

Schroder
Income Growth Fund plc

Half-Yearly Report to 28 February 2011

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

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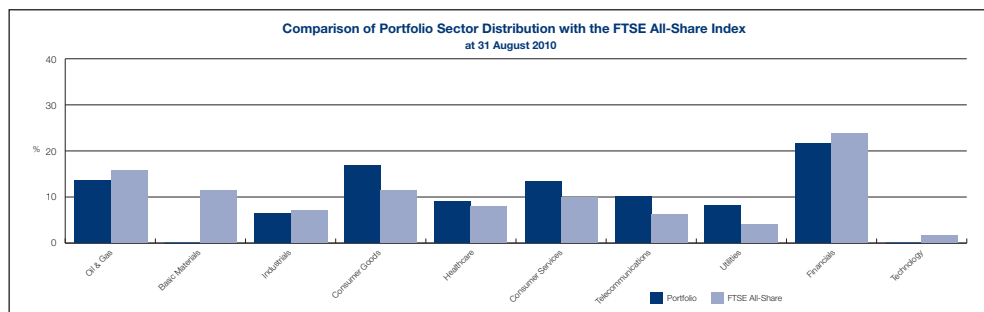
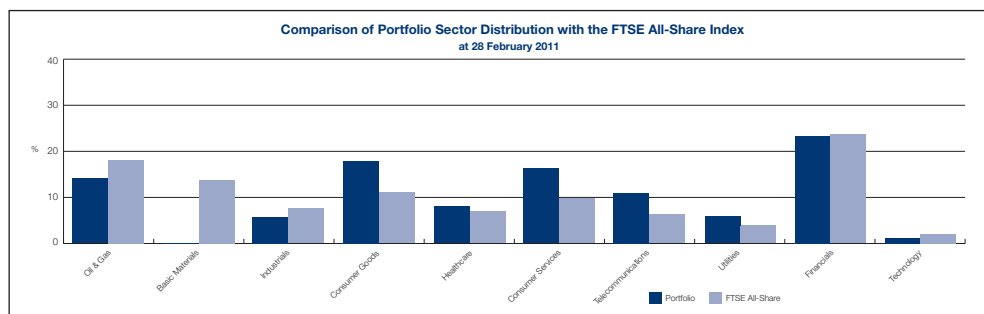
Financial Highlights

	28 February 2011	31 August 2010	% Change
Net asset value ("NAV") per ordinary share	210.41p	189.68p	10.9
Share price	198.37p	184.75p	7.4
Share price discount	5.7%	2.6%	
Shareholders' funds ('000)	£144,527	£130,288	10.9
Shares in issue ('000)	68,688	68,688	–
	Six months ended 28 February 2011	Six months ended 28 February 2010	% Change
Revenue return per ordinary share	2.71p	3.06p	(11.4)
Dividends per share declared in respect of the period	3.20p	3.20p	–
Total return per ordinary share	26.63p	18.05p	
NAV total return*	13.0%	11.5%	
FTSE All-Share Index total return**	16.5%	10.1%	
FTSE 350 Higher Yield Index total return**	15.2%	6.7%	
Share price total return*	8.4%	8.8%	

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

**Source: Thomson Financial Datastream.

Portfolio Sector Distribution



Interim Management Report

Chairman's Statement

Investment Performance

During the six month period ended 28 February 2011, the Company earned revenue of 2.71 pence per share, an 11.4% decrease on the 3.06 pence per share earned in the six months ended 28 February 2010. The main cause of this was the absence of BP's dividends after the oil spill in the Gulf of Mexico. However, your Board expects that following recent changes to the portfolio and the renewal of the BP dividend, income will increase in the second half of this fiscal year compared to the equivalent period last year.

During the period, net asset value per share increased by 10.9% to 210.4 pence at 28 February 2011. The Company's net asset value produced a total return of 13.0%*, which underperformed both the FTSE All-Share Index, which produced a total return of 16.5%***, and the FTSE 350 Higher Yield Index, which achieved a total return of 15.2%** during the period. The reasons for this underperformance are described in the Investment Manager's Review but are mainly related to the small relative investment in the low dividend yield natural resources sector which increased substantially in value. As at 26 April 2011, the net asset value per share was 211.7 pence.

The share price total return for the six months under review was 8.4 %. The share price discount to net asset value widened from 2.6% at 31 August 2010 to 5.7% at 28 February 2011 and since the period end it has narrowed back to 1.7% as at 26 April 2011.

Dividends

The Company paid a first interim dividend for the year ending 31 August 2011 of 1.60 pence per share (2010: 1.60 pence per share) on 31 January 2011. The Board has since declared the payment of a second interim dividend for the financial year of 1.60 pence per share (2010: 1.60 pence per share), which will be paid on 29 April 2011 to shareholders who were on the register at the close of business on 8 April 2011.

Share Purchases

The Company continued to monitor the share price discount to net asset value during the period under review. No shares were purchased for cancellation or holding in treasury during the period. Your Board continues to consider share buy-backs as one of a number of tools that may be used to enhance shareholder value.

Outlook

Our investment objective remains to provide investors with a real growth of income (i.e. growth in excess of the rate of inflation) and capital growth as a consequence of the rising income.

For the last two fiscal years the Company's dividends have not been fully covered by its profits, requiring transfers from its revenue reserve and, in order to continue to meet our investment objective over the longer term, the portfolio needs to generate more income. The Investment Manager's Review describes the forecast improvement in the UK corporate sector's cash flows. However, the macro economic environment remains difficult, providing challenges for income production from investee companies. The Manager has therefore diversified the Company's income sources, for example through new overseas holdings and by examining the possible use of covered calls. The Board will continue to consider utilising its revenue reserve to smooth the income which investors receive from year to year.

Sir Paul Judge

Chairman

28 April 2011

* Source: Morningstar

** Source: Thomson Financial Datastream

Interim Management Report

Investment Manager's Review

In the six months to 28 February 2011, the Company's net asset value produced a total return of 13.0%*. This compares to a 16.5%** total return from the FTSE All-Share Index and 15.2%** from the FTSE 350 Higher Yield Index.

Market Background

Despite persistent negative economic news, the UK stock market performed well during the six months ended 28 February 2011. Expectations of a sustained economic recovery, both in the UK and its key export markets, offset concerns about rising domestic inflation, higher commodity prices, and continued sovereign debt problems in parts of the Eurozone. The support for the market came largely from continued evidence of UK companies recovering from the traumas of 2008-09: large numbers of companies reported good profit growth for 2010, usually with reassuring comments about the outlook for 2011.

Accompanying this recovery in cash flow has been the return of rising dividends, albeit to levels still below where they were in aggregate four years ago. While this is reassuring for the Company's target of restoring its own dividend growth above the rate of inflation, the challenge for the portfolio has been that substantial share price increases have come primarily from cyclical stocks rather than higher-yielding stocks where the portfolio is concentrated. The clearest example has been the mining sector, which was amongst the strongest performing sectors over the six months but where low dividend yields make it difficult for the portfolio to have holdings. Not owning mining shares was the largest contributor to the portfolio's underperformance of the broader market index, offset partly by the portfolio having a lower than market weighting in the other low-yield (and in some cases zero yield) sector, the banks. The portfolio benefited from not holding the UK-focused banks in particular, with their shares weakening on concern about government regulation and increasing capital requirements.

The portfolio's underperformance of the 350 Higher Yield Index came largely from its underweight position in BP and Royal Dutch Shell, two large components of the Index.

Among the shares the portfolio did hold, the best contributions came from the insurance sector (eg Legal & General and Aviva), Royal Dutch Shell, and BT. The disappointments included GSK and not owning BG, which performed well.

Outlook

Headline events since the end of February – turmoil in the Middle East and northern Africa, the tsunami in Japan, and further increases in the price of oil – continue to highlight that the political and economic climate is challenging. There are a number of new reasons why UK consumer spending may be lower this year than originally expected, not least of which is the possibility of domestic interest rates being increased later this year. Equally, there is a risk that should unrest spread further in the Middle East the outlook could change significantly for the worse.

We take comfort, however, from the improving news on the US economy, continuing growth in Asia, and the optimism being displayed by many UK companies. Share valuations are not stretched and corporate activity continues internationally. We therefore see good reason for the market's impressive resilience in recent months despite the periodic bad news.

Our review in the Company's last Report & Accounts mentioned the likelihood that we would expand the portfolio's number of holdings from the concentrated list that had been held through the recession. This has begun with holdings bought not just in selected medium-sized domestic companies (eg Greene King, Halfords, and Wm. Morrison) that offer good long term dividend growth prospects, but also to take up the new opportunity approved by shareholders at the last Annual General Meeting to invest in overseas companies. One aim has been to diversify the Company's investment income by buying into international companies in the same sectors as existing holdings. Part of the holding in Royal Dutch Shell, for example, has been switched into two Continental European oil companies, Total and Statoil, while a holding has also been started in Dutch telecom company KPN. There were sales of some of the stronger performing holdings, such as Tate & Lyle and International Power.

Interim Management Report

The portfolio continues to target holdings whose dividends will help investment income grow above the rate of inflation. A number of the holdings remain out of favour in the stock market (eg in the healthcare, insurance and consumer service sectors). We believe, however, that the chosen companies have the appeal of low valuations, robust balance sheets and strong dividend-paying capability and that this will bring them back to market attention. The portfolio continues its policy of not holding mining companies and the domestic banks because of their low or nil dividend yields.

Looking beyond the immediate uncertainty, the longer term expectation is for a continued recovery in the cash flow and dividends of the UK corporate sector, with a bonus at some stage as and when the conspicuous casualties of the last two years (eg BP and the domestic banks) start paying material dividends again. In the meantime, we are still finding exciting opportunities for the portfolio on a long term view.

Schroder Investment Management

28 April 2011

* Source: Morningstar

** Source: Thomson Financial Datastream

Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's business fall into the following categories: financial risk; strategic risk; and accounting, legal and regulatory risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on page 11 of the Company's published Annual Report and Accounts for the year ended 31 August 2010. These risks and uncertainties have not materially changed during the six months ended 28 February 2011.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections; that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Related Party Transactions

Details of related party transactions can be found on page 35 of the Company's published Annual Report and Accounts for the year ended 31 August 2010. There have been no material transactions with the Company's related parties during the six months ended 28 February 2011.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice: Financial Statements of Investment Companies and Venture Capital Trusts (SORP) issued in January 2009 and the Interim Management Report as set out above includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

Ten Largest Investments

As at 28 February 2011

Company and Activity	Market Value of Holding £'000	% of Shareholders' Funds
Vodafone Global mobile telephone provider	11,889	8.23
Royal Dutch Shell 'B' Integrated oil company	10,746	7.44
British American Tobacco International cigarette company	7,445	5.15
Aviva International insurance and financial services	7,232	5.00
Legal & General Insurance and financial services	7,140	4.94
Unilever International consumer products group	6,997	4.84
Imperial Tobacco Group International cigarette company	6,235	4.31
GlaxoSmithKline Global pharmaceutical company	6,230	4.31
BP Integrated oil company	5,858	4.05
RSA Insurance Insurance and financial services	5,793	4.01
Total	75,565	52.28

At 31 August 2010, the ten largest investments represented 55.08% of shareholders' funds.

Income Statement

		(Unaudited) For the six months ended 28 February 2011			(Unaudited) For the six months ended 28 February 2010			(Audited) For the year ended 31 August 2010		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value		–	16,754	16,754	–	10,579	10,579	–	8,123	8,123
Currency losses		–	(7)	(7)	–	–	–	–	–	–
Income	2	2,252	–	2,252	2,462	–	2,462	6,072	–	6,072
Investment management fee	3	(254)	(254)	(508)	(250)	(250)	(500)	(497)	(497)	(994)
Performance fee	3	–	(64)	(64)	–	(33)	(33)	–	(5)	(5)
Administrative expenses		(135)	–	(135)	(113)	–	(113)	(274)	–	(274)
Net return before taxation		1,863	16,429	18,292	2,099	10,296	12,395	5,301	7,621	12,922
Taxation on ordinary activities		–	–	–	–	–	–	–	–	–
Net return after taxation attributable to equity shareholders		1,863	16,429	18,292	2,099	10,296	12,395	5,301	7,621	12,922
Net return per ordinary share	4	2.71p	23.92p	26.63p	3.06p	14.99p	18.05p	7.72p	11.10p	18.82p

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

All Revenue and Capital items in the above statement derive from continuing operations.

The notes on page 11 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

For the six months ended 28 February 2011 (Unaudited)

	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
Balance at 31 August 2010	6,869	2,011	7,404	34,936	1,596	71,728	5,744	130,288
Net return from ordinary activities	–	–	–	–	–	16,429	1,863	18,292
Ordinary dividends paid	–	–	–	–	–	–	(4,053)	(4,053)
At 28 February 2011	6,869	2,011	7,404	34,936	1,596	88,157	3,554	144,527

For the six months ended 28 February 2010 (Unaudited)

	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
Balance at 31 August 2009	6,869	2,011	7,404	34,936	1,596	64,107	6,556	123,479
Net return from ordinary activities	–	–	–	–	–	10,296	2,099	12,395
Ordinary dividends paid	–	–	–	–	–	–	(3,915)	(3,915)
At 28 February 2010	6,869	2,011	7,404	34,936	1,596	74,403	4,740	131,959

For the year ended 31 August 2010 (Audited)

	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
Balance at 31 August 2009	6,869	2,011	7,404	34,936	1,596	64,107	6,556	123,479
Net return from ordinary activities	–	–	–	–	–	7,621	5,301	12,922
Ordinary dividends paid	–	–	–	–	–	–	(6,113)	(6,113)
At 31 August 2010	6,869	2,011	7,404	34,936	1,596	71,728	5,744	130,288

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

The notes on page 11 form an integral part of these accounts.

Balance Sheet

	(Unaudited) At 28 February 2011 £'000	(Unaudited) At 28 February 2010 £'000	(Audited) At 31 August 2010 £'000
Note			
Fixed assets			
Investments held at fair value through profit or loss	143,797	127,890	128,686
	143,797	127,890	128,686
Current assets			
Debtors	582	4,243	821
Cash at bank and short-term deposits	482	3,728	1,069
	1,064	7,971	1,890
Current liabilities			
Creditors – amounts falling due within one year	(334)	(3,902)	(288)
Net current assets	730	4,069	1,602
Net assets	144,527	131,959	130,288
Capital and reserves			
Called-up share capital	6,869	6,869	6,869
Capital redemption reserve	2,011	2,011	2,011
Share premium account	7,404	7,404	7,404
Share purchase reserve	34,936	34,936	34,936
Warrant exercise reserve	1,596	1,596	1,596
Capital reserve	88,157	74,403	71,728
Revenue reserve	3,554	4,740	5,744
Equity shareholders' funds	144,527	131,959	130,288
Net asset value per ordinary share	6	210.41p	192.11p
			189.68p

The notes on page 11 form an integral part of these accounts.

Cash Flow Statement

	(Unaudited) For the six months ended 28 February 2011 £'000	(Unaudited) For the six months ended 28 February 2010 £'000	(Audited) For the year ended 31 August 2010 £'000
Net cash inflow from operating activities	1,831	2,672	5,806
Net cash inflow/(outflow) from investment activities	1,642	1,884	(1,711)
Equity dividends paid	(4,053)	(3,915)	(6,113)
Net cash (outflow)/inflow	(580)	641	(2,018)
Reconciliation of net cash flow to movement in net funds			
Net cash (outflow)/inflow	(580)	641	(2,018)
Net funds brought forward	1,069	3,087	3,087
Currency losses	(7)	–	–
Net funds at period end	482	3,728	1,069

The notes on page 11 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

The financial information for each of the six month periods ended 28 February 2011 and 28 February 2010 comprises non-statutory accounts within the meaning of sections 434 – 436 of the Companies Act 2006 as appropriate. The financial information for the year ended 31 August 2010 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Company's accounting policies have not varied from those described in the Report and Accounts for the year ended 31 August 2010.

2. Income

	(Unaudited) For the six months ended 28 February 2011 £'000	(Unaudited) For the six months ended 28 February 2010 £'000	(Audited) For the year ended 31 August 2010 £'000
Income from investments:			
UK franked dividend income	2,249	2,456	6,058
	2,249	2,456	6,058
Interest on deposits	3	6	14
	2,252	2,462	6,072

3. Investment management and performance fees

The investment management fee is apportioned 50% to revenue and 50% to capital; the performance fee is apportioned 100% to capital.

4. Return per ordinary share

	(Unaudited) For the six months ended 28 February 2011	(Unaudited) For the six months ended 28 February 2010	(Audited) For the year ended 31 August 2010
Revenue (£'000)	1,863	2,099	5,301
Capital (£'000)	16,429	10,296	7,621
Total (£'000)	18,292	12,395	12,922
Weighted average number of ordinary shares in issue	68,688,343	68,688,343	68,688,343
Revenue	2.71p	3.06p	7.72p
Capital	23.92p	14.99p	11.10p
Total	26.63p	18.05p	18.82p

5. Dividends

The second interim dividend of 1.60 pence per ordinary share will be paid on 29 April 2011 to shareholders on the register at 8 April 2011. A first interim dividend of 1.60 pence per ordinary share was paid on 31 January 2011. In total, dividends of 3.20 pence per share have been declared so far in respect of the year ending 31 August 2011.

6. Net asset value per ordinary share

	(Unaudited) 28 February 2011	(Unaudited) 28 February 2010	(Audited) 31 August 2010
Net assets attributable to ordinary shareholders (£'000)	144,527	131,959	130,288
Ordinary shares in issue at end of period	68,688,343	68,688,343	68,688,343
Net asset value per ordinary share	210.41p	192.11p	189.68p

Company Summary

The Company

Schroder Income Growth Fund plc was established in March 1995 and is an independent investment trust whose ordinary shares are listed on the London Stock Exchange. As at 28 April 2011, the Company had 68,688,343 ordinary shares of 10p each in issue. The Company is administered by Schroders, which also manages its assets.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that 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 forward a proposal for the continuation of the Company to shareholders at five yearly intervals. The next proposal will be put forward at the Annual General Meeting in 2015.

Website and Share Price Information

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

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

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

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from landlines. Other telephone providers' costs may vary.

Equiniti maintains 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 postcode and will be able to view information on their own holding. Visit www.shareview.co.uk for more details.

Association of Investment Companies

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

www.schroderincomegrowthfund.com