Schroder
Income Growth Fund plc

Report and Accounts for the year ended 31 August 2012

Schroders

Investment Objectives

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

Directors

Sir Paul Judge (Chairman)*†
Aged 63, 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 Tempur–Pedic International Inc. 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.

Ian Barby*†
Aged 67, 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 Madagascar Oil Limited.

David Causer*†
Aged 62, was appointed as a Director on 11 December 2008. He is a Chartered Accountant and a member of The Securities Institute. He has held a number of senior positions within financial organisations including Finance Director of Mercury Asset Management Group plc and a managing director of Merrill Lynch Investment Managers until 2001. He was Finance Director of The British Red Cross Society until December 2007. He is currently a director and Audit Committee chairman of Fidelity China Special Situations Plc.

Bridget Guerin*†
Aged 50, was appointed as a Director of the Company on 1 June 2012. Mrs Guerin was the managing director of Matrix Money Management Limited, an asset management and distribution firm, from its launch in 1999 until she resigned in March 2011. She is an independent non-executive director of Charles Stanley Group PLC and of the London listed Mobeus Income & Growth VCT. She is also a non-executive director of the CCP Quantitative Fund, a Cayman Islands CTA Fund managed by Cantab Capital, and of other funds and companies managed by, or associated with, Cantab Capital. She is also a Member of the York Race Committee and a Trustee of the York Racecourse Pension Fund. From 2000 until 2009 she was a director of Matrix Group Limited and also sat on the board of several funds of hedge funds and UCITS Fund boards. Mrs Guerin was a director of Schroder Unit Trusts Limited between 1993 and 1999.

Keith Niven†
Aged 64, was appointed as a Director of the Company on 5 January 1995. He is non-executive chairman of Mobeus Income & Growth VCT plc and a non-executive director of one other investment trust, Impax Environmental Markets plc. He is also a director of Springfield Park (No 2) Management Limited. 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.

Peter Readman*†
Aged 65, was appointed as a Director of the Company on 15 December 1999. He is chairman of Abercromby Property International, the Cambridge University Investment Board and the Chamber Orchestra of Europe. He is also a director of a number of other companies including Keystone Investment Trust plc and Pantheon International Participations PLC.

*Member of the Audit and Management Engagement Committees.
†Member of the Nomination Committee.

Mr Causer is Chairman of the Audit Committee.

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

Advisers

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

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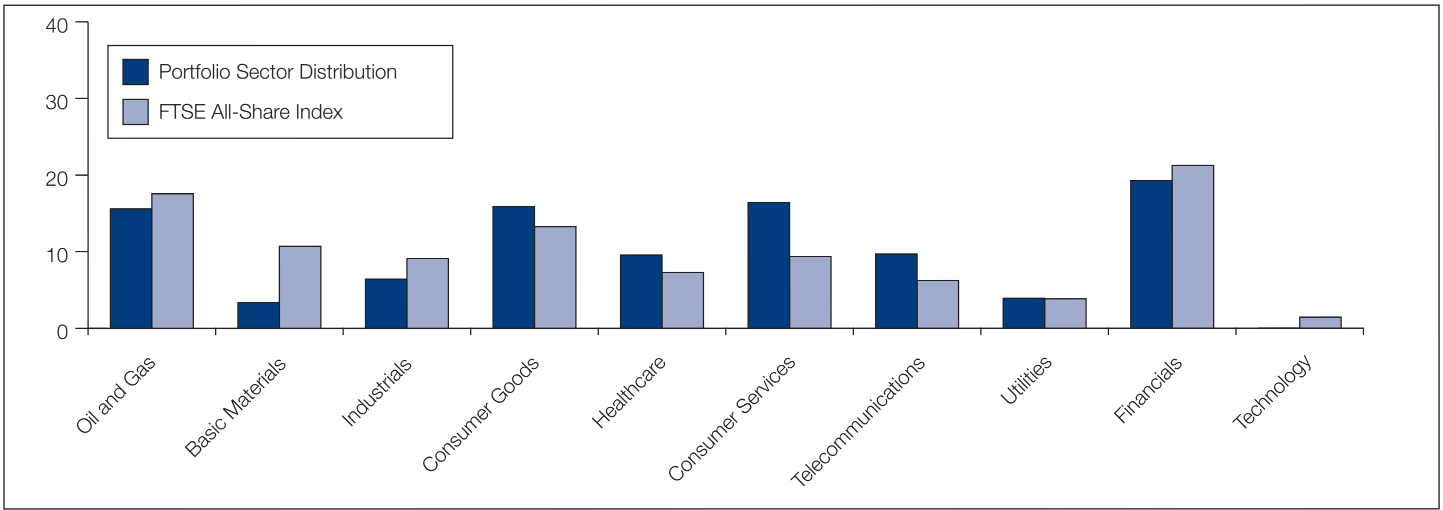
Financial Highlights

	2012	2011	% Change
Total returns for the year ended 31 August			
Net asset value ("NAV") per Ordinary share	**12.4%**	8.1%	
Share price[1]	**12.5%**	6.4%	
FTSE All-Share Index[2]	**10.2%**	7.3%	
NAV, share price and discount at 31 August			
Shareholders' funds (£'000)	**143,100**	134,787	+6.2
NAV per Ordinary share	**208.33p**	196.23p	+6.2
Share price	**199.75p**	187.75p	+6.4
Share price discount to NAV	**4.1%**	4.3%	
Revenue for the year ended 31 August			
Net revenue after taxation (£'000)	**6,886**	6,065	+13.5
Return per share	**10.02p**	8.83p	+13.5
Dividends per share	**9.50p**	9.30p	+2.2
Retail Prices Index	**243.0**	236.1	+2.9
Gearing (2011: net cash)[3]	**3.8%**	1.0%	
Ongoing Charges[4]	**1.07%**	0.97%	

[1]Source: Morningstar.
[2]Source: Thomson Financial Datastream.
[3]Gearing represents net assets plus borrowings used for investment purposes, less cash, expressed in terms of the percentage difference to net assets. If the amount so calculated is negative, this is shown as a "net cash" position.
[4]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The Ongoing Charges figure is calculated in accordance with guidance issued by the Association of Investment Companies (the "AIC") in May 2012 and replaces the Total Expense Ratio published in previous years. The comparative figure represents the expenses calculated as above, expressed as a percentage of the average month-end net asset values during the year, in line with TER Methodology.

Comparison of Portfolio Sector Distribution with the FTSE All-Share Index at 31 August 2012[1]



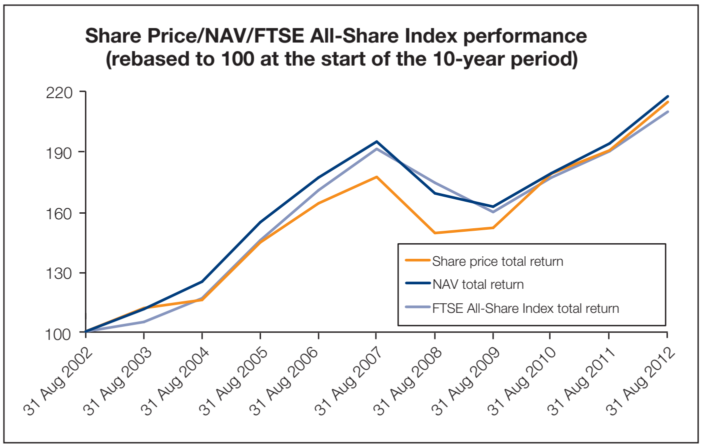
[1]Source: Thomson Financial Datastream.

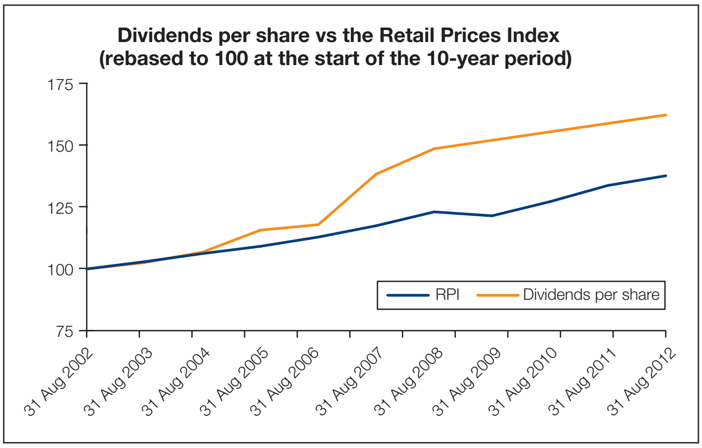
Ten-Year Financial Record

At 31 August	2003	2004	2005[1]	2006	2007	2008	2009	2010	2011	2012
Shareholders' funds (£'000)	114,246	125,433	149,626	160,195	168,975	136,104	123,479	130,288	134,787	143,100
NAV per share (pence)[2]	154.14	166.05	200.00	220.39	235.71	198.15	179.77	189.68	196.23	208.33
Share price (pence)	156.75	156.00	186.50	203.75	212.50	172.00	165.25	184.75	187.75	199.75
Share price premium/(discount) to NAV (%)	1.7	(6.1)	(6.8)	(7.6)	(9.8)	(13.2)	(8.1)	(2.6)	(4.3)	(4.1)
Ongoing charges (%)[3]	1.05	0.94	0.94	0.91	0.90	0.92	0.99	0.99	0.97	1.07
Year ended 31 August										
Net revenue after taxation (£'000)	4,343	4,753	5,399	5,521	5,828	6,817	5,757	5,301	6,065	6,886
Net return per share (pence)	5.96	6.32	7.16	7.44	8.10	9.83	8.38	7.72	8.83	10.02
Dividends per share (pence)	6.00	6.25	6.80	6.90	8.10	8.70	8.90	9.10	9.30	9.50

Performance[4]	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NAV total return	100.0	110.8	124.0	152.6	174.1	191.4	166.5	160.0	176.2	190.5	214.1
Share price total return	100.0	111.3	115.2	142.9	161.7	174.4	147.4	149.9	176.0	187.2	210.5
FTSE All-Share Index total return	100.0	104.6	116.0	143.9	168.0	187.9	171.6	157.5	174.1	186.8	205.8

[1]The results for the year ended 31 August 2005 have been restated, where necessary, in accordance with Financial Reporting Standards 21, 25 and 26. Years prior to 2005 have not been restated.
[2]The NAV at 31 August 2003 is diluted for warrants in issue which lapsed on 31 December 2003.
[3]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The Ongoing Charges figure is calculated in accordance with guidance issued by the AIC in May 2012 and replaces the Total Expense Ratio published in previous years. The figures for 2011 and prior years represent the expenses calculated as above, expressed as a percentage of the average month-end net asset values during the year, in line with TER terminology.
[4]Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 31 August 2002.





Source: Morningstar/Thomson Financial Datastream

Chairman's Statement

Results for the Year and Dividends

During the year under review, the Company's revenue return increased to 10.02 pence per share, representing a rise of 13.5% compared with the 8.83 pence per share for the previous year. This increase largely represents a rise in dividends paid by companies in the portfolio, boosted by a higher than usual amount from special dividends.

The Board has declared total dividends of 9.50 pence per share for the year ended 31 August 2012, representing a yield of 4.8%. In setting the dividend, the Board took into account that a higher than usual proportion of income this year derived from special dividends.

The dividends for the year amount to an increase of 2.2% over the 9.30 pence per share declared in respect of the year ended 31 August 2011. While this increase is marginally short of the rise in the Retail Prices Index of 2.9% over the year, the revenue reserve was increased by £360,000 to £2,827,000, which amounts to 4.10 pence per share. In the prior year, £323,000 of brought forward revenue reserve was utilised to fund the dividend.

Investment Performance

During the year under review, the Company produced a net asset value total return of 12.4%. This compares favourably with the FTSE All-Share Index, which produced a total return of 10.2% during the year. Detailed comment on performance may be found in the Investment Manager's Review on page 6.

The discount of the Company's share price to net asset value narrowed during the year to 4.1% as at 31 August 2012 compared to 4.3% at the start of the year. The average discount for the year was 5.3%. The share price total return for the year was 12.5%.

Following the year end, markets have continued to rise. During the two months ended 31 October 2012, the Company produced a net asset value total return of 2.8% compared with a total return of 2.1% for the FTSE All-Share Index.

The share price at 31 October 2012 was 200.0 pence, representing a discount to net asset value of 3.7%.

Share Purchases and Treasury Shares

The Company continued to monitor the share price discount to net asset value during the year. No shares were purchased during this time. The Board continues to consider share buy-backs as one of a number of tools that may be used to enhance shareholder value and to reduce the discount volatility. It is therefore proposed that the authority to purchase up to 14.99% of the Company's issued share capital for cancellation granted to the Company at the Company's Annual General Meeting held in December 2011 be renewed at the forthcoming Annual General Meeting.

Gearing

During the year under review, the Company entered into a credit facility with Scotiabank Europe PLC, initially of £7 million and subsequently increased to £15 million. At the year end gearing stood at 3.8%. The gearing is provided under a revolving credit facility in order to provide financing flexibility. The Board has established parameters within which the use of gearing is operated and the level and use of gearing is reviewed regularly by the Board.

Appointment of a Non-Executive Director and Board Composition

As previously announced, the Board was pleased to appoint Mrs Bridget Guerin as a non-executive Director of the Company with effect from 1 June 2012. Mrs Guerin's biographical details can be found on the inside front cover of this Report.

In accordance with the Company's Articles of Association, a resolution to elect Mrs Guerin as a Director of the Company will be proposed at the forthcoming Annual General Meeting.

Chairman's Statement

As part of the planned progressive refreshment of the Board, one of its longer-serving Directors will be retiring during the current financial year.

Removal of Prohibition on Distributions from Capital

Following a change in legislation earlier this year, investment trusts may now distribute capital profits. Under the previous legislation, there was a requirement for the Company's Articles to contain a prohibition on the distribution of capital profits by way of a dividend or otherwise than by way of repurchase of the Company's shares. In order to align the Company's constitution with the new regulations, a special resolution will be proposed at the forthcoming Annual General Meeting to amend the Company's Articles of Association by deleting Article 151, which prohibits the distribution of capital profits.

The Directors do not currently intend to utilise the ability to pay distributions from capital. However they believe that it is in the best interests of the Company and its shareholders to make this change to the Company's Articles of Association, a move which is expected to become standard practice across the industry.

There are no proposals to change the Company's investment policy.

Annual General Meeting

The Company's Annual General Meeting will be held at 2.30 p.m. on Tuesday, 18 December 2012. As in previous years, the meeting will include a presentation by the Investment Manager on the Company's investment strategy and market prospects.

Outlook

During the year the investment portfolio has been partly repositioned to a greater weighting in companies where the Manager expects higher potential for growth and increased dividends over time. This should put the Company in a better position to meet the investment objective of providing real growth of income in the longer term. It remains the Board's intention to return to the situation in most of the Company's history when the dividend increased annually faster than inflation.

Sir Paul Judge
Chairman

21 November 2012

Investment Manager's Review

The Company's net asset value total return in the 12 months to 31 August 2012 was 12.4%, compared to 10.2% from the FTSE All-Share (source: Morningstar and Thomson Financial Datastream).

Review of the Year

Despite the global economic and political uncertainty, the last 12 months have been a good time for investing in UK equities, and particularly for income investing. This has been due to two factors.

Firstly, central banks have continued to support their financial systems, most notably in the Eurozone last autumn and again this summer. This has – at least temporarily – calmed some of the concern about the Eurozone, has underpinned bond markets and kept interest rates close to zero, all of which has offset the pessimism of a year ago.

Secondly, while the challenges facing UK policymakers remain significant, most listed UK companies are doing well. Many are diversified geographically, with a growing presence in emerging economies that have faster growth than the developed world. Most have strong balance sheets and rationalised cost structures after the 2008-10 cutbacks; and aggregate profitability is close to its peak.

One consequence of particular relevance for the Company has been rising company dividends. The UK domestic economy has barely changed in real terms for nearly two years, but dividends have grown above the rate of inflation. The Company's dividend income rose 12% last year, pulling earnings above the pre-recession peak of 2008. The total was boosted by special dividends from Vodafone, easyJet and Admiral, but even excluding these the dividend income rose 7%.

Performance

The portfolio is balanced between higher-yielding stocks where we believe the dividend is secure but where growth will be modest, and companies capable of growing their dividend through rising earnings or increased pay-outs. The concentration on companies capable of growing their dividends explains some of the portfolio's outperformance of the broader market over the last year. Investors have reacted to low bond yields and macroeconomic uncertainty by buying higher-yielding stocks where profit and dividend prospects have looked predictable. Thus the best performing holdings have included cigarette companies British American Tobacco and Imperial Tobacco, and telecom companies Vodafone and BT. Company-specific successes included insurer Legal & General and caterer Compass, while the portfolio also benefited from holding little in mining shares, given falls in commodity prices. The biggest disappointment was KPN, the Dutch telecom company bought originally as diversification but where local pricing pressure has been greater than expected.

A small number of holdings have been added in the last year, such as Swedbank, easyJet and AMEC, financed through sales of Pearson, Admiral and RSA Insurance. Income from covered call options grew to nearly 3% of total income, while 6% of the portfolio at year end was invested in non-UK companies.

Outlook

Growth in most developed countries remains weak, parts of the emerging world (eg China) are slowing and the Eurozone's financial problems remain. It would be misleading to suggest that we have a clear picture of how these challenges will be resolved. The portfolio is being managed more by concentrating on how individual companies are doing and whether the market is undervaluing their potential. At the moment we take comfort from the number of holdings where the business is well-positioned and where management have the potential to increase the dividend.

These factors are illustrated by some of the portfolio's larger holdings (for example British American Tobacco, Legal & General, GSK, Reed and Imperial Tobacco). While we have complemented these with cyclical holdings (eg Daily Mail and General Trust, Yule Catto and Intermediate Capital) where valuations are sufficiently low that the shares

Investment Manager's Review

should perform well with even modest improvements in economic activity. We also continue to look to a limited amount of covered call options, non-UK holdings and gearing to boost and diversify the Company's income.

Schroder Investment Management Limited
21 November 2012

Investment Portfolio[1]

As at 31 August 2012

Company	Sector Classification	Principal Activity	Market Value of Holding £'000	% of Shareholders' Funds
Vodafone	Telecommunications	Global mobile telephone provider	10,487	7.33
Royal Dutch Shell 'B'	Oil and Gas	Integrated oil company	9,588	6.70
British American Tobacco	Consumer Goods	International cigarette company	8,884	6.21
GlaxoSmithKline	Healthcare	Global pharmaceutical company	8,001	5.59
Legal & General	Financials	UK financial services group	7,158	5.00
Imperial Tobacco	Consumer Goods	International cigarette company	6,379	4.46
Unilever	Consumer Goods	International consumer products group	6,180	4.32
BP	Oil and Gas	Integrated oil company	5,931	4.14
AstraZeneca	Healthcare	Global pharmaceutical company	5,928	4.14
HSBC	Financials	Banking and financial services group	5,534	3.87
Compass	Consumer Services	International catering company	4,075	2.85
Reed Elsevier	Consumer Services	International publishing group	3,947	2.76
Aviva	Financials	International insurance and financial services	3,643	2.55
BT	Telecommunications	UK fixed-line telecommunications provider	3,634	2.54
Swedbank (Sweden)	Financials	Banking and financial services group	3,533	2.47
Scottish & Southern Energy	Utilities	Electricity company	3,406	2.38
Prudential	Financials	International financial services group	3,230	2.26
IMI	Industrials	Diversified manufacturer	3,154	2.20
Statoil (Norway)	Oil and Gas	Integrated oil company	3,068	2.14
Halfords	Consumer Services	General retailer	2,796	1.95
Twenty largest investments			**108,556**	**75.86**
BHP Billiton	Basic Materials	Mining	2,702	1.89
Daily Mail & General Trust	Media	Provider of media and analytical information	2,411	1.68
Morrison (Wm) Supermarkets	Consumer Services	UK food retailer	2,378	1.66
Centrica	Utilities	Gas and energy supplier	2,297	1.61
British Sky Broadcasting	Media	Television broadcasting company in the UK and Ireland	2,238	1.56
Carnival	Consumer Services	Global cruise company	2,231	1.56
AMEC	Support Services	Project management and consultancy company	2,202	1.54
EasyJet	Aerospace and Defence	Commercial airline	1,937	1.35
Total (France)	Oil and Gas	Integrated oil company	1,931	1.35
De La Rue	Consumer Services	Specialist in the supply of cash handling and security products	1,822	1.27
ICAP	Financials	Interdealer broker	1,809	1.26
Intermediate Capital	Financials	Financial services provider	1,739	1.22
BAE Systems	Industrials	Global defence company	1,723	1.20
Tate & Lyle	Consumer Goods	Corn and sugar refiner	1,703	1.19
Carillion	Industrials	Supplier of construction services	1,589	1.11
Resolution	Financials	Speciality finance provider	1,431	1.00
Greene King	Consumer Services	Brewer, wholesaler and retailer of beer	1,231	0.86
Rio Tinto	Basic Materials	Miner	1,108	0.77
Yule Catto	Basic Materials	Specialty chemical manufacturer	1,087	0.76
Smiths	Industrials	Global technology company	1,069	0.75
Tesco	Consumer Services	International food retailer	658	0.46
Total investments			**145,852**	**101.91**
Net current liabilities			**(2,752)**	**(1.91)**
Total equity shareholders' funds			**143,100**	**100.00**

At 31 August 2011, the twenty largest investments represented 75.27% of total equity shareholders' funds.

[1]UK investments unless otherwise stated.

Report of the Directors

Business Review

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of Section 833 of the Companies Act 2006. In order to continue to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 1158 of the Corporation Tax Act 2010. The last accounting period for which the Company has been treated as approved by HM Revenue and Customs is the year ended 31 August 2011 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for approval under HM Revenue and Customs' qualifying rules. 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.

Relationship with the Investment Manager

Schroder Investment Management Limited ("Schroders" and/or the "Manager"), which is authorised and regulated by the Financial Services Authority ("FSA"), provides investment management, accounting and company secretarial services to the Company under the terms of an investment management agreement. Schroders also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate.

The Company's assets are managed in line with appropriate restrictions placed on Schroders by the Board. These restrictions include limits on the type and relative size of holdings which may be held in the portfolio and limits on the use of gearing, hedging, cash, derivatives and other financial instruments. Schroders is also responsible for ensuring that the voting rights held in respect of portfolio companies are used as part of a process of effective engagement with the management of portfolio companies. The Company also gives instructions to Schroders to ensure that it discharges the obligations of the Stewardship Code on its behalf.

Schroders, in its capacity as Company Secretary, liaises with the Company's corporate broker to assist in the implementation of the Company's discount management policy. The Company Secretary also advises the Board on key relationships with other third party service providers and ensures review by the Management Engagement Committee of the services provided by those parties.

All services carried out by Schroders are subject to regular monitoring by the Board or its Committees.

Investment Strategy

The Board has delegated management of the Company's portfolio to Schroder Investment Management Limited. 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 but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager investing the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objectives. The key restrictions imposed on the Manager include (i) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (ii) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; (iii) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (iv) no more than 25% of the Company's total net assets may be invested in the aggregate in unlisted investments and holdings representing

Report of the Directors

20% or more of the equity capital of any company. The Investment Portfolio on page 8 demonstrates that, as at 31 August 2012, the Manager invested in 38 UK and 3 overseas equity investments spread across a range of industry sectors. The Board believes that the diversity of the stocks, along with the above-mentioned restrictions imposed on the Company's Manager, achieve the objective of spreading risk.

Gearing

The Company's policy is to permit gearing (as defined in note 21 on page 38) up to 25%. 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 entered into a £7 million credit facility with Scotiabank Europe PLC in January 2012, which was increased to £15 million in June 2012. As at 31 August 2012, Gearing stood at 3.8% (2011: net cash position of 1.0%). The Directors keep the Company's gearing strategy under review and impose strict restrictions on borrowings to mitigate gearing risk. Directors do not anticipate gearing levels in excess of 25% of shareholders' funds.

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.

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 2012, 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 controls which is designed to monitor those risks to enable the Directors to mitigate them as far as possible and which assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives. A full analysis of the Directors' system of internal control and its monitoring system is set out in the Corporate Governance Statement on page 22. 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 the UK stock market 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 20 on pages 35 to 38.

The Company utilises a credit facility, currently in the amount of £15 million, which increases the funds available for investment through borrowing ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the consequent share price movement is amplified by the gearing. The Directors keep the Company's gearing under review and impose restrictions on borrowings to mitigate this risk.

Report of the Directors

Strategic Risk

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

Accounting, Legal and Regulatory Risk

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

Breaches of the UK Listing Rules, the Companies Act 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. The Board also relies on its advisers to assist it in ensuring continued compliance with relevant laws and regulations.

Report of the Directors

The Directors submit their Report and the audited Financial Statements of the Company for the year ended 31 August 2012.

Revenue and Earnings

The net revenue return for the year was £6,886,000 (2011: £6,065,000), equivalent to net revenue of 10.02 pence (2011: 8.83 pence) per Ordinary share.

Dividend Policy

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

For the year ended 31 August 2012, the Directors have declared four interim dividends, totalling 9.50 pence per Ordinary share (2011: 9.30 pence per Ordinary share).

Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover of this Report. All Directors held office throughout the year under review with the exception of Mrs Bridget Guerin, who was appointed as a Director on 1 June 2012.

In accordance with the Company's Articles of Association, Mrs Guerin will seek election at the forthcoming Annual General Meeting, this being the first Annual General Meeting since her appointment during the year. Full biographical details for Mrs Guerin may be found on the inside front cover of this Report.

In accordance with the Company's Articles of Association and its policy on tenure as outlined in the Corporate Governance Statement, Sir Paul Judge, Mr Keith Niven and Mr Peter Readman will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board has assessed the independence of all Directors. All Directors are considered to be independent in character and judgement, notwithstanding that Sir Paul Judge, Mr Niven and Mr Readman have served on the Board for more than nine years.

The Board supports the election of Mrs Guerin and the re-elections of Sir Paul Judge, Mr Niven and Mr Readman as it considers that each of these Directors continues to demonstrate commitment to his or her role and provides a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their election or 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 2012, all of which were beneficial, were as follows:

Director	Ordinary shares of 10p each 31 August 2012	Ordinary shares of 10p each 1 September 2011
Sir Paul Judge	1,000	1,000
Ian Barby	100,000	100,000
David Causer	23,750	23,750
Bridget Guerin*	5,688	N/A
Keith Niven	84,882	83,758
Peter Readman	Nil	Nil

*Mrs Guerin was appointed as a Director of the Company on 1 June 2012.

Following the financial year end, Mrs Guerin's shareholding has increased to 5,785 Ordinary shares of 10 pence each and Mr Niven's shareholding has increased to 85,546 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.

Report of the Directors

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. There was no change in the number of shares in issue during the year under review (2011: no change). Full details of the Company's share capital are set out in note 13 on page 33.

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Charles Stanley & Co Limited	3,446,355	5.0%
Legal & General plc	2,917,768	4.2%

In addition, the Directors are aware that 25,663,672 Ordinary shares, representing 37.4% of the Company's issued share capital, were held by investors in the Schroder ISA as at the date of this Report.

Investment Manager

The Board continues to consider that the Manager provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objectives. 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 Management Agreement may 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 2012, the 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. The investment management fee payable in respect of the year ended 31 August 2012 is shown in note 4 to the accounts on page 30.

There are also performance fee arrangements in place. The performance fee is symmetrical in nature, so that the Manager is rewarded for out-performance but penalised for under-performance. The 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 2012, the Manager was entitled to a performance fee amounting to £127,000 (2011: £120,000) as shown in note 4 to the accounts on page 30.

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

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 31 August 2012 (2011: Nil).

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements 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

Report of the Directors

the financial statements 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 financial statements 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors, Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

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

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Going Concern

The Directors believe that, having considered the Company's investment objectives (see inside front cover), risk management policies (see note 20 to the accounts on pages 35 to 38), capital management policies and procedures (see note 21 to the accounts on page 38), the 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 that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out on pages 19 to 22 and forms part of this Report of the Directors.

Anti-Bribery Policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy which aims to prevent bribery being committed by Directors and persons associated with the Company on the Company's behalf and to ensure compliance with the Bribery Act 2010.

Environmental Policy

As an investment trust, the Company has only indirect social or environmental responsibilities; its policy is focused 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 on pages 19 to 22.

Report of the Directors

Independent Auditor

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

The Audit Committee remains satisfied with the effectiveness of the audit provided by Deloitte LLP and therefore has not considered it necessary to require an independent tender process. The Auditor is required to rotate the Senior Statutory Auditor every five years and this is the fifth year that the current Senior Statutory Auditor has been engaged. The appointment of a successor is under consideration by the Audit Committee.

The Audit Committee has adopted a pre-approval policy on the engagement of the Auditor to supply non-audit services to the Company. No amounts (2011: £Nil) were payable to the Auditor for other services during the year.

Provision of Information to the Auditor

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 Auditor is 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 Auditor is 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 Tuesday, 18 December 2012 at 2.30 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 9 – Increase in Aggregate Limit of Fees Payable to Directors (Ordinary Resolution)

The Company's Articles of Association currently limit the fees payable to Directors to £125,000 in aggregate per annum. The Directors believe that the Board should have additional flexibility in setting the level of Directors' remuneration, taking into account their increasing responsibilities and the mix of skills required. Accordingly, an ordinary resolution will be proposed at the forthcoming AGM to increase the aggregate limit of fees payable to Directors to £150,000 per annum.

Resolution 10 – Authority to Allot Shares (Ordinary Resolution) and Resolution 11 – Power to Disapply Pre-Emption Rights (Special Resolution)

At the AGM held on 21 December 2011, the Directors were granted authority to allot a limited number of new Ordinary shares or re-issue 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 2011, power was also given to the Directors to allot a limited number of new shares, or re-issue 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 21 November 2012). 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 21 November 2012). Pre-emption rights under the Companies Act 2006 apply to the re-issue of Treasury shares for cash as well as the allotment of new shares. Resolution 11 therefore relates to both issues of new shares and the re-issue of Treasury shares.

Report of the Directors

The Directors intend to use the authorities to issue new Ordinary shares or re-issue shares from Treasury 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 Ordinary 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 2013 unless renewed or revoked earlier.

Resolution 12 – Authority to Make Market Purchases of the Company's Own Ordinary Shares (Special Resolution)

At the AGM held on 21 December 2011, 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. 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 21 November 2012. The Directors will exercise this authority only if they consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in Treasury for potential re-issue. If renewed, the authority will expire at the conclusion of the AGM in 2013, unless renewed or revoked earlier.

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

The resolution to be put to shareholders will also authorise the Company to hold up to 5% of the issued share capital bought back in Treasury for potential re-issue in line with the conditions outlined above. Shares held in Treasury may be re-issued 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 at the end of that period.

Resolution 13 – Amendment to the Company's Articles of Association (Special Resolution)

A special resolution will be proposed to amend the Company's Articles of Association to remove the prohibition on the distribution of capital profits by way of a dividend or otherwise than by way of repurchase of the Company's shares (the "Amended Articles"). Further details can be found in the Chairman's Statement on page 5. If passed, this amendment will align the Company's constitution with recent changes in regulation.

Copies of the Amended Articles are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the AGM.

Recommendation

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

By Order of the Board
Schroder Investment Management Limited
Company Secretary

21 November 2012

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. A resolution to increase this aggregate limit to £150,000 per annum is being proposed at the forthcoming Annual General Meeting. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 31 August 2012, the Directors' received fees of £19,000 each, the Audit Committee Chairman received fees of £22,000 and the Chairman received fees of £25,000, to reflect his more onerous role.

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 Section D of the UK Corporate Governance Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

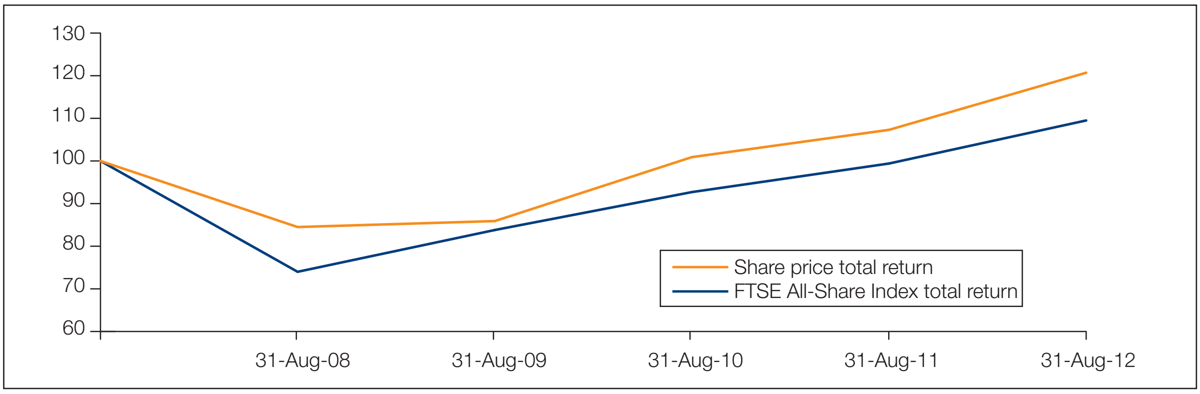
No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The Directors' terms of appointment are available for inspection at the Company's Registered Office address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

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

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

Performance Graph

A graph showing the Company's share price total return compared with the FTSE All-Share Index total return, over the last five years, is set out below. The FTSE All-Share Index has been selected as an appropriate comparison based on the composition of the Company's investment portfolio.



Source: Morningstar/Thomson Financial Datastream.
Data rebased to 100 at 31 August 2007.

Remuneration Report

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

Director	**For the year ended 31 August 2012**	For the year ended 31 August 2011
Sir Paul Judge	**£25,000**	£22,000
Peregrine Banbury*	**N/A**	£4,757
Ian Barby	**£19,000**	£16,000
David Causer	**£22,000**	£19,000
Bridget Guerin**	**£4,750**	N/A
Keith Niven	**£19,000**	£16,000
Peter Readman	**£19,000**	£16,000
	£108,750	£93,757

*Mr Banbury retired as a Director on 13 December 2010.

**Mrs Guerin was appointed as a Director on 1 June 2012.

The information in the above table has been audited (see the Independent Auditor's Report on page 23).

By Order of the Board
Schroder Investment Management Limited
Company Secretary

21 November 2012

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 UK Corporate Governance Code (the "Code"), which is applicable to the Company for the year under review. The Code is published by the FSA and is available to download from 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 and Going Concern statement set out on pages 13 and 14, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with all relevant provisions set out in 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 effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or 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 promoting a culture of openness and debate by facilitating the effective contribution of Directors, setting the Board's agenda and for ensuring that adequate time is available for discussion of all agenda items, including strategy.

Role of the Board

The Board is collectively responsible for the long-term success of the Company.

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, its prospects, in annual and half-yearly accounts 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 his or her age and length of service, may be found on the inside front cover of this Report. The Board considers all of the Directors to be independent of the Company's Manager. 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 Company has no employees.

The Board is satisfied that, taking into account the outcome of refreshment plans as set out in the Chairman's Statement on pages 4 and 5, it will be of sufficient size, with an appropriate balance of skills and experience, independence and knowledge of both the Company and the wider investment trust industry, to enable it to discharge its respective duties and responsibilities effectively.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees, which are reviewed annually, are available on the Company's website at www.schroderincomegrowthfund.com. Details of membership of the Committees as at 31 August 2012 may be found on the inside front cover of this report and information regarding attendance at Committee Meetings during the year under review may be found on page 21.

Corporate Governance

Audit Committee

The role of the Audit Committee, chaired by Mr Causer, 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 recent and relevant financial experience.

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2012 and considered the annual and half-yearly financial statements, the external Auditor's year-end report, management representation letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the Manager and custodian.

Representatives of the Company's Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered. Having reviewed the performance of the external Auditor, the Committee considers it appropriate to recommend their re-appointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Company's Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other third party service providers. In addition, the Committee reviews fees paid to Directors 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 2012 and considered the performance and suitability of the 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 so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshment of the Board. On individual appointments, the Committee leads the process and makes recommendations to the Board. The Board considers each member of the Committee to be independent.

To discharge its duties, the members of the Committee met on two occasions during the year ended 31 August 2012 to consider the composition and balance of the Board, Board succession planning and the selection of suitable candidates for a new Director, subsequent to which the appointment of a new non-executive Director, Mrs Bridget Guerin, was recommended to the Board for approval.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment, having evaluated the balance of skills, knowledge, experience and diversity 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 considers a range of candidates sourced either from recommendation from within the Company or by using external consultants. As noted above, the Committee considered the appointment of a new non-executive Director during the year under review. The Committee did not consider that it was necessary to approach an external consultancy or use open advertising in considering this appointment as the calibre of candidates found from the Company's own sources was sufficiently high.

The Nomination Committee assesses 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 is made to the Board for final approval.

Tenure

The Directors have adopted a policy on tenure that is considered appropriate for an investment trust. The Board does not believe that length of service, by itself, leads to a closer relationship with the Manager or 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 thereafter 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, the Chairman reviews the training and development needs of each Director annually as part of the evaluation process outlined below.

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 2012. The evaluation takes place in two stages, firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

Evaluation is conducted utilising a questionnaire combined with one to one meetings if appropriate. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director, an analysis of the time which Directors are able to allocate to the Company to discharge their duties effectively and the responsibilities, composition and agenda of the Committees and of the Board itself.

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 Manager and the Company Secretary is maintained throughout the year. Representatives of the Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the four scheduled Board meetings and at Committee meetings held during the year under review is set out in the table below.

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

*Mrs Guerin was appointed on 1 June 2012.

The Board is satisfied that each of the Chairman and the other non-executive Directors commits 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 Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

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

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

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

Corporate Governance

Substantial Share Interests

Interests of 3% or more of the voting rights attached to the Company's issued share capital which have been notified to the Company are set out in the Report of the Directors on Page 13.

Relations with Shareholders

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

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

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

Environmental Policy

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

Exercise of Voting Rights and the UK Stewardship Code

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

Internal Control

The Code requires the Board to conduct, at least annually, a review of the adequacy of the Company's systems of internal control, including its risk management system, and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of 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 a monitoring system in place to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually. The monitoring system assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

The Board believes that the key risks identified and the implementation of a system to identify, evaluate and manage these risks are based upon, and relevant to, the Company's business as an investment trust. Risk assessment, which has been in place throughout the financial year and up to the date of this Report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the 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 contracts to third parties most of its operations. The Board will continue to monitor its system of internal control and to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

Independent Auditor's Report

To the members of Schroder Income Growth Fund plc

We have audited the financial statements of Schroder Income Growth Fund plc for the year ended 31 August 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 the Auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the 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.

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.

Other matters

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

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

21 November 2012

Income Statement

for the year ended 31 August 2012

	Note	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Gains on investments held at fair value through profit or loss	2	–	9,359	9,359	–	5,346	5,346
Net foreign currency gains		–	2	2	–	14	14
Income from investments	3	7,627	26	7,653	6,786	–	6,786
Other interest receivable and similar income	3	232	–	232	108	–	108
Gross return		7,859	9,387	17,246	6,894	5,360	12,254
Investment Management fee	4	(589)	(589)	(1,178)	(555)	(555)	(1,110)
Performance fee	4	–	(127)	(127)	–	(120)	(120)
Administrative expenses	5	(303)	–	(303)	(247)	–	(247)
Net return before finance costs and taxation		6,967	8,671	15,638	6,092	4,685	10,777
Finance costs	6	(31)	(31)	(62)	–	–	–
Net return on ordinary activities before taxation		6,936	8,640	15,576	6,092	4,685	10,777
Taxation on ordinary activities	7	(50)	–	(50)	(27)	–	(27)
Net return on ordinary activities after taxation		6,886	8,640	15,526	6,065	4,685	10,750
Return per Ordinary share	9	10.02p	12.58p	22.60p	8.83p	6.82p	15.65p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Total column includes all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ("STRGL"). For this reason a STRGL has not been presented.

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

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 August 2012

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2010	6,869	7,404	2,011	34,936	1,596	71,728	5,744	130,288
Net return on ordinary activities	–	–	–	–	–	4,685	6,065	10,750
Dividends paid in the year	–	–	–	–	–	–	(6,251)	(6,251)
At 31 August 2011	6,869	7,404	2,011	34,936	1,596	76,413	5,558	134,787
Net return on ordinary activities	–	–	–	–	–	8,640	6,886	15,526
Dividends paid in the year	–	–	–	–	–	–	(7,213)	(7,213)
At 31 August 2012	**6,869**	**7,404**	**2,011**	**34,936**	**1,596**	**85,053**	**5,231**	**143,100**

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

Balance Sheet

at 31 August 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	145,852	132,913
Current assets			
Debtors	11	3,122	1,015
Cash and short-term deposits		1,316	1,314
		4,438	2,329
Current liabilities			
Creditors: amounts falling due within one year	12	(7,190)	(445)
Derivative financial instruments held at fair value through profit or loss – written options		–	(10)
		(7,190)	(455)
Net current (liabilities)/assets		(2,752)	1,874
Total assets less current liabilities		143,100	134,787
Net assets		143,100	134,787
Capital and reserves			
Called-up share capital	13	6,869	6,869
Share premium	14	7,404	7,404
Capital redemption reserve	14	2,011	2,011
Share purchase reserve	14	34,936	34,936
Warrant exercise reserve	14	1,596	1,596
Capital reserves	14	85,053	76,413
Revenue reserve	14	5,231	5,558
Total equity shareholders' funds		143,100	134,787
Net asset value per share	15	208.33p	196.23p

These accounts were approved and authorised for issue by the Board of Directors on 21 November 2012 and signed on its behalf by:

Sir Paul Judge
Chairman

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

Company registration number: 3008494

Cash Flow Statement

for the year ended 31 August 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	16	**6,149**	5,418
Servicing of finance			
Interest paid		**(48)**	–
Net cash outflow from servicing of finance		**(48)**	–
Taxation			
Overseas tax paid		**(68)**	(55)
Investment activities			
Purchases of investments		**(38,023)**	(39,890)
Sales of investments		**32,477**	41,009
Special dividend received allocated to capital		**26**	–
Net cash (outflow)/inflow from investment activities		**(5,520)**	1,119
Dividends paid		**(7,213)**	(6,251)
Net cash (outflow)/inflow before financing		**(6,700)**	231
Financing			
Loan drawn down		**6,700**	–
Net cash inflow from financing		**6,700**	–
Net cash inflow in the year	17	**–**	231

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

Notes to the Accounts

for the year ended 31 August 2012

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in January 2009. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value.

The policies applied in these accounts are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

Written options are valued at fair value using quoted bid prices.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments, realised gains and losses on options, and management fee or finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves within "Gains and losses on sales of investments". Increases and decreases in the valuation of investments and options held at the year end are included in the Income Statement and dealt with in capital reserves within "Investment holding gains and losses".

Foreign exchange gains and losses on cash and deposit balances are included in the Income Statement and in capital reserves within "Gains and losses on sales of investments".

The cost of repurchasing Ordinary shares including the related stamp duty and transactions costs is charged to the share repurchase reserve.

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

UK dividends are included net of tax credits. Overseas dividends are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

Income from written options is included in revenue on a time apportionment basis over the life of the instrument.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the income statement with the following exceptions:

- The management fee is allocated 50% to revenue and 50% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 32.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of FRS 25 "Financial Instruments: Presentation" and FRS 26 "Financial Instruments: Measurement".

Finance costs are allocated 50% to revenue and 50% to capital in line with the Board's expected long-term split of revenue and capital return from the company's investment portfolio.

(g) Financial instruments

Cash and short-term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Notes to the Accounts

Bank loans and overdrafts are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortised cost. They are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method.

Written options are included in current assets or current liabilities at fair value in accordance with FRS 26 "Financial instruments: Measurement".

(h) Taxation

Current tax is provided at the amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 19: "Deferred Tax".

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to the capital column of the income statement on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 23: "The effects of changes in Foreign Currency Exchange Rates" the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that Sterling is the Company's functional currency and the presentational currency of the accounts.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

(k) Dividends payable

In accordance with FRS 21: "Events after the Balance Sheet Date", dividends are included in the accounts in the year in which they are paid.

2. Gains on investments held at fair value through profit or loss

	2012 £'000	2011 £'000
Gains on sales of investments based on historic cost	**1,983**	5,517
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(2,336)**	(2,257)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(353)**	3,260
Net movement in investment holding gains and losses	**9,712**	2,086
Gains on investments held at fair value through profit or loss	**9,359**	5,346

3. Income

	2012 £'000	2011 £'000
Income from investments:		
UK dividends	**6,912**	6,423
Overseas dividends	**715**	363
	7,627	6,786
Other interest receivable and similar income:		
Premiums receivable from written options	**227**	101
Deposit interest	**5**	7
	232	108
Total income	**7,859**	6,894
Capital:		
Special dividend, allocated to capital	**26**	–

Notes to the Accounts

4. Investment Management fee

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Investment management fee	**589**	**589**	**1,178**	555	555	1,110
Performance fee	**–**	**127**	**127**	–	120	120
	589	**716**	**1,305**	555	675	1,230

The basis for calculating the investment management fee is set out in the Report of the Directors on page 13.

5. Administrative expenses

	2012 £'000	2011 £'000
Administration expenses	**171**	131
Directors' fees	**109**	94
Auditor's remuneration for audit services[1]	**23**	22
	303	247

[1]Includes £4,000 (2011: £4,000) irrecoverable VAT.

6. Finance costs

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Interest on bank loans and overdrafts	**31**	**31**	**62**	–	–	–

7. Taxation on ordinary activities

	2012 £'000	2011 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	**50**	27
Current tax charge for the year	**50**	27

The Company has no corporation tax liability for the year ended 31 August 2012 (2011: £Nil).

(b) Factors affecting the tax charge for the year

The current tax charge for the year is lower (2011: lower) than the Company's applicable rate of corporation tax for the year of 25.17% (2011: 27.17%).

The factors affecting the current tax charge for the year are as follows:

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Net return on ordinary activities before taxation	**6,936**	**8,640**	**15,576**	6,092	4,685	10,777
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 25.17% (2011: 27.17%)	**1,746**	**2,175**	**3,921**	1,655	1,273	2,928
Effects of:						
Capital returns on investments	**–**	**(2,356)**	**(2,356)**	–	(1,456)	(1,456)
Income not chargeable to corporation tax	**(1,920)**	**(7)**	**(1,927)**	(1,843)	–	(1,843)
Expenses not deductible for tax purposes	**–**	**–**	**–**	1	–	1
Unrelieved expenses	**174**	**188**	**362**	187	183	370
Irrecoverable overseas tax	**50**	**–**	**50**	27	–	27
Current tax charge for the year	**50**	**–**	**50**	27	–	27

Notes to the Accounts

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £3,446,000 (2011: £3,521,000) based on a prospective corporation tax rate of 23% (2011: 26%). The reduction in the standard rate of corporation tax was substantively enacted on 3 July 2012 and is effective from 1 April 2013. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts. Given the Company's intention to meet the conditions required to obtain approval as an investment trust, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

(a) Dividends paid and declared

	2012 £'000	2011 £'000
2011 fourth interim dividend of 4.5p (2010: 4.3p)	**3,091**	2,954
First interim dividend of 2.0p (2011: 1.6p)	**1,374**	1,099
Second interim dividend of 2.0p (2011: 1.6p)	**1,374**	1,099
Third interim dividend of 2.0p (2011: 1.6p)	**1,374**	1,099
Total dividends paid in the year	**7,213**	6,251

	2012 £'000	2011 £'000
Fourth interim dividend declared of 3.5p (2011: 4.5p)	**2,404**	3,091

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ("Section 1158")

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £6,886,000 (2011: £6,065,000).

	2012 £'000	2011 £'000
First interim dividend of 2.0p (2011: 1.6p)	**1,374**	1,099
Second interim dividend of 2.0p (2011: 1.6p)	**1,374**	1,099
Third interim dividend of 2.0p (2011: 1.6p)	**1,374**	1,099
Fourth interim dividend of 3.5p (2011: 4.5p)	**2,404**	3,091
Total dividends of 9.5p (2011: 9.3p)	**6,526**	6,388

9. Return per share

	2012 £'000	2011 £'000
Revenue return	**6,886**	6,065
Capital return	**8,640**	4,685
Total return	**15,526**	10,750
Weighted average number of Ordinary shares in issue during the year	**68,688,343**	68,688,343
Revenue return per share	**10.02p**	8.83p
Capital return per share	**12.58p**	6.82p
Total return per share	**22.60p**	15.65p

Notes to the Accounts

10. Investments held at fair value through profit or loss

	2012 £'000	2011 £'000
Opening book cost	**123,560**	119,162
Opening investment holding gains	**9,353**	9,524
Opening valuation	**132,913**	128,686
Purchases at cost	**38,023**	39,890
Sales proceeds	**(34,443)**	(41,009)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(353)**	3,260
Net movement in investment holding gains and losses	**9,712**	2,086
Closing valuation	**145,852**	132,913
Closing book cost	**129,123**	123,560
Closing investment holding gains	**16,729**	9,353
Total investments held at fair value through profit or loss	**145,852**	132,913

All investments are listed on a recognised stock exchange.

During the year, prior year investment holding gains amounting to £2,336,000 have been transferred to "Gains and losses on sales of investments" as disclosed in note 14 on page 33.

The following transaction costs, comprising stamp duty and brokerage commission were incurred during the year:

	2012 £'000	2011 £'000
On acquisitions	**219**	202
On disposals	**33**	55
	252	257

11. Debtors

	2012 £'000	2011 £'000
Dividends and interest receivable	**1,069**	973
Securities sold awaiting settlement	**1,966**	–
Taxation recoverable	**46**	28
Other debtors	**41**	14
	3,122	1,015

The Directors consider that the carrying amount of debtors approximates to their fair value.

12. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loan	**6,700**	–
Other creditors and accruals	**490**	445
	7,190	445

The bank loan comprises £6.7 million drawn down on the Company's £15 million revolving credit facility with Scotiabank Europe PLC. The facility was originally arranged in January 2012 with a £7 million limit. The limit was increased to £15 million in June 2012. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with since the facility was arranged. Further details of the credit facility are given in note 20 on page 35.

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

Notes to the Accounts

13. Called-up share capital

	2012 £'000	2011 £'000
Ordinary shares allotted, called-up and fully paid:		
68,688,343 (2011: 68,688,343) shares of 10p each	**6,869**	6,869

14. Reserves

	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	7,404	2,011	34,936	1,596	67,060	9,353	5,558
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(353)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	9,712	–
Transfer on disposal of investments	–	–	–	–	2,336	(2,336)	–
Realised exchange gains on currency balances	–	–	–	–	2	–	–
Management fee and finance costs allocated to capital	–	–	–	–	(620)	–	–
Performance fee	–	–	–	–	(127)	–	–
Special dividend allocated to capital	–	–	–	–	26	–	–
Dividends paid	–	–	–	–	–	–	(7,213)
Retained revenue for the year	–	–	–	–	–	–	6,886
Closing balance	**7,404**	**2,011**	**34,936**	**1,596**	**68,324**	**16,729**	**5,231**

15. Net asset value per share

	2012	2011
Net assets attributable to Ordinary shareholders (£'000)	**143,100**	134,787
Shares in issue at the year end	**68,688,343**	68,688,343
Net asset value per share	**208.33p**	196.23p

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

	2012 £'000	2011 £'000
Total return on ordinary activities before finance costs and taxation	**15,638**	10,777
Less capital return on ordinary activities before finance costs and taxation	**(8,671)**	(4,685)
Increase in accrued dividends and interest receivable	**(96)**	(173)
(Increase)/decrease in other debtors	**(27)**	7
Management fee and performance fee charged to capital	**(716)**	(675)
Increase in accrued expenses	**31**	157
(Decrease)/increase in deferred option income	**(10)**	10
Net cash inflow from operating activities	**6,149**	5,418

Notes to the Accounts

17. Analysis of changes in net funds/(debt)

	At 31 August 2011 £'000	Cash flow £'000	Exchange movement £'000	**At 31 August 2012 £'000**
Cash and short-term deposits	1,314	–	2	**1,316**
Bank loan	–	(6,700)	–	**(6,700)**
Net funds/(debt)	1,314	(6,700)	2	**(5,384)**

18. Transactions with the Manager

The Company has appointed Schroder Investment Management Limited, a wholly owned subsidiary of Schroders plc, to provide investment management, accounting and company secretarial services. If the Company invests in funds managed or advised by the Manager or any of its associated companies, those funds are excluded from the assets used for the purposes of the management fee calculation and therefore attract no fee. There is also a performance fee agreement in place. Details of the management and performance fee calculations are given in the Report of the Directors on page 13.

The management fee payable in respect of the year ended 31 August 2012 amounted to £1,178,000 (2011: £1,110,000) of which £279,000 (2011: £261,000) was outstanding at the year end. A performance fee amounting to £127,000 (2011: £120,000) is also payable for the year and the whole of this amount (2011: same) was outstanding at the year end.

No Director of the Company served as a director of Schroder Investment Management Limited, or any member of the Schroder Group, at any time during the year.

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio and derivative financial instruments comprising written options.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets.

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 28.

The following table sets out the fair value measurements using the FRS 29 hierarchy at 31 August:

		2012		
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets held at fair value through profit or loss				
Equity investments	**145,852**	**–**	**–**	**145,852**
Total	**145,852**	**–**	**–**	**145,852**

		2011		
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Equity investments	132,913	–	–	132,913
Derivatives	(10)	–	–	(10)
Total	132,903	–	–	132,903

There have been no transfers between Levels 1, 2 or 3 during the year (2011: Nil).

Notes to the Accounts

20. Financial instruments' exposure to risk and risk management policies

The Company's principal investment objectives are to provide real growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income. In pursuing these objectives, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy. The Company has no significant direct exposure to foreign exchange risk.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments may comprise the following:

– investments in equity shares which are held in accordance with the Company's investment objectives;

– short-term debtors, creditors and cash arising directly from its operations;

– derivative contracts comprising written options; and

– a Sterling loan facility with Scotiabank, the purpose of which is to assist with financing the Company's operations.

(a) 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 two elements – interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) to this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The 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.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when interest rates are re-set.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board's policy is to permit gearing up to 125% where gearing is defined as net assets plus borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the credit facility. However, amounts drawn down on this facility are for short-term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2012 £'000	2011 £'000
Exposure to floating interest rates:		
Cash and short-term deposits	**1,316**	1,314
Creditors: amounts falling due within one year – borrowings on the credit facility	**(6,700)**	–
Total exposure	**(5,384)**	1,314

Interest receivable on cash balances is at a margin below LIBOR (2011: same).

During January 2012, the Company arranged a £7 million one year revolving credit facility with Scotiabank Europe PLC, which was increased to £15 million in June 2012. The facility expires in January 2013. Interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 31 August 2012, the Company had drawn down £6.7 million on this facility at a weighted average interest rate of 1.85% per annum.

The above year end amounts are not representative of the exposure to interest rates during the year as the level of cash balances and drawings on the credit facility have fluctuated. The maximum and minimum net cash balances during the year are as follows:

	2012 £'000	2011 £'000
Maximum credit interest rate exposure during the year – net cash balances	**2,124**	2,377
Maximum debit/minimum credit interest rate exposure during the year – net (loan)/cash balances	**(5,803)**	482

Notes to the Accounts

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2011: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2012		2011	
	0.5% increase in rate £'000	**0.5% decrease in rate £'000**	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**(10)**	**10**	7	(7)
Capital return	**(17)**	**17**	–	–
Total return after taxation	**(27)**	**27**	7	(7)
Net assets	**(27)**	**27**	7	(7)

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and drawings on the credit facility.

(ii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of equity investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 August comprises its holdings in equity investments as follows:

	2012 £'000	2011 £'000
Equity investments held at fair value through profit or loss	**145,852**	132,913

At 31 August 2011, Company also had exposure to changes in market prices through written options contracts (2012: Nil).

The above data is broadly representative of the exposure to market price risk during the year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 8. The portfolio principally comprises securities listed on the UK Stock Market although up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. Accordingly there is a concentration of exposure to the UK, although there may also be some concentration of exposure overseas. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2011: 10%) in the fair values of the Company's equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure through equity investments and written options and includes the impact on the management fee but assumes that all other variables are held constant.

	2012		2011	
	10% increase in fair value £'000	**10% decrease in fair value £'000**	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(24)	24	(22)	22
Capital return	14,562	(14,562)	13,269	(13,269)
Total return after taxation and net assets	14,538	(14,538)	13,247	(13,247)
Change in net asset value	10.2%	(10.2%)	9.8%	(9.8%)

Notes to the Accounts

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short-term borrowings be used to manage short-term liabilities and working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

	2012 Three months or less £'000	2011 Three months or less £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	**6,728**	–
Other creditors and accruals	**476**	445
	7,204	445

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

Cash

Counterparties are subject to daily credit analysis by the Manager. Cash balances are only deposited with reputable banks with high quality credit ratings.

Exposure to the Custodian

JPMorgan Chase is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

The following amounts shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

	2012		2011	
	Balance sheet £'000	**Maximum exposure £'000**	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	**145,852**	**–**	132,913	–
Current assets				
Debtors – dividends and interest receivable and other debtors	**3,122**	**3,122**	1,015	1,015
Cash and short-term deposits	**1,316**	**1,316**	1,314	1,314
	150,290	**4,438**	135,242	2,329

No debtors are past their due date and none have been written down or deemed to be impaired.

Notes to the Accounts

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

21. Capital management policies and procedures

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

The Company's debt and capital structure comprises the following:

	2012 £'000	2011 £'000
Debt		
Bank loan	**6,700**	–
Equity		
Called-up share capital	**6,869**	6,869
Reserves	**136,231**	127,918
	143,100	134,787
Total debt and equity	**149,800**	134,787

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to permit gearing up to 25% where gearing is defined as net assets plus borrowings used for investment purposes, less cash, expressed in terms of the percentage difference to net assets. If the amount so calculated is negative, this is shown as a "net cash" position.

	2012 £'000	2011 £'000
Net assets plus borrowings used for investment purposes, less cash	**148,484**	133,473
Net assets	**143,100**	134,787
Gearing (2011: net cash)	**3.8%**	1.0%

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

– the planned level of gearing, which takes into account the Manager's views on the market;

– the need to buy back equity shares, which takes into account the share price discount or premium;

– the opportunities for issues of new shares; and

– the amount of dividend to be paid, in excess of that which is required to be distributed.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder Income Growth Fund plc will be held at 2.30 p.m. on Tuesday, 18 December 2012 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2012.
2. To approve the Remuneration Report for the year ended 31 August 2012.
3. To elect Mrs Bridget Guerin as a Director of the Company.
4. To re-elect Sir Paul Judge as a Director of the Company.
5. To re-elect Mr Keith Niven as a Director of the Company.
6. To re-elect Mr Peter Readman as a Director of the Company.
7. To re-appoint Deloitte LLP as Auditor of the Company.
8. To authorise the Directors to determine the remuneration of Deloitte LLP as Auditor of the Company.
9. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
   "That the aggregate limit of all fees payable to Directors, as set out in Article 92 of the Company's Articles of Association, be increased to £150,000 per annum".
10. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:
    "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £343,441 (representing 5% of the share capital in issue on 21 November 2012); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
11. To consider and, if thought fit, to pass, the following resolution as a special resolution:
    "That, subject to the passing of resolution 10 set out above, the Directors be and are hereby empowered, pursuant to section 571 of the Act, to allot equity securities (including any shares held in Treasury) (as defined in section 560 of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said resolution 10 above and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £343,441 (representing 5% of the aggregate nominal amount of the share capital in issue on 21 November 2012); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:
    "That the Company be and is hereby generally and unconditionally authorised in accordance with section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 10p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 10,296,382, representing 14.99% of the issued share capital as at 21 November 2012;
    (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."
13. To consider and, if thought fit, to pass the following resolution as a special resolution:
    "That the Articles of Association of the Company be amended by deleting Article 151 without renumbering the other Articles."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Number: 3008494
21 November 2012

Registered Office:
31 Gresham Street
London EC2V 7QA

Explanatory Notes to the Notice of Meeting

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

   A proxy form is enclosed. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers), or you may photocopy the enclosed 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.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote under your Schroder Income Growth Fund plc holding 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 for the meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44 (0)121 415 0207 for overseas callers).

   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 Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the meeting. Please contact the Registrar if you need any further guidance on this.

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 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 16 December 2012, 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 16 December 2012 shall be disregarded in determining the right of any person to attend and vote at the Meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com/CREST. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) 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 Meeting by any attendee, for at least 15 minutes prior to, and during, the Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for election or re-election at the Meeting are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 31 August 2012.

7. As at 21 November 2012, 68,688,343 Ordinary shares of 10 pence each were in issue (no shares were held in Treasury). Accordingly, the total number of voting rights of the Company as at 21 November 2012 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.

9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

10. Copies of the proposed amended Articles of Association are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the Meeting for at least 15 minutes prior to, and during, the Meeting. The proposed amendment is explained in the Report of the Directors on page 16 of the Annual Report.

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 21 November 2012, 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 by Schroders, which also administers the Company.

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 2015 and thereafter at five-yearly intervals.

Website and Price Information

The Company has a dedicated website, which may be found at www.schroderincomegrowthfund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of the Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of the Board's Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market; Equiniti's shareview and, in the lead up to General Meetings of the Company, voting 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 per share 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 UK landlines.

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 post code and will be able to view information on their own holding. Please visit www.shareview.co.uk for more details.

Association of Investment Companies

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

Five-year Dividend History

	Net dividend paid per share					Payment
	2008	2009	2010	2011	2012	date*
1st Interim	1.60p	1.60p	1.60p	1.60p	2.00p	31 January
2nd Interim	1.60p	1.60p	1.60p	1.60p	2.00p	30 April
3rd Interim	1.60p	1.60p	1.60p	1.60p	2.00p	31 July
4th Interim	3.90p	4.10p	4.30p	4.50p	3.50p	31 October
Total dividends for the year	8.70p	8.90p	9.10p	9.30p	9.50p	

*If such date falls on a weekend or bank holiday, the payment date shall be the previous working weekday.

www.schroderincomegrowthfund.com

Schroders