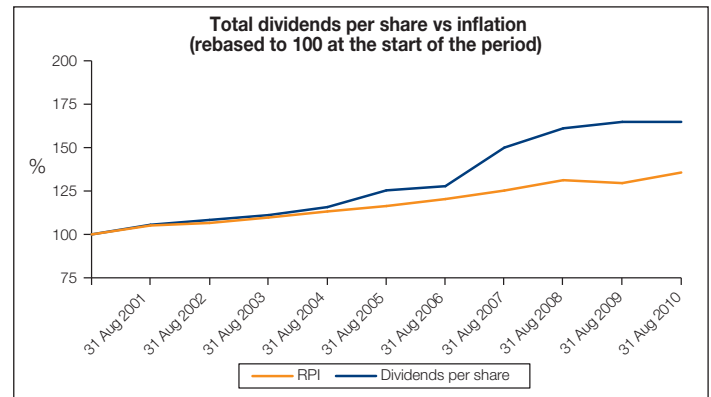
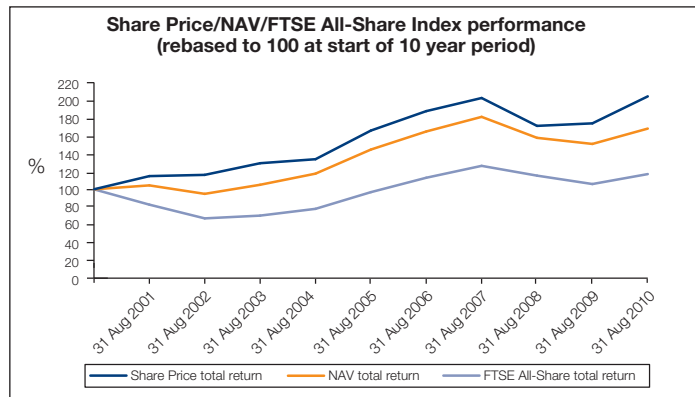


Total Returns to 31 August

	Share price total return* %	NAV total return* %	FTSE All-Share total return** %	FTSE 350 Higher Yield total return** %
1 year	19.4	12.4	10.6	4.0
2 years	20.1	6.6	1.5	(5.5)
3 years	0.9	(7.3)	(7.3)	(17.2)
4 years	9.0	1.8	3.6	(9.3)
5 years	22.5	15.4	21.0	3.2
6 years	52.6	41.6	50.2	28.3
7 years	58.2	58.5	66.4	44.7
8 years	76.0	77.5	74.1	49.9
9 years	78.1	61.3	41.6	32.6
10 years	103.5	68.4	17.1	40.4
Since Inception (March 1995)	241.1	251.0	190.3	243.8

* Source: Morningstar (www.morningstar.co.uk).

** Source: Thompson Financial Datastream.



Ten Year Record

As at 31 August	Shareholders' funds* £'000	Diluted NAV per share pence	Undiluted NAV per share pence	Share price pence	Share price (discount)/ premium %
2010	130,288	189.7	189.7	184.8	(2.6)
2009	123,479	179.8	179.8	165.3	(8.1)
2008	136,104	198.2	198.2	172.0	(13.2)
2007	168,975	235.7	235.7	212.5	(9.8)
2006	160,195	220.4	220.4	203.8	(7.6)
2005	149,626	200.0	200.0	186.5	(6.8)
2004	125,433	166.1**	166.1	156.0	(6.1)
2003	114,246	154.1	159.9	156.8	1.7
2002	105,192	145.2	150.3	147.0	1.2
2001	121,093	165.8	174.7	151.0	(8.9)

* The figures for 2005 have been restated in accordance with FRS26. The figures for the earlier years have not been restated.

** Warrants Lapsed on 31 December 2003.

As at 31 August	Share price total return# %	NAV total return# %	FTSE All-Share total return† %	Earnings per share pence	Net dividends per share pence	Cost of running trust‡ £'000
2010	19.4	12.4	10.6	7.7	9.1	1,268
2009	2.3	(4.1)	(8.2)	8.4	8.9	1,178
2008	(15.5)	(13.5)	(8.7)	9.8	8.7	1,362
2007	7.9	10.0	11.8	8.1	8.1	1,584
2006	13.2	13.7	16.8	7.4	6.9	1,510
2005	24.1	23.0	24.1	7.2	6.8*	1,429
2004	3.5	11.9	10.8	6.4	6.3	1,301
2003	11.3	10.8	4.6	6.2	6.0	1,161
2002	1.2	(9.1)	(18.7)	5.7	5.9	1,143
2001	14.9	4.4	(17.3)	6.0	5.7	1,200

Source: Morningstar (www.morningstar.co.uk).

† Source: Fundamental Data to 2006 and Thompson Financial Datastream from 2007.

‡ Based on operating expenses excluding finance costs and any performance fees or rebates (if applicable); excludes back-dated VAT recovery on management fees of £1,100,000 for 2008 and £120,00 for 2009.

* Includes special dividend of 0.25p.

Chairman's Statement

Investment Performance

During the year under review, the Company produced a net asset value total return of 12.4%. This compares favourably with both the FTSE All-Share Index and the FTSE 350 Higher Yield Index which produced a total return of 10.6% and 4.0% respectively.

As sentiment towards income-oriented investment became stronger, the discount of the Company's share price to net asset value improved during the year to 2.6% on 31 August 2010 compared to 8.1% at the start of the year. The share price total return for the year was 19.4%.

Following the year end, markets have progressed further. During the two months ended 31 October 2010, the Company produced a net asset value total return of 6.8% compared with a total return of 6.1% for the FTSE All-Share Index and 5.5% for the FTSE 350 Higher Yield Index. The share price at 31 October 2010 was 192.00 pence, representing a discount to net asset value of 3.7%.

Results for the Year and Dividends

During the year under review, the Company's revenue return decreased to 7.72 pence per share, a fall of 7.9% when compared with the 8.38 pence per share for the previous year. However excluding the amounts taken to income in respect of the recovery of VAT on management fees and associated interest thereon during the previous year, the fall in revenue for the year was only 1.8%.

Your Board has declared total dividends of 9.10 pence per share for the year ended 31 August 2010. This represents an increase of 2.2% over the 8.90 pence per share declared in respect of the year ended August 2009 and 4.6% over the 8.70 pence in respect of the year ended August 2008. This compares with an increase in the Retail Price Index ("RPI") of 4.7% over the last year and of 3.4% over the last two years.

Your Board has built up a revenue reserve in order to help to fund dividend payouts during periods, such as currently, of reduced income. This has allowed the Board to increase the dividend this year by using £950,000 (1.38 pence per share) of the revenue reserve. A total of £2,790,000 (4.06 pence per share) remains in the revenue reserve.

Continuation Vote

In accordance with the provisions of the Company's Articles of Association, a resolution for the continuation of the Company as an investment trust for a further five-year period is included in the Notice of the Annual General Meeting.

Your Board has reviewed the Company's current position taking into account the following factors: performance over recent years, the Company's investment remit and long term investment objectives, its market rating, the benefits of the structure of investment trusts as collective investment vehicles and the depth of management and resource provided by Schroders as Investment Manager.

Despite the turmoil experienced in the market over recent years, particularly the effect on UK company yields and the impact on the Company's performance, the Company's long-term performance record remains strong. Taking into account the proposed changes to the Company's investment policy, we believe that it is well placed to meet its investment objectives as markets continue to move on from the lows of 2008. The Company's narrow discount also reflects the attractiveness of the Company and its asset class to investors and the wider market.

In consequence, your Board unanimously recommends that shareholders vote in favour of the continuation of the Company as an investment trust for a further five-year period. Directors will be voting their own shareholdings accordingly.

Update to Investment Policy

The Company's investment objectives have been met since its formation by adhering to its original investment policy. The Board is conscious, however, of the challenges of meeting its objectives over the last two years when there have been significant cuts in the dividends available from many high-yielding shares. The period has also highlighted the extent to which a small number of companies have provided a significant part of the total dividends paid by UK listed companies, a concentration that has potentially increased company-specific risk to the

Chairman's Statement

Company's investment income. Well-publicised examples of this in the last two years have been the suspension of dividends by the domestic banks and by BP.

Your Board continues to believe that the Company's objectives are achievable over the long term. However as part of a review of its investment policy in the light of these factors and the likely future macro-economic and corporate environment, it is seeking shareholder approval explicitly to approve two strategies to be included in its investment policy. These would allow up to 20% of the portfolio to be invested in equities listed on recognised exchanges outside the UK (with the authority potentially to hedge the associated currency exposure) and the writing of short-dated call options on the holdings in the portfolio to generate up to 20% of total income.

As with the use of fixed income instruments, convertible securities and gearing from bank debt, which the Company already has the freedom to employ, it is not expected that the Company will generally use these strategies up to their limit. Your Board does not believe that these activities will change the overall risk profile of the Company. Investment in equities listed outside the UK will allow for more diversification. By writing short-dated call options on holdings in the portfolio, the Investment Manager will have the ability to generate additional income. However, writing short-dated call options on holdings in the portfolio will restrict the potential capital return of the holding under option to the level at which the call option is struck. The goal is to help the Investment Manager to minimise the short term volatility of the Company's investment income and by so doing increase the likelihood of the Company continuing to achieve its investment objectives.

This is considered to be a material change to the investment policy under the Listing Rules of the UK Listing Authority and therefore requires shareholder consent. A resolution to adopt this more explicit investment policy is included in the Notice of the Annual General Meeting and your Board unanimously recommends that shareholders vote in favour of it. Directors will be voting their own shareholdings accordingly.

The revised investment policy, with the proposed changes in bold, is set out below.

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.**

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Investment Manager monitoring the Company's portfolio on an on-going basis 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 Company's Investment Manager by the Board 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 listed companies; (iii) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (iv) 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.

Gearing

The Company's policy is to permit borrowings up to 25% of shareholders' funds. It is intended that the Investment Manager should have the flexibility to utilise this power in order to maximise potential returns where and to the extent that this is considered appropriate by the Directors.

Share Purchases and Treasury Shares

The Company continued to monitor the share price discount to net asset value during the year ended 31 August 2010. Your Board has been encouraged by the narrowing of the discount during the year with the shares trading at a premium to net asset value on a number of occasions. Consequently, no shares were purchased for cancellation

Chairman's Statement

or holding in treasury during the year. The Board continues to consider share buy-backs as one of a number of tools that may be used to enhance shareholder value.

Lead Fund Manager

Your Company's lead fund manager, Sonja Laud, will be starting maternity leave shortly. Sue Noffke, one of the Investment Manager's experienced UK equity managers, will be providing cover in Sonja's absence.

Board

Having served as an independent Director of the Board since the Company's formation in January 1995, Peregrine Banbury has decided not to seek re-election as a Director of the Company at the forthcoming Annual General Meeting. On behalf of the Board, I would like to thank Peregrine for his considerable contribution to the Company.

Mr Banbury will not be replaced as a Director of the Company and the Board believes that the size of the Board after his retirement will be appropriate. Your Board continues to monitor its composition and in accordance with our succession plan, we will be seeking to replace at least one further long-serving Director by the time of the next Annual General Meeting.

Registrar Services

A number of shareholders have commented on issues they have encountered when dealing with Equiniti, in particular with regards to excessive telephony costs and the level of service of their call centres. During the year, we undertook a comprehensive review of the services provided by our Registrar and put the business out for tender.

Following the conclusion of this tender process, we have taken steps to ensure that Equiniti's call centre staff are adequately briefed to answer questions from investors and that Equiniti have implemented better controls over their handling of written correspondence. In light of these improvements, the Board has re-appointed Equiniti as the Company's Registrar.

In order to reduce costs for individuals, Equiniti have also introduced a free helpline number (0800 032 0641) to replace the existing premium rate numbers.

Schroders are reviewing administration arrangements for the Schroder Investment Trust Dealing Service and they will be writing to all the participants in that scheme once arrangements have been finalised.

Annual General Meeting

The Company's Annual General Meeting will be held at 11.30 a.m. on Monday, 13 December 2010. As in previous years, the meeting will include a presentation by the Investment Manager on the Company's investment strategy and market prospects.

Outlook

The dividends per share paid by the Company in respect of the year under review represented 4.7% of the current share price, a yield well above current UK inflation, government bond yields and short term interest rates. The Board has considered whether dividends can be increased in future against a backdrop of continued uncertainty about the outlook for both the UK and world economy. The Board believes that there is potential for the portfolio's holdings to continue to increase their dividends, not least because they have been chosen largely because of that ability.

There are obvious risks, however, and the last two years have shown how sensitive aggregate UK dividends are to events at a small number of companies. However with shareholder approval both to invest up to 20% of the portfolio in companies listed overseas and to write short-dated call options on portfolio holdings, we consider that the Company has a good opportunity to continue to achieve its long term goal of a dividend that rises faster than UK inflation and capital growth as a consequence of the rising income.

Sir Paul Judge

Chairman

15 November 2010

Investment Manager's Review

In the twelve months to the end of August 2010 the Company's net asset value produced a total return of 12.4%*. This compares to a total return from the FTSE All-Share Index of 10.6%* and the FTSE 350 Higher Yield Index of 4.0%*.

Market Background

The UK stock market has continued its recovery from the traumas of 18 months ago as companies and investors had the opportunity to see that neither the financial system nor the broader economy was in terminal decline. For the Company one consequence was greater stability in the dividends paid by the holdings in the portfolio, with dividend increases from a majority of the holdings offsetting the impact of BP cancelling its dividend in the middle of the year.

The market's 10.6% total return was, however, concentrated in the early part of the Company's fiscal year, with prices moving in a wide trading range since last October. The market has been caught between two opposing forces: the fear of another downturn in global economic activity (the much-discussed 'double-dip'), contrasted with a corporate sector that seems to have weathered the 2008-9 storm relatively well. When the latter is dominating sentiment, share valuations can be made to look appealing relative to government bonds and cash, but any subsequent weak economic data out of the US or China has been more than enough to bring attention back to the possibility of a double-dip.

This rapid switching between optimism and pessimism has led not only to a range-trading market but has also dominated share movements within the market. The merits of individual shares have been usually less important in the short term than whether market sentiment is positive on growth (in which case cyclical companies like the miners and construction have done well) or not (in which case defensives like the tobacco companies and consumer staples have done well). The portfolio's outperformance came from individual holdings that were able to break this trend, either because they were taken over (e.g. Tomkins) or because the underlying business was doing so much better than expectations (e.g. Admiral, Compass and IMI).

The portfolio suffered from not holding the miners, whose low dividend yields constrain exposure in this portfolio, but the high-profile disappointment was BP, which provided 11.6% of the Company's investment income in the Company's fiscal year 2009. While part of the holding was switched to other shares, the Gulf of Mexico oil spill cost the portfolio in both capital and income terms.

That the portfolio outperformed even after these two factors is encouraging, with the market finally starting to reward the quality of stocks held. The portfolio's emphasis on well-managed, well-financed businesses with safe dividends remains its key strategy to meet the Company's objective.

Outlook

There is unlikely to be a quick resolution to the contrast between fears of a double-dip recession and the appealing valuation of many UK shares. Even leaving aside the importance of global economic health to a market where so much of the profits come from overseas, it will take time to see how the UK economy reacts to next year's challenges such as government spending cuts and higher VAT.

It is reassuring, however, that the companies in the portfolio seem to be doing well. A recession has the one silver lining of showing up the quality of individual businesses and managements. This time round another attractive feature is that many of the businesses that have come through the recession relatively unscathed offer dividend yields above their usual levels.

The volatile price movements of the last year have given the portfolio the opportunity to sell out of its holdings in Barclays, Kesa, Rexam and Scottish & Southern Energy, while introducing BT as an alternative to part of the BP holding, and adding to the holdings in Aviva and Tesco.

Investment Manager's Review

Conclusion

Throughout the last two years stock selection within the portfolio has concentrated on the security of each holding's dividend. This has led *inter alia* to a concentrated list of holdings (28 at the end of the fiscal year) and a portfolio with lower market sensitivity than has often been the case in the past. While we continue to assess the macro-economic environment carefully, there are likely to be opportunities in the current year to expand the list of holdings as the future for the corporate sector becomes clearer.

Schroder Investment Management Limited

15 November 2010

* Source: Morningstar/Thomson Financial Datastream.

Investment Portfolio

As at 31 August 2010

Company	Sector Classification	Principal Activity	Market Value of Holding £'000	% of Shareholders' Funds
Royal Dutch Shell 'B'	Oil & Gas	Integrated oil company	11,211	8.61
Vodafone	Telecommunications	Global mobile telephone provider	10,712	8.22
GlaxoSmithKline	Healthcare	Global pharmaceutical company	8,545	6.56
British American Tobacco	Consumer Goods	International cigarette company	6,701	5.14
BP	Oil & Gas	Integrated oil company	6,408	4.92
Admiral	Financials	Financial services	5,948	4.57
Aviva	Financials	International insurance and financial services	5,875	4.51
Imperial Tobacco	Consumer Goods	International cigarette company	5,682	4.36
Unilever	Consumer Goods	International consumer products group	5,419	4.16
HSBC	Financials	Banking and financial services group	5,244	4.03
RSA Insurance	Financials	Financial services	5,083	3.90
Compass	Consumer Services	International catering company	4,301	3.30
Legal & General	Financials	UK financial services group	4,291	3.29
BAE Systems	Industrials	Global defence company	4,077	3.13
Centrica	Utilities	Energy related products	3,912	3.00
Reed Elsevier	Consumer Services	International publishing group	3,859	2.96
Tesco	Consumer Services	International food retailer	3,794	2.91
National Grid	Utilities	Electricity and gas networks	3,731	2.86
AstraZeneca	Healthcare	Global pharmaceutical company	3,194	2.45
Pearson	Consumer Services	International media company	3,059	2.35
Twenty largest investments			111,046	85.23
International Power	Utilities	Power generation company	3,007	2.31
Diageo	Consumer Goods	International drinks group	2,711	2.08
BT	Telecommunications	UK fixed line telecommunications provider	2,368	1.82
Sainsbury	Consumer Services	UK food retailer	2,286	1.75
Tomkins	Industrials	Global engineering and manufacturing group	2,265	1.74
IMI	Industrials	Diversified manufacturing	1,860	1.43
Prudential	Financials	International financial services group	1,739	1.33
Tate & Lyle	Consumer Goods	Corn and sugar refiner	1,404	1.08
Total Investments			128,686	98.77
Net current assets			1,602	1.23
Total Equity Shareholders' Funds			130,288	100.00

At 31 August 2009, the twenty largest investments represented 83.22% of shareholders' funds.

Report of the Directors

Business Review

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of section 833 of the Companies Act 2006. In order to continue to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 1158 of the United Kingdom Corporation Tax Act 2010. The last accounting period for which the Company has been treated as approved by HMRC is the year ended 31 August 2009 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

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 Strategy

The Board has delegated management of the Company's portfolio to Schroder Investment Management Limited (the "Manager" and/or "Schroders"). The Manager manages the portfolio with the aim of helping the Company to achieve its investment objectives. Details of the Manager's investment approach, along with other factors that have affected performance during the year, are set out in the Investment Manager's Review on pages 7 and 8.

Investment Policy

The investment policy of the Company is to invest primarily in above-average yielding UK equities.

If considered appropriate, the Company may use equity related instruments such as convertibles and up to 10% of the portfolio may be invested in bonds.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio on an on-going basis 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 listed companies; (iii) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (iv) no more than 25% of the Company's total net assets may be invested in the aggregate in unlisted investments and holdings representing 20% or more of the equity capital of any company. The Investment Portfolio on page 9 demonstrates that, as at 31 August 2010, the Manager invested in 28 UK equity investments spread across a range of industry sectors. While this portfolio is concentrated, the Board believes that the diversity of the stocks, along with the above-mentioned restrictions imposed on the Company's Manager, achieve the objective of spreading risk.

Gearing

The Company's policy is to permit borrowings up to 25% of shareholders' funds. It is intended that the Manager should have the flexibility to utilise this power in order to maximise potential returns where and to the extent that this is considered appropriate by the Directors.

The Company did not employ any borrowings during the year and the Board does not currently intend that the Company will use long-term borrowings. However, the Company may from time to time utilise short-term borrowings.

Resources

The Company has no employees; its investments are managed by Schroders, which also acts as Company Secretary and provides accounting and administration services to the Company. The principal terms of the Investment Management Agreement are set out on page 13.

Report of the Directors

Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Investment Manager's Review on pages 7 and 8.

Measuring Success – Key Performance Indicators (“KPIs”)

KPIs are the method through which the Board measures the development and success of the Company's business. The Board considers achievement of the Company's investment objectives as stated above to be the most significant KPI for the Company.

In order to allow the Board to measure performance against the Company's investment objectives, the Board is provided with quarterly reports from the Manager. These reports provide commentary on markets, portfolio activity, performance and strategy, including the impact of stock selection decisions and other attribution analyses, together with the outlook for the portfolio and markets. This information forms the basis of discussions at each Board meeting. On a regular basis, the Board also reviews the investment approach and processes of the Manager and considers reports from its broker on the perception of shareholders and the market on the Manager's performance and the Company's strategy, together with statistics on peer group performance.

A full analysis of the Company's performance for the year under review and over the longer-term, together with the portfolio sector distribution relative to the FTSE All-Share Index as at 31 August 2010, can be found on pages 2 and 3 of this Report.

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks to enable the Directors to mitigate them as far as possible. A full analysis of the Director's system of internal control and its monitoring system is set out in the Corporate Governance Statement on pages 22 and 23. The principal risks to the business are considered to be as follows:

Financial Risk

The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in UK stock markets would have an adverse impact on the market value of the Company's underlying investments. The Board considers the risk profile of the portfolio at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact arising from substantial changes in markets.

A full analysis of the financial risks facing the Company is set out in note 19 on pages 35 to 38.

Strategic Risk

Over time, investment vehicles and asset classes can become out of favour with investors, or may fail to meet their investment objectives. This may result in a wide discount of the share price to underlying asset value. The Board periodically reviews whether the Company's investment remit remains appropriate and continually monitors the success of the Company in meeting its stated objectives.

Accounting, Legal and Regulatory Risk

In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the United Kingdom Corporation Tax Act 2010. Should the Company not comply with these requirements, it might lose investment trust status and capital gains within the Company's portfolio could, as a result, be subject to Capital Gains Tax.

Breaches of the UK Listing Rules, the Companies Acts or other laws or regulations with which the Company is required to comply, could lead to a number of detrimental outcomes and damage the Company's reputation. Breaches of controls by service providers, including the Manager, could also lead to reputational damage or loss.

The Board's system of internal control seeks to mitigate the potential impact of these risks and it also relies on its Manager and other advisers to assist it in ensuring continued compliance.

Report of the Directors

The Directors submit their Report and the Audited Accounts of the Company for the year ended 31 August 2010.

Revenue and Earnings

The net revenue return for the year was £5,301,000 (2009: £5,757,000), equivalent to net revenue of 7.72 pence (2009: 8.38 pence) per ordinary share.

Dividend Policy

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

For the year ended 31 August 2010, the Directors have declared ordinary dividends amounting to 9.10 pence per share (2009: 8.90 pence per share).

Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover of this Report. All Directors held office throughout the year under review.

In accordance with the Company's Articles of Association and its policy on tenure as outlined in the Corporate Governance Statement, Sir Paul Judge, Mr Keith Niven and Mr Peter Readman will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr Peregrine Banbury will retire at the forthcoming Annual General Meeting and does not offer himself for re-election. The Board has assessed the independence of all Directors. Sir Paul Judge and Mr Readman are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years. Mr Niven is not considered to be independent as he is also a Director of Schroder UK Growth Fund plc, an investment trust managed by the same Investment Manager.

The Board supports the re-elections of Sir Paul Judge, Mr Niven and Mr Readman as it considers that each of these Directors continues to demonstrate commitment to his role and provides a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-election.

No Director has any material interest in any contract which is significant to the Company's business.

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 August 2010, all of which were beneficial, were as follows:

Director	Ordinary shares of 10p each 31 August 2010	Ordinary shares of 10p each 1 September 2009
Sir Paul Judge	1,000	1,000
Peregrine Banbury	1,000	1,000
Ian Barby	100,000	100,000
David Causer	23,750	Nil
Keith Niven	82,035	80,070
Peter Readman	Nil	Nil

Following the financial year end, Mr Niven's shareholding has increased to 82,863 ordinary shares of 10 pence each. There have been no other changes to the above holdings between the end of the financial year and the date of this Report.

As at the date of this Report, the Company had 68,688,343 ordinary shares of 10p each in issue. No shares were held in treasury. Accordingly, the total number of voting rights in the Company as at the date of this Report is 68,688,343. Full details of the Company's share capital are set out in note 13 on page 34.

Report of the Directors

Substantial Share Interests

As at the date of this Report, the Company has received notifications in accordance with the FSA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued ordinary share capital:

	Number of ordinary shares	Percentage of total voting rights
Legal & General plc	2,917,768	4.2%

In addition, the Directors are aware that 28,405,074 ordinary shares, representing 41.4% of the Company's issued share capital, were held by investors in the Schroder ISA as at 15 November 2010.

Investment Manager

During the year under review the Board considered the services provided by the Manager. The Board continues to consider that the Manager provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objective. The Board therefore considers that the Manager's continued appointment under the terms of the current Investment Management Agreement, further details of which are set out below, remains in the interests of shareholders as a whole.

The Manager provides investment management and company secretarial services to the Company in accordance with an Investment Management Agreement. This Agreement can be terminated by either party on 12 months' written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. At the date of this Report, no such notice had been given.

During the year ended 31 August 2010, the Investment Manager was entitled to a fee at the rate of 10% of the net revenue return for the year after taxation plus 0.375% on assets up to and including £75 million, 0.35% on the next £50 million, and 0.325% on assets in excess of £125 million.

With effect from 1 September 2000, a performance fee was introduced. The fee is symmetrical in nature, so that the Manager is rewarded for out-performance but penalised for under-performance. The performance fee, or rebate, is based on the Company's net asset value total return compared with the total return of the FTSE All-Share Index over a rolling three-year period and is subject to a cap of 25% of the asset-based management fee for the year then ended. The performance fee, or rebate, is calculated and paid annually. The fee, or rebate, in respect of any period will be calculated as 5% of the value (based on opening net assets for the relevant period) of the out-performance, or under-performance, of the Company's net asset value over the return on the FTSE All-Share Index, with performance measured in terms of total return. For the year ended 31 August 2010, the Manager was entitled to a performance fee amounting to £5,000 (2009: performance fee rebate to the Company of £111,000 excluding VAT).

The Investment Manager is authorised and regulated by the Financial Services Authority.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 31 August 2010 (2009: nil).

Statement of Directors' Responsibilities and Going Concern

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law they have elected to prepare the accounts 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

Report of the Directors

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts respectively; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" in the preparation of the accounts as the assets of the Company consist predominantly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

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 accounts and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names and functions are set out on the inside front cover of this Report, confirms that, to the best of their knowledge:

- the accounts, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Report of the Directors 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.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out on pages 19 to 23 and forms part of this Report of the Directors.

Environmental Policy

The Company has adopted an environmental policy notwithstanding that, as an investment company, the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. Details of the Company's environmental policy are set out in the Corporate Governance Statement.

Independent Auditors

The Company's Auditors, Deloitte LLP, have expressed their willingness to remain in office and resolutions to re-appoint them as Auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee remains satisfied with the effectiveness of the audit provided by Deloitte LLP and therefore has not considered it necessary to require an independent tender process. The auditors are required to rotate the audit partner every five years and this is the third year that the current audit partner has been in place.

The Audit Committee has adopted a policy on the engagement of the Auditors to supply non-audit services to the Company. The Company did not incur any charges for non-audit services during the year under review (2009: £ nil).

Provision of Information to the Auditors

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 Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Report of the Directors

Annual General Meeting (“AGM”)

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

The AGM will be held on Monday, 13 December 2010 at 11.30 a.m. The formal notice of the AGM is set out on page 39.

Special Business to be proposed at the AGM

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

Resolution 8 – Continuation vote (ordinary resolution)

In accordance with the Company's Articles of Association, the Directors are required to put forward a proposal for the continuation of the Company to shareholders at five yearly intervals. The Board considers that the long term investment objectives of the Company remain appropriate and that the current Investment Manager is well placed to enhance the ability of the Company to achieve its investment objectives. An ordinary resolution will therefore be proposed at the AGM to agree that the Company should continue as an investment trust for a further five year period.

Resolution 9 – Update to investment policy (ordinary resolution)

The Directors are seeking to propose an update to the Company's current investment policy, as described earlier in this Report of the Directors, to permit up to 20% of the portfolio to be invested in equities listed on recognised stock exchanges outside the UK (with the authority potentially to hedge the associated currency exposure) and the writing of short-dated call options on holdings in the portfolio to generate up to 20% of total income. The Board believes that this change to the investment policy will benefit the Company by increasing the likelihood of it continuing to achieve its investment objectives.

A call option contract gives the owner the right to buy the underlying equity at a specified price for a certain fixed period of time. For the writer of a call option, the contract represents an obligation to sell the underlying stock if the option is exercised. The Company, as the writer of the call option, will receive income from the owner of the call option. The Investment Manager will only write call options of short duration over equities held in the Company's portfolio. The Investment Manager estimates that the majority of the Company's holdings in the portfolio will not be under option at any one time, and that the restriction within the revised investment policy limiting the total income which may be generated from the use of short-dated call options to only 20% of the Company's total income, will restrict the Investment Manager's use of short-dated call options.

The Board is therefore proposing Resolution 9 as an ordinary resolution to approve this change of investment policy which, if passed, will take effect from the date of the AGM.

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

At the AGM held on 7 December 2009, the Directors were granted authority to allot a limited number of new ordinary shares or shares held in treasury for cash. No shares have been allotted under this authority, which will expire at the forthcoming AGM. At the AGM held in December 2009, power was also given to the Directors to allot a limited number of new shares, or shares held in treasury, other than pro rata to existing shareholders. This power will also expire at the forthcoming AGM and resolutions to renew both authorities will be proposed at the forthcoming AGM, the details of which are set out in full in the Notice of Meeting.

An ordinary resolution will be proposed to authorise the Directors to allot shares for cash up to a maximum aggregate nominal amount of £343,441 (being 5% of the issued share capital as at 15 November 2010). A special resolution will also be proposed to give the Directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £343,441 (being 5% of the Company's issued share capital (excluding any shares held in treasury) as at 15 November 2010). Pre-emption rights under the Companies Act

Report of the Directors

2006 apply to the re-sale of treasury shares for cash as well as the allotment of new shares. Resolution 11 therefore relates to both issues of new shares and the re-sale of treasury shares.

The Directors intend to use the authorities to issue shares whenever they believe it is advantageous both to new investors and to the Company's existing shareholders to do so. The authority will only be used to issue shares at a premium to net asset value at the time of issue.

If renewed, both authorities will expire at the conclusion of the AGM in 2011 unless renewed or revoked earlier.

Resolution 12 – Authority to make market purchases of the Company's own ordinary shares (special resolution)

At the AGM held on 7 December 2009, the Company was granted authority to make market purchases of up to 10,296,382 ordinary shares for cancellation or to be held in treasury. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 10,296,382 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value 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 at 15 November 2010. The Directors will exercise this authority only if they consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential re-issue. If renewed, the authority will expire at the conclusion of the AGM in 2011, unless renewed or revoked earlier.

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

The resolution to be put to shareholders will also authorise the Company to hold up to 5% of the issued share capital bought back in treasury on the condition that such treasury shares would only be sold at a premium to net asset value. Shares held in treasury may be reissued or cancelled at a future date rather than simply cancelled at the time of acquisition. Any shares held in treasury for 12 months will be cancelled.

Recommendation

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

By Order of the Board
Schroder Investment Management Limited
Company Secretary

15 November 2010

Remuneration Report

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

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £125,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the fees 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. The Directors' fees are reviewed annually by the Board. During the year ended 31 August 2010, the Directors' fees were £16,000 each, the Audit Committee Chairman's fee was £19,000 and the Chairman's fee was £22,000.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of them. No element of Directors' remuneration is performance-related.

The Board believes that the principles of Provision B of the Combined Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

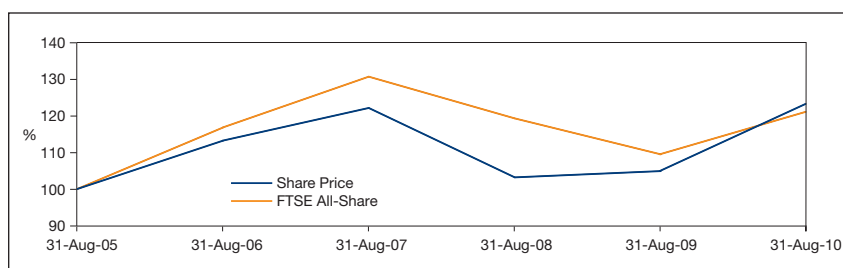
No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The Directors' terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting ("AGM").

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. Thereafter, all Directors retire by rotation at least every three years and as required by the Company's policy on tenure. The Chairman meets with each Director before they are proposed for re-election, and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for that Director to seek an additional term in office.

When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the Combined Code, including the merits of refreshing the Board and its Committees.

Performance Graph

A graph showing the Company's share price total return compared with the FTSE All-Share Index total return, over the last five years, is set out below.



Source: Share Price total return: Fundamental Data; FTSE All-Share total return: Thompson Financial Datastream.

Remuneration Report

The following amounts were paid by the Company for services as non-executive Directors:

Director	For the year ended 31 August 2010	For the year ended 31 August 2009
Sir Paul Judge	£22,000	£20,000
Peregrine Banbury*	£16,750	£17,500
Ian Barby	£16,000	£15,000
David Causer*	£18,250	£10,747
Keith Niven	£16,000	£15,000
Peter Readman	£16,000	£15,000
	£105,000	£93,247

*Mr Causer was appointed as Chairman of the Audit Committee in place of Mr Banbury on 7 December 2009.

The information in the above table has been audited (see the Independent Auditors' Report on page 24).

By Order of the Board
 Schroder Investment Management Limited
 Company Secretary
 15 November 2010

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the Combined Code. The Financial Reporting Council published a revised version of the Combined Code in 2008. The disclosures in this Statement therefore relate to the requirements of the 2008 Combined Code (the “Code”). The Code is published by the FSA and is available to download from www.fsa.gov.uk.

The Board has noted the publication of the UK Corporate Governance Code in May 2010, which applies to financial years beginning on or after 29 June 2010 and is considering the Company’s governance framework.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors’ Responsibilities and Going Concern set out on pages 13 and 14, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company’s position as an investment trust. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of the Code’s Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Role of the Board

The Board determines and monitors the Company’s investment objectives and policy, and considers the future strategic direction of the Company. Matters specifically reserved for decision by the Board have been adopted. The Board is responsible for presenting a balanced and understandable assessment of the Company’s position and, where appropriate, future prospects in annual and half-yearly reports and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, *inter alia*, for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Composition and Independence

The Board currently consists of six non-executive Directors. The biography of each serving Director, including their age and length of service, may be found on the inside front cover of this Report. The Board considers each of the Chairman, Mr Banbury, Mr Barby, Mr Causer and Mr Readman to be independent of the Company’s Investment Manager. Mr Niven is not considered to be independent by virtue of his position as a Director on the Board of another investment trust managed by Schroders. The independence of each Director is considered on a continuing basis.

The Board has no executive Directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of the Company’s investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services.

The Board is satisfied that, following the retirement of Mr Banbury at the forthcoming AGM, it is of sufficient size, with an appropriate balance of skills and experience, and that no individual or group of individuals is, or has been, in a position to dominate decision-making.

Corporate Governance

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees are available on the Company's website at www.schroderincomegrowthfund.com. Details of membership of the Committees at 31 August 2010 may be found on the inside front cover of this report and information regarding attendance at Committee Meetings during the year under review may be found on page 21.

Audit Committee

The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have competence in accounting.

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2010 and considered the annual and half-yearly accounts, the external Auditors' year-end reports and management letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Management Engagement Committee

The role of the Committee is to review the terms of the management contract with the Investment Manager. In addition, the Committee reviews Directors' fees and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2010 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

The role of the Committee is to consider and make recommendations to the Board on its composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board. The Board considers each member of the Committee, with the exception of Mr Niven, to be independent.

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2010, to consider the composition and balance of the Board and Board succession planning.

Before the appointment of a new Director, the Nomination Committee will prepare a description of the role and capabilities required for a particular appointment, having evaluated the balance of skills, knowledge and experience of the Board. When considering whether to replace a Director, the Company's policy on tenure is also taken into account. In light of this evaluation, the Nomination Committee will consider a range of candidates sourced either from recommendation from within the Company or by the use of external consultants.

The Nomination Committee will assess potential candidates on merit against a range of criteria including experience, knowledge, professional skills and personal qualities and independence if this is required for the role. Candidates' ability to commit sufficient time to the business of the Company is also key, particularly in respect of the appointment of the Chairman. The Chairman of the Nomination Committee is primarily responsible for interviewing suitable candidates and a recommendation will be made to the Board for final approval.

Tenure

The Board has adopted a policy on tenure that is considered appropriate for an investment company. The Directors do not consider that length of service, by itself, leads to a closer relationship with the Investment Manager, or that it necessarily affects a Director's independence of character or judgement. Therefore, the independence of Directors will continue to be assessed on a case by case basis. In order to give shareholders the opportunity to endorse this policy, and in accordance with the provisions of the Code, any Director who has served for more than nine years will be subject to annual re-election by shareholders.

Induction and Training

The Board has adopted a full, formal and tailored induction programme for new Directors, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise, along with changes to best practice. Advisers to the Company provide relevant reports to the Board from time to time. In addition, Directors attend relevant seminars

Corporate Governance

and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment trust industry.

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation took place in July 2010. The evaluation takes place in two stages, firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

Evaluation is conducted utilising a questionnaire combined with one-to-one meetings if appropriate. The Board has developed criteria for use at the evaluation, which focuses on each Director's individual contribution to the Board and its Committees and the responsibilities, composition and agenda of the Committees and the Board as a whole.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation.

Meetings and Attendance

The Board meets at least four times each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the four scheduled Board meetings and at Committee meetings held during the year under review is set out in the table below.

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Sir Paul Judge	4/4	2/2	2/2	1/1
Ian Barby	4/4	2/2	2/2	1/1
Peregrine Banbury	4/4	2/2	2/2	1/1
David Causer	4/4	2/2	2/2	1/1
Keith Niven	4/4	N/A	2/2	N/A
Peter Readman	4/4	2/2	2/2	1/1

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

Information Flows

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

Directors' and Officers' Liability Insurance

During the year, the Company has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Directors' Indemnities

The Company provides a Deed of Indemnity to each Director to the extent permitted by United Kingdom law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably.

Conflicts of Interest

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

Corporate Governance

Major Shareholders

Details of the Company's major shareholders are set out in the Report of the Directors on page 13.

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report and Accounts is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by all Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the Chairmen of the Board, Audit and Management Engagement Committees at the Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and on the Company's website as soon as reasonably practicable after the meeting.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year-end, and holding the earliest possible Annual General Meeting, is valuable. The Notice of Meeting on page 39 sets out the business of the meeting.

Environmental Policy

The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Provided that this objective is not compromised in the process the Board does, however, believe that it is also possible to develop a framework that, in the interests of our shareholders, allows a broader range of considerations, including environmental and social issues, to be taken into account when selecting and retaining investments. The investment process therefore contains a review of research into the environmental, social and ethical stance of companies. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration by the Manager when selecting or retaining investments.

Exercise of Voting Rights and the UK Stewardship Code

The Company has delegated responsibility for voting to Schroders which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website. The Board has noted the recent implementation of the UK Stewardship Code, which it considers to be an important tool in shareholder engagement. Schroders' compliance with the principles of the UK Stewardship Code is reported on its website, www.schroders.com.

Internal Control

The Code requires the Board to conduct, at least annually, a review of the adequacy of the Company's systems of internal control and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance for Directors on the Combined Code, as revised in October 2005 (the "Turnbull Guidance"), under which the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually.

The Board believes that the key risks identified and the implementation of a system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. Risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, 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

Corporate Governance

were identified during the course of the year and up to the date of this report, from the Board's on-going risk assessment.

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

The Company does not have an internal audit function as it employs no staff and contracts to third parties most of its operations. The Board will continue to monitor its system of internal control and to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

Independent Auditors' Report

To the members of Schroder Income Growth Fund plc

We have audited the financial statements of Schroders Income Growth Fund plc for the year ended 31 August 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2010 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.

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Report of the Directors in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Stuart McLaren (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
15 November 2010

Income Statement

	Note	For the year ended 31 August 2010			For the year ended 31 August 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	2	–	8,123	8,123	–	(12,071)	(12,071)
Income	3	6,072	–	6,072	6,396	–	6,396
Investment management fee	4	(497)	(497)	(994)	(479)	(479)	(958)
VAT recoverable	4	–	–	–	60	60	120
Performance fee (charge)/rebate	5	–	(5)	(5)	–	111	111
Administrative expenses	6	(274)	–	(274)	(220)	–	(220)
Net return/(loss) on ordinary activities before taxation		5,301	7,621	12,922	5,757	(12,379)	(6,622)
Taxation on ordinary activities	7	–	–	–	–	–	–
Net return/(loss) attributable to equity shareholders		5,301	7,621	12,922	5,757	(12,379)	(6,622)
Net return/(loss) per ordinary share	9	7.72p	11.10p	18.82p	8.38p	(18.02)p	(9.64)p

The Total column of this statement is the Income Statement of the Company. The Revenue and Capital columns are both provided in accordance with guidance issued by The Association of Investment Companies. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. Accordingly no Statement of Total Recognised Gains and Losses is presented.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 29 to 38 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Note	Called-up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
At 31 August 2008		6,869	2,011	7,404	34,963	1,596	76,486	6,775	136,104
Net (loss)/return on ordinary activities		–	–	–	–	–	(12,379)	5,757	(6,622)
Ordinary dividends paid	8	–	–	–	–	–	–	(5,976)	(5,976)
Share buyback cost adjustment		–	–	–	(27)	–	–	–	(27)
At 31 August 2009		6,869	2,011	7,404	34,936	1,596	64,107	6,556	123,479
At 31 August 2009		6,869	2,011	7,404	34,936	1,596	64,107	6,556	123,479
Net return on ordinary activities		–	–	–	–	–	7,621	5,301	12,922
Ordinary Dividends paid	8	–	–	–	–	–	–	(6,113)	(6,113)
At 31 August 2010		6,869	2,011	7,404	34,936	1,596	71,728	5,744	130,288

*The revenue reserve represents the amount of the Company's reserves which is distributable by way of dividend.

The notes on pages 29 to 38 form an integral part of these accounts.

Balance Sheet

	Note	At 31 August 2010 £'000	At 31 August 2009 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	128,686	118,852
Current assets			
Debtors	11	821	1,920
Cash at bank and short-term deposits		1,069	3,087
		1,890	5,007
Current liabilities			
Creditors – amounts falling due within one year	12	(288)	(380)
Net current assets		1,602	4,627
Net assets		130,288	123,479
Capital and reserves			
Called up share capital	13	6,869	6,869
Capital redemption reserve	14	2,011	2,011
Share premium account	14	7,404	7,404
Share purchase reserve	14	34,936	34,936
Warrant exercise reserve	14	1,596	1,596
Capital reserve	14	71,728	64,107
Revenue reserve	14	5,744	6,556
Equity shareholders' funds		130,288	123,479
Net asset value per ordinary share	15	189.68p	179.77p

These accounts were approved and authorised for issue by the Board of Directors on 15 November 2010 and signed on its behalf by:

Sir Paul Judge
Chairman

The notes on pages 29 to 38 form an integral part of these accounts.

Cash Flow Statement

	Note	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Operating activities			
Dividends and interest received from investments		6,123	6,371
Interest received on deposits		15	116
Underwriting commission		–	8
VAT and interest recovered from HMRC		926	587
Investment management fee paid		(1,077)	(1,114)
Performance fee rebate received		111	120
Administrative expenses paid		(292)	(192)
Net cash inflow from operating activities	16	5,806	5,896
Investment activities			
Acquisition of investments		(35,944)	(43,694)
Disposal of investments		34,233	39,300
Net cash outflow from investment activities		(1,711)	(4,394)
Equity dividends paid			
Ordinary shares		(6,113)	(5,976)
Net cash outflow before financing		(2,018)	(4,474)
Financing			
Share buy back cost adjustment		–	(27)
Net cash outflow from financing		–	(27)
Net cash outflow		(2,018)	(4,501)

Reconciliation of Net Cash Flow to Movement in Net Funds

	For the year ended 30 August 2010 £'000	For the year ended 30 August 2009 £'000
Net cash outflow	(2,018)	(4,501)
Net funds at 1 September	3,087	7,588
Net funds at 31 August	1,069	3,087

The notes on pages 29 to 38 form an integral part of these accounts.

Notes to the Accounts

1. Accounting policies

The principal accounting policies have been applied consistently throughout the year ended 31 August 2010, are unchanged from 2009, and are set out below. There has been an amendment to FRS29 "Financial Instruments: Disclosures" in respect of fair value disclosures which are shown in Note 19(6) on page 38.

a Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of investments and in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009 by the Association of Investment Companies ('AIC').

b Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the income Statement. In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

c Income

Dividends receivable from equity shares are taken to revenue on an ex-dividend basis, except where in the opinion of the Directors, the dividend is capital in nature in which case it is taken to capital. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital reserve.

Interest receivable from bank deposits and other income is recognised on an accruals basis.

d Expenses and interest payable

All expenses, including the investment management fee and interest payable are accounted for on an accruals basis.

The investment management fee is apportioned equally between revenue and capital.

Performance fee charges and rebates are allocated entirely to capital as they are primarily attributable to the capital performance of the Company's investments.

All other expenses are charged through revenue except those expenses incidental to the acquisition or disposal of investments which are charged to capital. This allocation is in accordance with the Board's expected long term split of returns in the form of capital and revenue profits respectively.

e Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value is assumed to be the bid value of investments at the close of business on the relevant date.

Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

f Foreign exchange

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling at the date of such transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, and the resulting gains or losses are taken to capital.

g Taxation

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required by Section 1158 of the Corporation Tax Act 2010 to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

h Dividends payable

Under FRS 21 final dividends should not be accrued in the accounts unless they have been approved by shareholders before the Balance Sheet date. Interim dividends are only recognised when they have been paid. Dividends payable to equity shareholders' are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend and become a liability of the Company.

i Called up share capital

Represents the nominal value of authorised and allocated, called up and fully paid shares issued.

Notes to the Accounts

j Capital redemption reserve

Represents the nominal value of ordinary share capital repurchased for cancellation and is transferred out of called up share capital and into the capital redemption reserve.

k Share premium

Represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued.

l Share purchase reserve

The cost of repurchasing ordinary shares including stamp duty and transaction costs are taken directly to the share purchase reserve and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share purchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of the called up share capital and into the capital redemption reserve.

m Warrant exercise reserve

The premium arising on the issue of shares where there are warrants attached was apportioned between shares and warrants as part of shareholders' funds on the basis of market values of shares and warrants as on the first day of dealing. The warrant element was referred to as the warrant reserve. On exercise of the warrants, the premium relating to the warrants exercised is transferred from the warrant reserve to a warrant exercise reserve, a non-distributable reserve.

n Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of Investments;
- investment holding gains/(losses); and
- other capital charges and credits allocated to capital in accordance with the above policies.

o 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 as reduced by appropriate allowances for estimated irrecoverable amounts.

2. Gains/(losses) on investments held at fair value

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Net gains/(losses) on disposal at historic cost	1,091	(20,910)
Less: fair value adjustments in earlier years	(620)	10,035
Gains/(losses) based on carrying value at previous balance sheet date	471	(10,875)
Investment holding gains/(losses) during the year	7,652	(1,196)
	8,123	(12,071)

3. Income

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Income from investments:		
UK franked dividend income	6,058	5,903
Interest on debt securities	–	58
Stock dividends	–	46
Underwriting commission	–	8
	6,058	6,015
Interest on deposits	14	88
VAT reclaim interest received	–	293
	6,072	6,396

Notes to the Accounts

4. Investment management fee

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Management fee:		
– charged to revenue	497	479
– charged to capital	497	479
	994	958
Back-dated VAT recovered:		
– credited to revenue	–	(60)
– credited to capital	–	(60)
	–	(120)
	994	838

The bases for calculating the investment management fee and the performance fee are set out in the Report of the Directors on page 13.

5. Performance fee charge/(rebate)

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Performance fee:		
– charge/(rebate) to capital	5	(111)
	5	(111)

6. Administrative expenses

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Allocated to revenue:		
General expenses	148	106
Directors' fees	105	93
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	21	21
	274	220

7. Taxation

(a) Analysis of charge in the year:

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Total current taxation (note 7 (b))	–	–

The Company has no corporation tax liability for the year ended 31 August 2010 (2009: £nil).

Notes to the Accounts

(b) Factors affecting tax charge for the year

Approved investment trust companies are exempt from tax on capital gains within the Company.

No provision has been made for taxation on any realised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 1158 of the Corporation Tax Act 2010.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009:28%).

The differences are explained below:

	For the year ended 31 August 2010			For the year ended 31 August 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before tax	5,301	7,621	12,922	5,757	(12,379)	(6,622)
Net return on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	1,484	2,134	3,618	1,612	(3,466)	(1,854)
Effects of:						
Exempt dividends*	(1,696)	–	(1,696)	(1,666)	–	(1,666)
Capital returns on investments*	–	(2,274)	(2,274)	–	3,380	3,380
Expenses not deductible for tax purposes	1	–	1	1	–	1
Expenses not utilised in the year for tax purposes	211	140	351	53	86	139
Current tax charge for the year (note 7(a))	–	–	–	–	–	–

* Investment trust companies are not subject to tax in respect of these items.

(c) Provision for deferred tax

No provision for deferred tax has been made either in the current or prior year.

(d) Factors that may affect future tax charges

The Company has potential deferred tax assets in respect of unutilised management expenses of £3,411,000 (2009: £3,059,000) which has not been recognised as it is not certain that the Company will have sufficient profits in the future to utilise this amount.

8. Dividends

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Amounts recognised as distributions in the period:		
Fourth interim dividend of prior year of 4.10p (2008: 3.90p)	2,816	2,679
First interim dividend of 1.60p (2009: 1.60p)	1,099	1,099
Second interim dividend of 1.60p (2009: 1.60p)	1,099	1,099
Third interim dividend of 1.60p (2009: 1.60p)	1,099	1,099
Total dividends of 8.90p (2009: 8.70p)	6,113	5,976

All dividend payments in the above table are based on 68,688,343 ordinary shares in issue.

Notes to the Accounts

The total dividends payable in respect of the financial year, which is the basis of the requirements of Section 1158 of the Corporation Tax Act 2010, is set out below:

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
First interim dividend for the year ended 31 August 2010 of 1.60p (2009: 1.60p)	1,099	1,099
Second interim dividend for the year ended 31 August 2010 of 1.60p (2009: 1.60p)	1,099	1,099
Third interim dividend for the year ended 31 August 2010 of 1.60p (2009: 1.60p)	1,099	1,099
Fourth interim dividend for the year ended 31 August 2010 of 4.30p (2009: 4.10p)	2,954	2,816
Total dividends of 9.10p (2009: 8.90p)	6,251	6,113

The proposed fourth interim dividend of 4.30 pence per share (2009: 4.10 pence per share) is payable on 68,688,343 (2009: 68,688,343) ordinary shares in issue.

9. Return/(loss) per ordinary share

	For the year ended 31 August 2010	For the year ended 31 August 2009
Revenue (£'000)	5,301	5,757
Capital (£'000)	7,621	(12,379)
Total (£'000)	12,922	(6,622)
Weighted average number of shares	68,688,343	68,688,343
Revenue	7.72p	8.38p
Capital	11.10p	(18.02)p
Total	18.82p	(9.64)p

10. Investments held at fair value through profit or loss

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	116,360	132,830
Acquisitions at cost	35,944	43,740
Proceeds of disposals	(34,233)	(39,300)
Net gains/(losses) realised on disposals	1,091	(20,910)
Book cost	119,162	116,360
Unrealised investment holding gain	9,524	2,492
Valuation of investments	128,686	118,852

All investments are listed on a recognised stock exchange.

Notes to the Accounts

The following transaction costs, including stamp duty and broker commissions, were incurred during the year:

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
On acquisitions	225	253
On disposals	51	56
	276	309

11. Debtors

	At 31 August 2010 £'000	At 31 August 2009 £'000
Amounts receivable within one year:		
Accrued income	800	866
Prepaid expenses	21	128
VAT recoverable	–	736
Other debtors	–	190
	821	1,920

12. Creditors

	At 31 August 2010 £'000	At 31 August 2009 £'000
Amounts payable within one year:		
Accrued expenses	288	380
	288	380

13. Called-up share capital

	At 31 August 2010 £'000	At 31 August 2009 £'000
Authorised: 312,500,000 ordinary shares of 10p each	31,250	31,250
Allotted, Called-up and fully paid: 68,688,343 (2009: 68,688,343) ordinary shares of 10p each	6,869	6,869

14. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve gains and (losses) £'000	Capital reserve holding gains and (losses) £'000	Revenue reserve £'000
Balance brought forward 1 September 2009	2,011	7,404	34,936	1,596	61,615	2,492	6,556
Gains on disposal of investments	–	–	–	–	471	–	–
Net change in investment holding gains	–	–	–	–	–	7,652	–
Transfer on disposal of investments	–	–	–	–	620	(620)	–
Management fees paid allocated to capital	–	–	–	–	(497)	–	–
Performance fee charge	–	–	–	–	(5)	–	–
Dividends paid	–	–	–	–	–	–	(6,113)
Net revenue return for the year	–	–	–	–	–	–	5,301
Balance carried forward 31 August 2010	2,011	7,404	34,936	1,596	62,204	9,524	5,744

Notes to the Accounts

15. Net asset value per ordinary share

	At 31 August 2010	At 31 August 2009
Net asset value per ordinary share	189.68p	179.77p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £130,288,000 (2009: £123,479,000) and 68,688,343 (2009: 68,688,343) ordinary shares in issue at the year-end.

16. Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Net return/(loss) before finance costs and taxation	12,922	(6,622)
(Gains)/losses on investments held at fair value	(8,123)	12,071
Stock dividends received	–	(46)
Decrease in accrued income	66	439
Decrease in prepayments and other debtors	1,033	178
Decrease in accrued expenses excluding interest	(92)	(124)
Net cash inflow from operating activities	5,806	5,896

17. Related party transactions

The Company has appointed Schroders to provide management, accounting, secretarial and administration services.

Details of the management arrangements for these services are given in the Report of the Directors on page 13. The total management fee payable under this agreement to the Manager in respect of the year ended 31 August 2010 was £994,000 (2009: £958,000), of which £201,000 (2009: £284,000) was outstanding at the year end.

In addition to the above services, the Manager also provided investment trust dealing services. The total cost to the Company for this service, payable to Equiniti Limited, for the year ended 31 August 2010 was £5,000 (2009: £3,000).

Current account facilities were provided during the year by Schroder & Co Limited on an arm's length basis. At 31 August 2010, the balance held at Schroder & Co Limited was £1,500 (2009: £1,500).

An annual performance fee is also in existence. The fee is symmetrical in nature, so the Manager will be rewarded for out-performance but penalised for under-performance. Details of the performance fee arrangements are given in the Report of the Directors on page 13. The total performance fee under this agreement payable to the Manager in respect of the year ended 31 August 2010 was £5,000 (2009: £111,000 rebate paid by the Manager).

18. Post Balance-Sheet Event

As set out in Resolution 9 set out in the Notice of Annual General Meeting on page 39 of this Report, the Board is proposing that the Company's investment policy be revised to allow up to 20% of the portfolio to be invested in equity securities listed on recognised stock exchanges outside the UK and to write short-dated call options on portfolio holdings. If this Resolution is passed, these changes will become effective on 13 December 2010.

19. Financial Instruments

Risk management policies and procedures

The Company's principal investment objective is 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. Consistent with that objective, the Company's financial instruments largely comprise UK equity investments. In addition, the Company holds cash and short term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of potential revenue profits available for dividend. The Company did not enter into derivative contracts during the year ended 31 August 2010 (2009: nil).

As an investment trust, the Company invests in securities for the long term. Accordingly, it is the Company's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is market risk. The Board reviews and agrees policy for managing this risk, as summarised below. This policy has remained substantially unchanged throughout the current and preceding year.

Notes to the Accounts

1. 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 three elements – price risk, interest rate risk and currency risk.

The Company's investment 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.

a. Price Risk

The Company's exposure to price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on page 9. Investments are valued in accordance with the Company's accounting policies as stated in note 1. Uncertainty arises as a result of future changes in the market prices of the Company's equity investments.

Management of the risk

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and comparable investment trusts. The Company does not generally hedge against the effect of changes in the underlying prices of the investments, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board.

Price risk exposure

The Company's exposure to changes in market prices on its quoted equity investments was as follows:

	31 August 2010 £'000	31 August 2009 £'000
Fixed asset investments held at fair value through profit or loss	128,686	118,852

Concentration of exposure to price risk

Although there is a concentration of exposure to the UK, it should be noted that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	31 August 2010		31 August 2009	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	(21)	21	(19)	19
Effect on capital return	12,848	(12,848)	11,866	(11,866)
Effect on total return and on net assets	12,827	(12,827)	11,847	(11,847)
Change in net asset value	9.8%	(9.8)%	9.6%	(9.6)%

b. Interest Rate Risk

Although the majority of the Company's financial assets are equity shares, which pay dividends, not interest, the Company will be affected by interest rate changes as interest is earned on any cash balances and paid on any overdrawn balances and is based on a margin over LIBOR. Given the interest rate risk exposure noted below, the impact of any interest rate change is not considered to be significant and as such, no sensitivity analysis has been provided. Interest rate changes will also have an impact on the valuation of equities, although this forms part of price risk, which has already been considered separately, above.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Notes to the Accounts

Interest rate exposure

At the year-end, financial assets exposed to interest rates were as follows:

	31 August 2010 £'000	31 August 2009 £'000
Financial Assets:		
Cash at bank	1,069	3,087
	1,069	3,087

The above year-end amounts may not be representative of the exposure to interest rates in the year ahead since the level of cash held during the year will be affected by the strategy being followed in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any particular time. During the year the level of financial assets exposed to interest obligations fluctuated between £430,000 and £10,587,000.

c. Currency Risk

The Company is not subject to a material level of currency risk since, with very occasional exceptions, all of its investments are denominated in sterling, for the current period. This will change if Resolution 9 set out in the Notice of Meeting on page 39 of this Report is approved as described in note 18.

2. Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

Management of the risk

The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of the Manager. These arrangements were in place throughout the current and prior years.

Credit risk exposure

The exposure to credit risk at the year-end comprised:

	31 August 2010 £'000	31 August 2009 £'000
Accrued income	800	866
Cash at bank and on deposit	1,069	3,087
	1,869	3,953

During the year, all deposits were with banks that had ratings of A or higher.

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

3. Liquidity Risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

Management of the risk

The Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

Liquidity risk exposure

A summary of the Company's financial liabilities is provided in section 5 of this note.

4. Fair Values of Financial Assets and Financial Liabilities

The Company's financial instruments are stated at their fair values at the year-end. The fair value of shares and securities is based on bid prices at close of business on the relevant date.

Notes to the Accounts

5. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Company's financial assets and financial liabilities as recognised at the balance sheet date of the reporting periods under review are categorised as follows:

Financial Assets	31 August 2010 £'000	31 August 2009 £'000
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	128,686	118,852
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable and accrued income)	821	1,920
Cash at bank and short-term deposits	1,069	3,087
	1,890	5,007
Financial Liabilities	31 August 2010 £'000	31 August 2009 £'000
Measured at fair value:		
Creditors: amounts falling due within one year		
Accruals	288	380
	288	380

6. Fair Value Hierarchy

The Company adopted the amendments to FRS 29 'Financial Instruments: Disclosures' effective for accounting periods beginning on or after 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

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

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Financial assets at liabilities measured at fair value are grouped into the fair value hierarchy at 31 August 2010 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a	128,686	–	–	128,686
Net fair value		128,686	–	–	128,686

a. Quoted equities

The fair value of the Company's investments in quoted equities have been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Level 1 are actively traded on recognised stock exchanges.

7. Capital Management Policies and Procedures

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objectives, set out on the inside front cover.

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

- (i) the planned level of gearing;
- (ii) the need to buy back or issue equity shares; and
- (iii) the determination of dividend payments.

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

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 of the Corporation Tax Act 2010 and the Companies Act 2006 respectively.

These provisions are unchanged since the previous year and the Company has complied with them.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder Income Growth Fund plc will be held at 11.30 a.m. on Monday, 13 December 2010 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 will be proposed as Ordinary Resolutions and resolutions 11 and 12 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2010.
2. To approve the Remuneration Report for the year ended 31 August 2010.
3. To re-elect Sir Paul Judge as a Director of the Company.
4. To re-elect Mr Keith Niven as a Director of the Company.
5. To re-elect Mr Peter Readman as a Director of the Company.
6. To re-appoint Deloitte LLP as Auditors of the Company.
7. To authorise the Directors to determine the remuneration of Deloitte LLP as Auditors of the Company.
8. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:
"That, in accordance with the Articles of Association, the Company should continue as an investment trust for a further five year period."
9. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:
"That the Company amend its Investment Policy in the manner described in the Chairman's Statement to the Annual Report and Accounts for the year ended 31 August 2010."
10. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:
"That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £343,441 (representing 5% of the share capital in issue on 15 November 2010); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
11. To consider and, if thought fit, to pass, the following resolution as a special resolution:
"That, subject to the passing of resolution 10 set out above, the Directors be and are hereby empowered, pursuant to section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560 of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said resolution 10 above and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £343,441 (representing 5% of the aggregate nominal amount of the share capital in issue on 15 November 2010); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:
"That the Company be and is hereby generally and unconditionally authorised in accordance with section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 10p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased shall be 10,296,382, representing 14.99% of the issued share capital as at 15 November 2010;
 - (b) the minimum price which may be paid for a Share is 10p;
 - (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the Shares of that class on the London Stock Exchange;
 - (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;
 - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed or revoked prior to such time; and
 - (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 3008494
15 November 2010

Explanatory Notes to the Notice of Meeting

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

A proxy form is enclosed. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641, or 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 6RJ, 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 and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the 'vote' link under their Schroder Income Growth shareholder details. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 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.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of procedures on corporate representatives.

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 6.00 p.m. on 11 December 2010, or 6.00 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 6.00 p.m. on 11 December 2010 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/CREST. 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 (IDRA 19) by the latest time for receipt of proxy appointments.
5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biographies of the Directors offering themselves for re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 31 August 2010.
7. As at 15 November 2010, 68,688,343 ordinary shares of 10 pence were in issue (no shares were held in treasury). Accordingly, the total number of voting rights of the Company as at 15 November 2010 is 68,688,343.
8. A copy of this Notice of Annual General Meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from the Company's website, www.schroderincomegrowthfund.com.
9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Company Summary and Shareholder Information

The Company

Schroder Income Growth Fund plc was launched in 1995. It is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 15 November 2010, the Company had 68,688,343 ordinary shares of 10p each in issue (no shares were held in treasury). The Company's assets are managed and it is administered by Schroders.

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 of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Company's forthcoming Annual General Meeting and thereafter at five-yearly intervals.

Website and Price Information

The Company has a dedicated website, which may be found at www.schroderincomegrowthfund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of the Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of the Board's Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA.

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

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

Registrar Services

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. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from landlines.

Equiniti maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Please visit www.shareview.co.uk for more details.

Association of Investment Companies

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

Five year Dividend History

	Net dividend paid per share					Payment date
	2006	2007	2008	2009	2010	
1st Interim	1.40p	1.50p	1.60p	1.60p	1.60p	31 January
2nd Interim	1.40p	1.50p	1.60p	1.60p	1.60p	30 April
3rd Interim	1.40p	1.50p	1.60p	1.60p	1.60p	31 July
4th Interim	2.70p	3.60p	3.90p	4.10p	4.30p	31 October
Total dividends for the year	6.90p	8.10p	8.70p	8.90p	9.10p	

www.schroderincomegrowthfund.com