

**Schroder**

# **Income Growth Fund plc**

Report and Accounts to 31 August 2009

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**Schroders**

## Investment Objective

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 60, 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 59, was appointed as a Director on 11 December 2008. He is a fully qualified 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.

### Peregrine Banbury\*†

Aged 61, was appointed as a Director of the Company on 11 January 1995. He is Managing Partner, Private Banking at Coutts & Co. 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.

### Keith Niven†

Aged 61, was appointed as a Director of the Company on 5 January 1995. He is non-executive Chairman of Matrix Income & Growth VCT plc and Matrix Income & Growth 3 VCT plc and a non-executive Director of three other investment trusts, Schroder UK Growth Fund plc, Impax Environmental Markets plc and Advance UK Trust 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 64, 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 62, 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 Banbury is Chairman of the Audit and Management Engagement Committees

Sir Paul Judge is Chairman of the Nomination Committee

## Advisers

### Investment Manager

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA

### Company Secretary and Registered Office

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

### Bankers

Schroder & Co. Limited  
31 Gresham Street  
London EC2V 7QA

### Custodian

JP Morgan Chase Bank, N.A.  
1 Chaseside  
Bournemouth BH7 7DA

### Independent Auditors

Deloitte LLP  
Hill House  
1 Little New Street  
London EC4A 3TR

### Stockbrokers

Matrix Corporate Capital LLP  
One Vine Street  
London NW1J 0AH

### Registrar

Equiniti Limited  
Aspect House, Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder Helpline: 0871 384 2451\*  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

\*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

### Solicitors

Slaughter and May  
One Bunhill Row  
London EC1Y 8YY

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## Financial Highlights

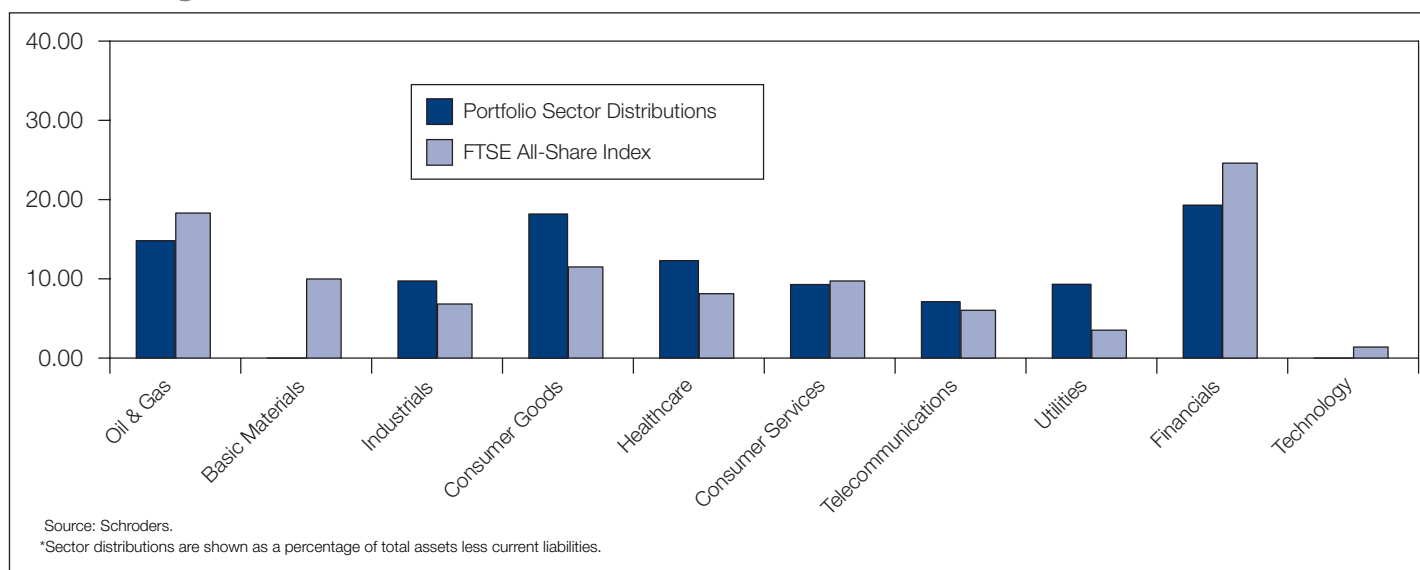
	31 August 2009	31 August 2008	% Change
Net asset value ("NAV") per ordinary share	<b>179.77p</b>	198.15p	(9.3)
Share price	<b>165.25p</b>	172.00p	(3.9)
Share price discount	<b>8.1%</b>	13.2%	
Shareholders' funds	<b>£123.48m</b>	£136.10m	(9.3)
Shares in issue ('000)	<b>68,688</b>	68,688	-
	<b>Year ended</b>	Year ended	
	<b>31 August 2009</b>	31 August 2008	% Change
Revenue return per ordinary share	<b>8.38p</b>	9.83p	(14.8)
Dividends per share declared in respect of the year	<b>8.90p</b>	8.70p	2.3
Total return per ordinary share	<b>(9.64)p</b>	(30.50)p	
NAV total return*	<b>(4.1)%</b>	(13.5)%	
FTSE All-Share Total Return**	<b>(8.2)%</b>	(8.7)%	
FTSE 350 Higher Yield Total Return**	<b>(9.2)%</b>	(12.4)%	
Share price total return**	<b>2.3%</b>	(15.5)%	
Total expense ratio***	<b>0.98%</b>	0.92%	

\* Source: Fundamental Data.

\*\* Source: Thomson Datastream.

\*\*\* Calculated in accordance with the Association of Investment Companies (AIC) guidance. Based on operating costs, excluding performance fees, finance costs and back dated VAT but after allowing for tax relief and expenses, and expressed as a percentage of monthly net assets.

## Comparison of Portfolio Sector Distribution with the FTSE All-Share Index\* at 31 August 2009

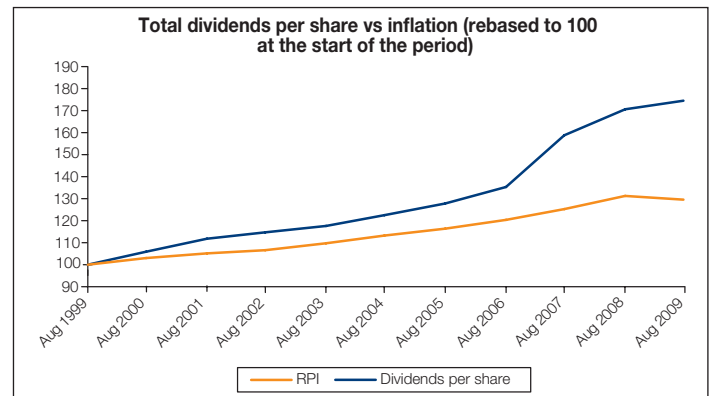
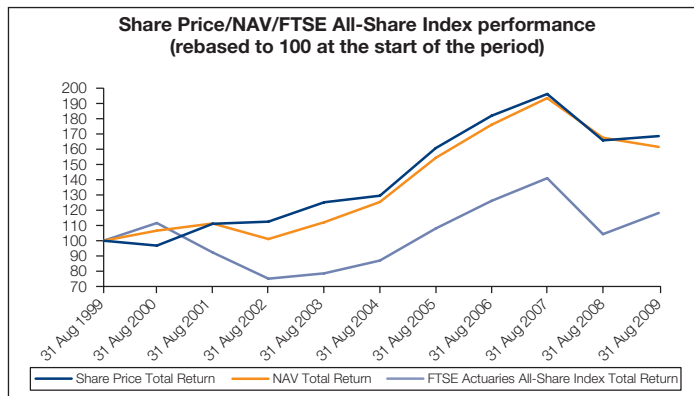


## Total Returns to 31 August

	Share price total return* %	NAV total return* %	FTSE All-Share total return** %	FTSE 350 Higher Yield total return** %
1 year	2.3	(4.1)	(8.2)	(9.2)
2 years	(14.1)	(16.5)	(16.2)	(20.5)
3 years	(7.2)	(8.3)	(6.3)	(12.8)
4 years	4.3	3.9	9.4	(0.8)
5 years	29.9	27.5	35.8	23.3
6 years	34.7	42.7	50.5	39.1
7 years	49.9	59.8	57.5	44.0
8 years	51.7	45.2	28.0	27.4
9 years	73.3	51.6	5.9	34.9
10 years	68.6	62.7	18.2	41.2
Since Inception (March 1995)	190.5	215.9	162.6	195.1

\* Source: Fundamental Data.

\*\* Source: Thomson Datastream.



## Long Term 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 %
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)
2000	122,598	164.4	174.9	136.8	(16.8)

\* 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
2009	2.25	(4.05)	(8.20)	8.38	8.90	1,178
2008	(15.47)	(13.46)	(8.70)	9.83	8.70	1,362
2007	7.90	10.00	11.80	8.10	8.10	1,584
2006	13.17	13.66	16.75	7.44	6.90	1,510
2005	24.09	23.03	24.09	7.16	6.77*	1,429
2004	3.49	11.89	10.81	6.39	6.25	1,301
2003	11.27	10.81	4.64	6.15	6.00	1,161
2002	1.21	(9.14)	(18.70)	5.67	5.85	1,143
2001	14.85	4.44	(17.27)	6.04	5.70	1,200
2000	(3.24)	6.56	11.60	5.41	5.40	1,144

# Source: Fundamental Data.

† Source: Fundamental Data to 2006; Thomson 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 £120,000 for 2009.

\* Includes special dividend of 0.25p.

## Chairman's Statement

### Results for the Year and Dividends

During the year ended 31 August 2009, the Company's investment income fell by 13.6%. This compares favourably with an estimated 23.7% drop in dividends paid by companies in the FTSE All-Share Index and an estimated 21.6% fall in dividends paid by companies in the FTSE 350 Higher Yield Index over the same period.

During the year under review, the Company's revenue return decreased to 8.38 pence per share, a fall of 14.8% when compared with the 9.83 pence per share for the previous year (a fall of 12.9% excluding amounts taken to income in respect of the recovery of VAT on management fees).

In line with your Company's objective of raising dividends above the rate of inflation, your Board has declared total dividends of 8.90 pence per share for the year ended 31 August 2009. This represents an increase of 2.3% over the 8.70 pence per share declared in respect of the previous year, above the decrease in the Retail Price Index for the same period of 1.3%.

In order to finance the increase in the dividend this year, £356,000 (0.52 pence per share) of the revenue reserve, which has been built up in order to help fund dividends during periods of reduced income, has been utilised.

### Investment Performance

The UK stock market continued to suffer during the year as the implications of last year's financial crisis worked through, as is discussed in greater detail in the Investment Manager's Review. During the year under review, the Company produced a negative net asset value total return of 4.1%, which compares favourably with both the FTSE All-Share Index and the FTSE 350 Higher Yield Index, which produced a negative total return of 8.2% and 9.2% respectively.

The discount of the Company's share price to net asset value improved during the year to 8.1% on 31 August 2009 compared to 13.2% at the start of the year. The share price total return for the year was 2.3%.

While the Company outperformed the FTSE All-Share Index during the year, in accordance with the terms of the rolling three-year performance fee calculation arrangements, the Company is due to receive a performance fee rebate from the Manager amounting to £111,000 for the year ended 31 August 2009.

Following the year end, markets have improved, and during the two months ended 31 October 2009, the Company produced a net asset value total return of 4.8% compared with a total return of 4.8% for the FTSE All-Share Index and 4.0% for the FTSE 350 Higher Yield Index. The share price at 31 October 2009 was 173 pence, representing a discount to net asset value of 2.9%.

### Share Purchases and Treasury Shares

The Company continued to monitor the share price discount to net asset value during the year ended 31 August 2009. No shares were purchased for cancellation 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.

### VAT on Management Fees

As stated in previous Reports to shareholders, the Board has been actively pursuing the potential reclaim of VAT on management fees previously paid to the Investment Manager.

During the year ended 31 August 2009, a total of £1,045,000 was recovered by our Manager from HMRC in respect of VAT wrongfully charged to the Company for the period April 2001 to October 2007. A further £175,000 has been recovered in respect of the period April 1995 to December 1996. In addition, statutory interest amounting to £293,000 in relation to these periods has also been recovered from HMRC.

There remains one period, December 1996 to April 2001, for which further recovery may be achieved but the extent and likelihood of any potential VAT reclaim for that period remains uncertain. The Board will continue to monitor the situation.

## Chairman's Statement

### **Annual General Meeting**

The Company's Annual General Meeting will be held at 3.30 p.m. on Monday, 7 December 2009. As in previous years, the meeting will include a presentation by the Investment Manager on the Company's investment strategy and market prospects.

### **Outlook**

Shareholders are aware how volatile the last year has been and that it is difficult at this stage of the cycle to forecast the immediate future. For the Company this uncertainty is reflected primarily in assessing the investment income likely in the current year, at a time when the companies in the portfolio are still uncertain as to what dividend payments are suitable in the current environment.

While recognising the risks in both the economic outlook and the UK stock market at the moment, the Board takes comfort from two points. First, the Company's strategy of concentrating on companies capable of increasing their dividends over time seems to have been most justified last year when the stock market was at its weakest. The portfolio lost value in the difficult months around the end of 2008, but at least it lost much less than the market overall. Secondly, the Investment Manager's review mentions how well the companies in the portfolio seem to be weathering the downturn, and how secure most of their dividends seem to be. The current year will be another test of both points, but we continue to believe that an income-oriented strategy will produce strong returns over the longer term.

### **Sir Paul Judge**

Chairman

12 November 2009

## Investment Manager's Review

In the twelve months to the end of August 2009 the Company's net asset value produced a negative total return of 4.1%. This compares to a negative total return from the FTSE All-Share Index of 8.2%\*.

### Market Background

The UK stock market, and with it the Company's portfolio, has gone through a complete cycle in just 12 months. The change in sentiment was almost exactly at the time of the Company's interim results, with the market falling persistently in the six months to the end of February and rising persistently since. The underlying cause, of course, has been the changed reaction to the traumas of 2008, and in particular the tension in financial markets triggered by the default of Lehman Brothers last September. The immediate consequence was a loss of confidence in almost all equities, dislocation in most lending markets, and a sharp economic slowdown. The next consequence, and the one that underpinned the recovery in share prices, was an appreciation of how successful governments' stimulus packages are being in preventing the more apocalyptic forecasts of global depression. Most countries, including the UK, are currently seeing inventory rebuilding and a gentle recovery in consumer confidence, and this has brought investors back to equities. At the time of writing, the portfolio's value is back to the levels of August 2008.

This swing in sentiment was reflected not just in the direction of the UK stock market, but also in the shares that did well. In the fall of the first six months, shares with high and safe yields – the core target for the portfolio – performed well as investors sought the comfort of defensive shares. In the recovery of the second six months, those same companies lost out to a renewed enthusiasm for cyclical shares. As a result the portfolio dampened down some of the stock market's volatility, outperforming on the way down and underperforming on the way up. In round terms, the market fell by nearly a third in the six months to the end of February 2009 and then rose by a third: the portfolio fell by a fifth in the first six months and then rose by a fifth.

12 month performance of 4.1% better than the FTSE All-Share Index, in other words, has been hard won. Those stocks that proved to be the most stable in the second half of 2008 were usually those that lagged the most in the rally of 2009. In particular quality companies with a solid balance sheet and strong cash flows (e.g. AstraZeneca, GlaxoSmithKline, British American Tobacco) have been severely left behind since March of this year. Most of these companies still offer a solid and attractive investment case and now trade on big discounts to the overall market valuation.

### Outlook

Stock market prices may have recovered, but the last year has left scars. The most immediate for the portfolio has been a 14% fall in investment income, primarily from dividend cuts. More pervasively, the risks to future dividend growth has increased in a world that could see persistently subdued economic activity, while there is the new challenge of how the UK government and others unwind the massive increase in their debt from the stimulus measures.

Both factors are leading us to continue the policy thrust of the last year, which has been to concentrate the portfolio in companies where we are most confident of higher dividends in coming years. One result has been a shorter list of investments –29 at the year end – but we take comfort from how well these companies seem to be weathering the current environment. The portfolio has a strong focus on high quality companies with strong balance sheets and sustainable cash flows and earnings. The portfolio composition is a diversified mix of the non-cyclical (like International Power, Centrica, and National Grid), and those still growing in the downturn through emerging market exposure (such as Unilever, British American Tobacco, and GlaxoSmithKline). One tactical challenge will be whether to increase holdings in the domestic banks that had to stop their dividend payments this year; for the time being, however, the portfolio is relying more on income from the insurance sector.



## Investment Manager's Review

### **Future Strategy**

The volatility of the last year has been intimidating, even for long term shareholders like ourselves who believe in the virtues of a portfolio of strong companies paying well-covered dividends with the prospect of growth. While there are obvious risks to the world economy, we hope that the fall in last year's investment income will not be matched this year. The portfolio yields materially more than current UK interest rates and inflation, and is invested in shares which we believe are priced well below their longer term value. We believe that this offers considerable consolation if short term market volatility shoots up again.

### **Schroder Investment Management Limited**

12 November 2009

*\*Source: Schroders and Fundamental Data*

## Investment Portfolio

As at 31 August 2009

Company	Sector classification	Principal activity	Market value of holding £'000	% of Shareholders' funds
BP	Oil & Gas Producers	Integrated oil company	9,563	7.74
Vodafone	Mobile Telecommunications	Global mobile telephone provider	8,439	6.83
Royal Dutch Shell 'B'	Oil & Gas Producers	Integrated oil company	8,025	6.50
AstraZeneca	Pharmaceuticals & Biotech	Global pharmaceutical company	7,812	6.33
British American Tobacco	Tobacco	International cigarette company	6,838	5.54
GlaxoSmithKline	Pharmaceuticals & Biotech	Global pharmaceutical company	6,796	5.50
Unilever	Food producers	International consumer products group	6,179	5.00
HSBC	Financials	Banking and financial services group	5,476	4.44
Imperial Tobacco	Tobacco	International cigarette company	5,455	4.42
RSA Insurance	Non-Life Insurance	Financial services	4,688	3.80
Prudential	Life Insurance	International financial services group	4,657	3.77
Admiral	Insurance Brokers	Financial services	4,169	3.38
Rexam	General industrials	Consumer packaging group	3,633	2.94
International Power	Conventional Electricity	Power generation company	3,507	2.84
BAE Systems	Aerospace & Defence	Global defence company	3,168	2.57
Diageo	Beverages	International drinks group	3,141	2.54
Centrica	Gas, Water & Multiutilities	Energy related products	3,028	2.45
National Grid	Gas, Water & Multiutilities	Electricity and gas networks	2,879	2.33
IMI	Industrial Engineering	Diversified manufacturing	2,779	2.25
Pearson	Media	International media company	2,526	2.05
<b>Twenty Largest Investments</b>			<b>102,758</b>	<b>83.22</b>
Reed Elsevier	Media	International publishing group	2,499	2.02
Aviva	Life Insurance	International insurance and financial services	2,388	1.93
Compass	Travel & Leisure	International catering company	2,186	1.77
Tomkins	General industrial	Global engineering and manufacturing group	1,980	1.60
Tesco	Food & Drug retailers	International food retailer	1,724	1.40
Scottish & Southern Energy	Electricity	UK Energy Company	1,651	1.34
Barclays	Financials	Banking and financial services group	1,578	1.28
Sainsbury (J)	Food & Drug retailers	UK food retailer	1,357	1.10
Kesa Electricals	General Retailers	Retail consumer electronics	731	0.59
<b>Total Investments</b>			<b>118,852</b>	<b>96.25</b>
<b>Net current assets</b>			<b>4,627</b>	<b>3.75</b>
<b>Total Equity Shareholders' Funds</b>			<b>123,479</b>	<b>100.00</b>

At 31 August 2008, the twenty largest investments represented 73.60% 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 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 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by Her Majesty's Revenue and Customs ("HMRC") is the year ended 31 August 2008 and the Company has subsequently conducted 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"). 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 6 and 7.

#### 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.

#### 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 12.

#### 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 ongoing basis with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Investment Portfolio on page 8 demonstrates that, as at 31 August 2009, the Manager invested in 29 UK equity investments spread across a range of industry sectors. While this portfolio is concentrated, the Board believes that this diversity of the stocks achieves 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.

#### 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 6 and 7.

#### 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.

## Report of the Directors

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 2009, 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 page 21. 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 25 on pages 36 to 38.

#### **Strategic Risk**

Investment vehicles and asset classes can fall out of favour with investors, or investment trusts 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 842 of the Income and Corporation Taxes Act 1988 (as amended). 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 2009.

### Net Asset Value

Over the year under review the net asset value per share of the Company decreased from 198.15 pence to 179.77 pence per 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 facilitate a consistent dividend policy.

For the year ended 31 August 2009, the Directors have declared ordinary dividends amounting to 8.90 pence per share (2008: 8.70 pence per share).

### Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover. All Directors held office throughout the year under review, with the exception of Mr David Causer, who was elected a Director of the Company on 11 December 2008.

In accordance with the Company's Articles of Association, Sir Paul Judge and Mr Peregrine Banbury will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Sir Paul Judge and Mr Banbury also retire in accordance with the Company's policy on tenure, having each served as non-executive Directors for more than nine years. Mr Keith Niven, having also served as a non-executive Director for more than nine years, also retires at the Annual General Meeting and, being eligible, offers himself for re-election. The Board has assessed the independence of all Directors. Sir Paul Judge and Mr Banbury 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.

The Board supports the re-elections of Sir Paul Judge, Mr Banbury and Mr Niven, as it considers that each of these Directors continue to demonstrate commitment to their role and provide 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 2009, all of which were beneficial, were as follows:

Director	Ordinary shares of 10p each 31 August 2009	Ordinary shares of 10p each 1 September 2008
Sir Paul Judge	1,000	1,000
Peregrine Banbury	1,000	1,000
Ian Barby	100,000	100,000
David Causer*	Nil	N/A
Keith Niven	80,070	72,987
Peter Readman	Nil	Nil

\*Mr Causer was appointed as a Director on 11 December 2008

Following the financial year end, Mr Niven's shareholding has increased to 81,023 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.

### 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 direct or indirect interests in 3% or more of the voting rights attaching to the Company's issued share capital:

## Report of the Directors

	Number of Ordinary shares	Percentage of total voting rights
Legal & General plc	2,917,768	4.2%
Rensburg Sheppards Investment Management Limited	2,062,386	3.0%

In addition, the Directors are aware that 30,078,366 Ordinary Shares, representing 43.8% of the Company's issued share capital, were held by investors in the Schroder ISA as at 11 November 2009.

### Investment Manager

During the year under review the Board considered the services provided by the Investment Manager, Schroder Investment Management Limited. 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 Investment Manager provides investment management and company secretarial services to the Company pursuant to 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 2009, 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 2009, the Company was entitled to a performance fee rebate amounting to £111,000 (2008: rebate to the Company of £120,000 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 at 31 August 2009 (2008: nil).

### Environmental Policy

As an investment trust, the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement.

### 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;
- 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 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 in the inside front cover of this Report, confirm 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 Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

### 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 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 (2008: £ 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.

### 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, 7 December 2009 at 3.30 p.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 – Authority to allot shares (ordinary resolution) and Resolution 9 – Power to disapply pre-emption rights (Special Resolution)**

At the AGM held on 11 December 2008, 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 2008, power was also given to the Directors to allot



## Report of the Directors

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 12 November 2009). 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 12 November 2009). Pre-emption rights under the Companies Act 2006 apply to the resale of treasury shares for cash as well as the allotment of new shares. Resolution 9 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 2010 unless renewed or revoked earlier.

### **Resolution 10 – Authority to make market purchases of the Company's own shares (special resolution)**

At the AGM held on 11 December 2008, 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 12 November 2009. 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. The authority to be given at the 2009 AGM will lapse at the conclusion of the AGM in 2010, 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 10% 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 the resolutions relating to the above items of special business 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 above resolutions and the other 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

12 November 2009



## 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 renewed annually by the Board. During the year ended 31 August 2009, the Directors received fees of £15,000 each, the Audit Committee Chairman received fees of £17,500 and the Chairman received fees of £20,000. Directors' fees were increased with effect from 1 September 2009. Directors are now entitled to receive fees of £16,000 each per annum, the Audit Committee Chairman is entitled to receive fees of £19,000 per annum and the Chairman is entitled to receive fees of £22,000 per annum.

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.

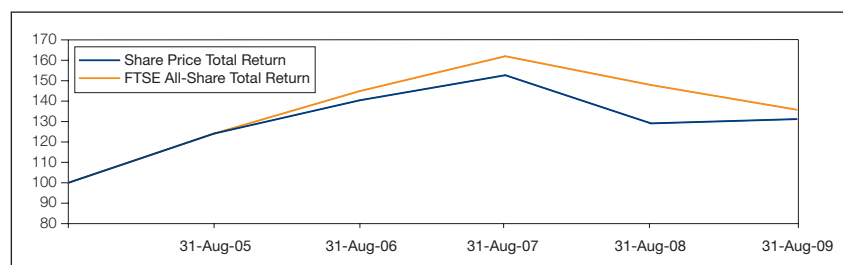
No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The Directors' terms of appointment are available for inspection at the Company's Registered Office address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

Unless initially elected by shareholders, 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. The Chairman meets with each Director before such Director is 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 Total Return Index, over the last five years, is set out below.



Source: Share Price Total Return from Fundamental Data. FTSE All-Share total return from Thomson Datastream (data rebased to 100 at August 2004).

## Remuneration Report

### Remuneration

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

Director	<b>For the year ended 31 August 2009</b>	For the year ended 31 August 2008
Sir Paul Judge	<b>£20,000</b>	£20,000
Peregrine Banbury	<b>£17,500</b>	£17,500
Ian Barby	<b>£15,000</b>	£15,000
David Causer*	<b>£10,747</b>	N/A
Keith Niven	<b>£15,000</b>	£15,000
Peter Readman	<b>£15,000</b>	£15,000
	<b>£93,247</b>	£82,500

\*Appointed as a Director on 11 December 2008.

The information in the above table has been audited (see the Independent Auditors' Report on pages 22 and 23).

By Order of the Board  
Schroder Investment Management Limited  
Company Secretary

12 November 2009

## 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, which applies to accounting periods beginning on or after 29 June 2008. The disclosures in this Statement therefore relate to the requirements of the 2008 Combined Code (the "Code"). The Code is published by the Financial Services Authority and is available to download from [www.fsa.gov.uk](http://www.fsa.gov.uk).

### 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 set out on pages 12 and 13, 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 previous relationship with the Investment Manager and 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 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](http://www.schroderincomegrowthfund.com). Details of membership of the Committees at 31 August 2009 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 19.

### 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 2009 and considered the annual accounts 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 2009 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.

The Committee did not have cause to meet during the year ended 31 August 2009.

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 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.

The Committee did not believe that it was necessary to approach an external consultancy or use open advertising in considering the appointment of Mr Causer, who was appointed during the year under review, as the calibre of candidates found from sources from within the Company was sufficiently high.

### Tenure

The Board has adopted a policy on tenure that is considered appropriate for an investment trust. 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.

## Corporate Governance

### 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 may attend relevant seminars 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 2009. 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 evaluation criteria 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.

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

\*appointed as a Director on 11 December 2008.

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.

## Corporate Governance

### **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**

In light of changes to the law resulting from the implementation of the Companies Act 2006, 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.

### **Major Shareholders**

Details of the Company's major direct and indirect shareholders are set out in the Report of the Directors on pages 11 and 12.

### **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.

## Corporate Governance

### **Exercise of Voting Powers**

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, [www.schroderincomegrowthfund.com](http://www.schroderincomegrowthfund.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 an on-going 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 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 delegates 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 Shareholders of Schroder Income Growth Fund plc**

We have audited the financial statements of Schroder Income Growth Fund plc for the year ended 31 August 2009 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 25. 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 sections 495, 496 and 497 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 2009 and of its loss 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 Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Independent Auditors' Report

### **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 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

12 November 2009

## Income Statement

	Note	For the year ended 31 August 2009			For the year ended 31 August 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value	2	-	(12,071)	(12,071)	-	(28,419)	(28,419)
Income	3	6,396	-	6,396	7,061	349	7,410
Investment management fee	4	(479)	(479)	(958)	(566)	(566)	(1,132)
VAT recoverable	4	60	60	120	550	550	1,100
Performance fee rebate	5	-	111	111	-	120	120
Administrative expenses	6	(220)	-	(220)	(230)	-	(230)
<b>Net return/(loss) before finance costs and taxation</b>		<b>5,757</b>	<b>(12,379)</b>	<b>(6,622)</b>	6,815	(27,966)	(21,151)
Interest payable and similar charges	7	-	-	-	(2)	-	(2)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>5,757</b>	<b>(12,379)</b>	<b>(6,622)</b>	6,813	(27,966)	(21,153)
Taxation on ordinary activities	8	-	-	-	4	-	4
<b>Net return/(loss) attributable to equity shareholders</b>		<b>5,757</b>	<b>(12,379)</b>	<b>(6,622)</b>	6,817	(27,966)	(21,149)
<b>Net return/(loss) per ordinary share</b>	<b>10</b>	<b>8.38p</b>	<b>(18.02)p</b>	<b>(9.64)p</b>	9.83p	(40.33)p	(30.50)p

The Total column of this statement is the profit and loss account 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 28 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 reserve £'000	Revenue reserve* £'000	Total £'000
At 31 August 2007		7,169	1,711	7,404	40,807	1,596	104,452	5,836	168,975
Net (loss)/return on ordinary activities		–	–	–	–	–	(27,966)	6,817	(21,149)
Ordinary dividends paid	9	–	–	–	–	–	–	(5,878)	(5,878)
Purchase of shares for cancellation		(300)	300	–	(5,844)	–	–	–	(5,844)
At 31 August 2008		6,869	2,011	7,404	34,963	1,596	76,486	6,775	136,104
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	9	–	–	–	–	–	–	(5,976)	(5,976)
Share buyback cost adjustment		–	–	–	(27)	–	–	–	(27)
<b>At 31 August 2009</b>		<b>6,869</b>	<b>2,011</b>	<b>7,404</b>	<b>34,936</b>	<b>1,596</b>	<b>64,107</b>	<b>6,556</b>	<b>123,479</b>

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

The notes on pages 28 to 38 form an integral part of these accounts.

## Balance Sheet

	Note	At 31 August 2009 £'000	At 31 August 2008 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	11	118,852	126,483
		<b>118,852</b>	126,483
<b>Current assets</b>			
Debtors	12	1,920	2,537
Cash at bank and short-term deposits		3,087	7,588
		<b>5,007</b>	10,125
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	13	(380)	(504)
<b>Net current assets</b>		<b>4,627</b>	9,621
<b>Net assets</b>		<b>123,479</b>	136,104
<b>Capital and reserves</b>			
Called up share capital	15	6,869	6,869
Capital redemption reserve	16	2,011	2,011
Share premium account	17	7,404	7,404
Share purchase reserve	18	34,936	34,963
Warrant exercise reserve	19	1,596	1,596
Capital reserve	20	64,107	76,486
Revenue reserve	21	6,556	6,775
<b>Equity shareholders' funds</b>		<b>123,479</b>	136,104
<b>Net asset value per ordinary share</b>	22	<b>179.77p</b>	198.15p

The accounts were approved by the Board of Directors on 12 November 2009 and signed on its behalf by:

**Sir Paul Judge**

Chairman

The notes on pages 28 to 38 form an integral part of these accounts.

## Cash Flow Statement

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
	<b>Note</b>	
<b>Operating activities</b>		
Dividends and interest received from investments	6,371	7,233
Interest received on deposits	116	179
Underwriting commission	8	–
VAT and interest recovered from HMRC	587	–
Investment management fee paid	(1,114)	(1,037)
Performance fee rebate received	120	172
Administrative expenses paid	(192)	(265)
<b>Net cash inflow from operating activities</b>	<b>23</b>	<b>6,282</b>
<b>Servicing of finance</b>		
Bank overdraft interest paid	–	(3)
<b>Net cash outflow from servicing of finance</b>	<b>–</b>	<b>(3)</b>
<b>Taxation</b>		
Tax reclaim received	–	4
<b>Total tax received</b>	<b>–</b>	<b>4</b>
<b>Investment activities</b>		
Acquisition of investments	(43,694)	(48,752)
Disposal of investments	39,300	60,422
<b>Net cash (outflow)/inflow from investment activities</b>	<b>(4,394)</b>	<b>11,670</b>
<b>Equity dividends paid</b>	<b>(5,976)</b>	<b>(5,878)</b>
<b>Net cash (outflow)/inflow before financing</b>	<b>(4,474)</b>	<b>12,075</b>
<b>Financing</b>		
Share buy back cost adjustment	(27)	–
Purchase of shares for cancellation	–	(5,844)
<b>Net cash outflow from financing</b>	<b>(27)</b>	<b>(5,844)</b>
<b>Net cash (outflow)/inflow</b>	<b>(4,501)</b>	<b>6,231</b>

**Reconciliation of net cash flow to movement in net funds**

	For the year ended 31 August 2009	For the year ended 31 August 2008
Net cash (outflow)/inflow	(4,501)	6,231
Net funds at 1 September	7,588	1,357
<b>Net funds at 31 August</b>	<b>3,087</b>	<b>7,588</b>

The notes on pages 28 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 2009, are unchanged from 2008, and are set out below.

#### **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) (adopted early), which has not resulted in the restatement of prior year figures.

The disclosures on going concern as detailed in the Report of the Directors on page 13 form part of these accounts.

#### **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.

Interest receivable from debt securities is accounted for on an effective yield 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 and finance costs are apportioned equally between revenue and capital. Performance fee rebates and charges 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 income 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 842 of the Income and Corporation Taxes Act 1988 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 should not be accrued in the accounts unless they have been paid.

## Notes to the Accounts

### i – Capital Reserve

The following are accounted for in this reserve:

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

### j – Capital redemption reserve

The nominal value of ordinary share capital repurchased is transferred out of share capital and into the capital redemption reserve.

### k – 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 receivables and payables 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. Losses on investments held at fair value

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Net losses on disposal of investments held at fair value through profit or loss	<b>(20,910)</b>	(5,178)
Unrealised investment holding gains/(losses) during the year	<b>8,839</b>	(23,241)
	<b>(12,071)</b>	(28,419)

## 3. Income

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Income from investments:		
UK franked dividend income	<b>5,903</b>	6,858
Interest on debt securities	<b>58</b>	–
Stock dividends	<b>46</b>	–
Underwriting commission	<b>8</b>	–
	<b>6,015</b>	6,858
Interest on deposits	<b>88</b>	203
VAT reclaim interest received	<b>293</b>	–
	<b>6,396</b>	7,061
Allocated to capital:		
UK special dividend income	–	349
	<b>6,396</b>	7,410

## Notes to the Accounts

## 4. Investment management fee

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Management fee		
– charged to revenue	479	566
– charged to capital	479	566
	<b>958</b>	1,132
Backdated VAT recoverable		
– revenue	(60)	(550)
– capital	(60)	(550)
	<b>(120)</b>	(1,100)

Following agreement by HMRC in November 2007, management fees invoiced after this date have not incurred a VAT charge.

The bases for calculating the investment management fee and the performance fee are set out in the Report of the Directors on page 12.

Recovery of outstanding VAT recoverable on management fees has been recorded in the current year, as described in the Chairman's Statement on pages 4 and 5 of this Report. No further recovery is expected at this time, however, there remains one period, December 1996 to April 2001, for which further recovery may be achieved but the extent and likelihood of any potential VAT reclaim for that period remains uncertain. The Board will continue to monitor the situation.

## 5. Performance fee rebate

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Performance fee		
– rebate to capital	(111)	(120)
	<b>(111)</b>	(120)

The basis for calculating the performance fee/fee rebate is set out in the Report of the Directors on page 12.

## 6. Administrative expenses

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Allocated to revenue:		
General expenses	106	128
Directors' fees	93	83
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	21	19
	<b>220</b>	230

## 7. Interest payable

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Bank overdraft interest payable	–	2



## Notes to the Accounts

## 8. Taxation

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
<b>(a) Analysis of charge in the year:</b>		
Irrecoverable overseas tax	-	(4)
Total current taxation (see note 8 (b))	-	(4)

**(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 842 of the Income and Corporation taxes Act 1988 (as amended).

The tax assessed for the year is lower (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: 30% and 28%). The differences are explained below:

	<b>For the year ended 31 August 2009</b>			For the year ended 31 August 2008		
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before tax	<b>5,757</b>	<b>(12,379)</b>	<b>(6,622)</b>	6,813	(27,966)	(21,153)
Net return on ordinary activities multiplied by standard rate of:						
corporation tax in the UK of 30% (2008: 30%)	-	-	-	1,192	(4,894)	(3,702)
corporation tax in the UK of 28%* (2008: 28%)	<b>1,612</b>	<b>(3,466)</b>	<b>(1,854)</b>	795	(3,263)	(2,468)
Effects of:						
UK Franked dividends**	<b>(1,653)</b>	-	<b>(1,653)</b>	(2,000)	(102)	(2,102)
Capital returns on investments**	-	<b>3,380</b>	<b>3,380</b>	-	8,289	8,289
UK stock dividends**	<b>(13)</b>	-	<b>(13)</b>	-	-	-
Expenses not deductible for tax purposes	<b>1</b>	-	<b>1</b>	1	-	1
Utilisation of excess management expenses	-	-	-	-	(30)	(30)
Expenses not utilised in the year	<b>53</b>	<b>86</b>	<b>139</b>	12	-	12
Irrecoverable overseas tax	-	-	-	(4)	-	(4)
<b>Current tax charge for the year (see note 8(a))</b>	<b>-</b>	<b>-</b>	<b>-</b>	(4)	-	(4)

\*Under the Finance Act 2008, the rate of corporation tax was lowered to 28% from 1 April 2008.

\*\* These items are not subject to tax in investment trust companies.

**(c) Provision for deferred tax**

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

**(d) Factors that may affect future tax charges**

The Company has deferred tax assets in respect of unutilised management expenses of £3,146,000 (2008: £2,920,000) which has not been recognised as it is not certain that the Company will have sufficient profits in the future to utilise this amounts.

## 9. Dividends

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Amounts recognised as distributions in the period:		
Fourth interim dividend of prior year of 3.90p (2007: 3.60p)	<b>2,679</b>	2,581
First interim dividend of 1.60p (2008: 1.60p)	<b>1,099</b>	1,099
Second interim dividend of 1.60p (2008: 1.60p)	<b>1,099</b>	1,099
Third interim dividend of 1.60p (2008: 1.60p)	<b>1,099</b>	1,099
Total dividends of 8.70p (2008: 8.40p)	<b>5,976</b>	5,878

## Notes to the Accounts

The fourth interim dividend of prior year of 3.90 pence per share (2007: 3.60 pence per share) was paid on 68,688,343 (2007: 71,687,343) ordinary shares in issue.

The first interim dividend of 1.60 pence per share (2008: 1.60 pence per share) was paid on 68,688,343 (2008: 68,688,343) ordinary shares in issue.

The second interim dividend of 1.60 pence per share (2008: 1.60 pence per share) was paid on 68,688,343 (2008: 68,688,343) ordinary shares in issue.

The third interim dividend of 1.60 pence per share (2008: 1.60 pence per share) was paid on 68,688,343 (2008: 68,688,343) ordinary shares in issue.

The total dividends payable in respect of the financial year, which is the basis of the requirements of Section 842 of the Income and Corporation Taxes Act 1988, is set out below:

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
First interim dividend of 1.60p (2008: 1.60p)	<b>1,099</b>	1,099
Second interim dividend of 1.60p (2008: 1.60p)	<b>1,099</b>	1,099
Third interim dividend of 1.60p (2008: 1.60p)	<b>1,099</b>	1,099
Fourth interim dividend of 4.10p (2008: 3.90p)	<b>2,816</b>	2,679
<b>Total dividends of 8.90p (2008: 8.70p)</b>	<b>6,113</b>	5,976

The proposed fourth interim dividend of 4.10 pence per share (2008: 3.90 pence per share) is payable on 68,688,343 (2008: 68,688,343) ordinary shares in issue.

## 10. Return/(loss) per ordinary share

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Revenue	<b>5,757</b>	6,817
Capital	<b>(12,379)</b>	(27,966)
<b>Total</b>	<b>(6,622)</b>	(21,149)
Weighted average number of shares	<b>68,688,343</b>	69,343,862
Revenue	<b>8.38p</b>	9.83p
Capital	<b>(18.02)p</b>	(40.33)p
<b>Total</b>	<b>(9.64)p</b>	(30.50)p

## 11. Investments held at fair value through profit or loss

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
Movement of investments held as fixed assets:		
Book cost brought forward	<b>132,830</b>	149,678
Acquisitions at cost	<b>43,740</b>	48,752
Proceeds of disposals	<b>(39,300)</b>	(60,422)
Net losses realised on disposals	<b>(20,910)</b>	(5,178)
Book cost at 31 August	<b>116,360</b>	132,830
Unrealised investment holding gains/(losses)	<b>2,492</b>	(6,347)
<b>Valuation of investments at 31 August</b>	<b>118,852</b>	126,483

## Notes to the Accounts

All investments are listed on a recognised stock exchange.

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

	<b>For the year ended 31 August 2009 £'000</b>	For the year ended 31 August 2008 £'000
On acquisitions	253	283
On disposals	56	378
	<b>309</b>	661

### 12. Debtors

	<b>At 31 August 2009 £'000</b>	At 31 August 2008 £'000
Amounts receivable within one year:		
Accrued income	866	1,305
Prepaid expenses	128	132
VAT recoverable	736	1,100
Other debtors	190	–
	<b>1,920</b>	2,537

### 13. Creditors

	<b>At 31 August 2009 £'000</b>	At 31 August 2008 £'000
Amounts payable within one year:		
Accrued expenses	380	504
	<b>380</b>	504

### 14. Contingent Liabilities

The Company had no contingent liabilities at the balance sheet date (2008: £nil).

### 15. Called up share capital

	<b>At 31 August 2009 £'000</b>	At 31 August 2008 £'000
Authorised: 312,500,000 ordinary shares of 10p each	<b>31,250</b>	31,250
Allotted, Called up and Fully paid:		
Opening balance of 68,688,343 (2008: 71,687,343) ordinary shares of 10p each	<b>6,869</b>	7,169
Transfer to capital redemption reserve on purchase of nil (2008: 2,999,000) shares for cancellation (note 16)	–	(300)
68,688,343 (2008: 68,688,343) ordinary shares of 10p each	<b>6,869</b>	6,869

## Notes to the Accounts

## 16. Capital redemption reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	2,011	1,711
Transfer from share capital (see note 15)	–	300
Balance carried forward	2,011	2,011

## 17. Share premium account

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward and carried forward	7,404	7,404

## 18. Share purchase reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	34,963	40,807
Share buy back cost adjustment	(27)	–
Purchase of nil (2008: 2,999,000) ordinary shares for cancellation	–	(5,844)
Balance carried forward	34,936	34,963

## 19. Warrant exercise reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward and carried forward	1,596	1,596

The warrant exercise reserve represents, for warrants that have been exercised, the proceeds received on the original issue of these warrants. In accordance with SORP this value is maintained in a separate non-distributable reserve within Shareholders' Funds.

## 20. Capital reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	76,486	104,452
Losses on disposal of investments	(20,910)	(5,178)
Investment holding gains/(losses)	8,839	(23,241)
Investment income taken to capital	–	349
Performance fee rebate	111	120
Investment management fee	(419)	(16)
Balance carried forward	64,107	76,486

## Notes to the Accounts

### 21. Revenue reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	6,775	5,836
Dividends paid	(5,976)	(5,878)
Net revenue return for the year	5,757	6,817
Balance carried forward	6,556	6,775

### 22. Net asset value per ordinary share

	At 31 August 2009 £'000	At 31 August 2008 £'000
Net asset value per ordinary share	179.77p	198.15p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £123,479,000 (2008: £136,104,000) and 68,688,343 (2008: 68,688,343) ordinary shares in issue at the year-end.

### 23. Reconciliation of loss before finance costs and taxation to net cash inflow from operating activities

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Net loss before finance costs and taxation	(6,622)	(21,151)
Losses on investments held at fair value	12,071	28,419
Stock dividends received	(46)	–
Increase in accrued income	439	2
Decrease / (increase) in prepayments and other debtors	178	(1,048)
(Decrease) / increase in accrued expenses excluding interest	(124)	60
Net cash inflow from operating activities	5,896	6,282

### 24. Related party transactions

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

Details of the management arrangements for these services are given in the Report of the Directors on page 12. The total management fee payable under this agreement to Schroders in respect of the year ended 31 August 2009 was £958,000 (2008: £1,132,000), of which £284,000 (2008: £441,000) was outstanding at the year end.

In addition to the above services, Schroders 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 2009 was £3,000 (2008: £3,000).

With effect from 1 September 2000, an annual performance fee was introduced. 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 12. The total performance fee rebate under this agreement payable by Schroders in respect of the year ended 31 August 2009 was £111,000 (2008: £120,000 rebate paid by Schroders).

## Notes to the Accounts

### 25. 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 does not enter into derivative contracts.

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 risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policy for managing these risks, as summarised below. These policies have remained substantially unchanged throughout the current and preceding year.

#### 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 8. 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 risks exposure

The Company's exposure to changes in market prices at 31 August on its quoted equity investments was as follows:

	<b>31 August 2009</b>	31 August 2008
	<b>£'000</b>	£'000
Fixed asset investments held at fair value through profit or loss	<b>118,852</b>	126,483

#### 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.

	<b>31 August 2009</b>		31 August 2008	
	<b>Increase in fair value £'000</b>	<b>Decrease in fair value £'000</b>	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	<b>(19)</b>	<b>19</b>	(21)	21
Effect on capital return	<b>11,866</b>	<b>(11,864)</b>	12,628	(12,628)
Effect on total return and on net assets	<b>11,847</b>	<b>(11,845)</b>	12,607	(12,607)
Change in net asset value	<b>9.6%</b>	<b>(9.6)%</b>	9.2%	(9.2)%

## Notes to the Accounts

### 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 at 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.

#### Interest rate exposure

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

	31 August 2009 £'000	31 August 2008 £'000
Financial Assets:		
Cash at bank	3,087	7,588
	<b>3,087</b>	7,588

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 £2,388,000 and £6,613,000.

### 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.

## 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 Schroder Investment Management Limited. These arrangements were in place throughout the current and prior year.

#### Credit risk exposure

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

	31 August 2009 £'000	31 August 2008 £'000
Accrued income	866	1,305
Cash at bank and on deposit	3,087	7,588
	<b>3,953</b>	8,893

During the current year and prior years, the deposits were with banks that had credit 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 below.

## 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:

<b>Financial Assets</b>	<b>31 August 2009</b>	31 August 2008
	<b>£'000</b>	£'000
Financial assets at fair value through profit or loss:		
Fixed asset investments - designated as such on initial recognition	<b>118,852</b>	126,483
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable, prepaid expenses, accrued income and VAT recoverable)	<b>1,920</b>	2,537
Cash at bank and short-term deposits	<b>3,087</b>	7,588
	<b>4,879</b>	9,993
<b>Financial Liabilities</b>	<b>31 August 2009</b>	31 August 2008
	<b>£'000</b>	£'000
Measured at amortised cost		
Creditors: amounts falling due within one year		
Accruals	<b>380</b>	504
	<b>380</b>	504

### 6. Capital Management Policies and Procedures

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

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 842 Income and Corporation Taxes Act 1988 and the Companies Act 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 3.30 p.m. on Monday, 7 December 2009 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 8 will be proposed as Ordinary Resolutions and resolutions 9 and 10 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2009.
2. To approve the Remuneration Report for the year ended 31 August 2009.
3. To re-elect Sir Paul Judge as a Director of the Company.
4. To re-elect Mr Peregrine Banbury as a Director of the Company.
5. To re-elect Mr Keith Niven 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 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 12 November 2009); 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."
9. To consider and, if thought fit, to pass, the following resolution as a special resolution:  
 "That, subject to the passing of resolution 8 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 8 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 12 November 2009); 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."
10. 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 12 November 2009;
  - (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  
 12 November 2009

## Explanatory Notes

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

A proxy form is attached. 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 0871 384 2451, 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 6ZR, 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.shareview.co.uk](http://www.shareview.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](http://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 0871 384 2451.

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](http://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 5 December 2009, 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 5 December 2009 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](http://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 (IDRA19) 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 2009.
7. As at 12 November 2009, 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 12 November 2009 is 68,688,343.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from the Company's website, [www.schroderincomegrowthfund.com](http://www.schroderincomegrowthfund.com).

## 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 12 November 2009, 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 Annual General Meeting in 2010 and thereafter at five yearly intervals.

### Website and Price Information

The Company has launched a dedicated website, which may be found at [www.schroderincomegrowthfund.com](http://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](http://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 0871 384 2451. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

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](http://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](http://www.theaic.co.uk).

### Five year Dividend History

	Net dividend paid per share					Payment date
	2005	2006	2007	2008	2009	
1st Interim	1.34p	1.40p	1.50p	1.60p	1.60p	31 January
2nd Interim	1.34p	1.40p	1.50p	1.60p	1.60p	30 April
3rd Interim	1.34p	1.40p	1.50p	1.60p	1.60p	31 July
4th Interim	2.50p	2.70p	3.60p	3.90p	4.10p	31 October
Special	0.25p	–	–	–	–	31 October
Total dividends for the year	6.77p	6.90p	8.10p	8.70p	8.90p	

[www.schroderincomegrowthfund.com](http://www.schroderincomegrowthfund.com)