Schroder Income Growth Fund plc

Annual Report and Accounts for the year ended 31 August 2016

Investment objectives

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

Investment policy

The investment policy of the Company is to invest primarily in 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. Put options comprising short term exchange-traded instruments on major stock market indices of an amount up to the value of the Company's borrowings may also be utilised.

Key financial highlights

NET ASSET VALUE ("NAV") TOTAL RETURN ONE YEAR **8.4%**	NAV TOTAL RETURN THREE YEARS ANNUALISED **8.6%**	NAV TOTAL RETURN FIVE YEARS ANNUALISED **12.2%**
FTSE ALL-SHARE INDEX TOTAL RETURN ONE YEAR **11.7%**	FTSE ALL-SHARE INDEX TOTAL RETURN THREE YEARS ANNUALISED **6.4%**	FTSE ALL-SHARE INDEX TOTAL RETURN FIVE YEARS ANNUALISED **9.5%**
SHARE PRICE TOTAL RETURN ONE YEAR **(0.8)%**	SHARE PRICE TOTAL RETURN THREE YEARS ANNUALISED **4.7%**	SHARE PRICE TOTAL RETURN FIVE YEARS ANNUALISED **11.2%**

DIVIDENDS FOR THE YEAR

2016: **10.6p**

2015: **10.3p**

+2.9%

ANNUAL DIVIDENDS HAVE RISEN FOR 21 CONSECUTIVE YEARS

ONGOING CHARGES FOR THE YEAR

2016: **1.00%**

2015: **0.99%**

Contents

Financial Highlights

Total returns for the year ended 31 August	2016	2015
Net asset value ("NAV") per share[1]	**8.4%**	3.3%
Share price[1]	**(0.8)%**	5.1%
FTSE All-Share Index[2]	**11.7%**	(2.3)%

Shareholders' funds, NAV, share price and discount at 31 August	2016	2015	% Change
Shareholders' funds (£'000)	**196,490**	188,165	4.4
NAV per share	**286.06p**	273.94p	4.4
Share price	**257.00p**	269.75p	(4.7)
Share price discount	**10.2%**	1.5%	
Revenue for the year ended 31 August			
Net revenue return after taxation (£'000)	**8,299**	7,761	6.9
Revenue return per share	**12.08p**	11.30p	6.9
Dividends per share	**10.60p**	10.30p	2.9
Consumer Prices Index ("CPI")[3]	**100.9**	100.3	0.6
Gearing[4]	**8.4%**	9.5%	
Ongoing Charges[5]	**1.00%**	0.99%	

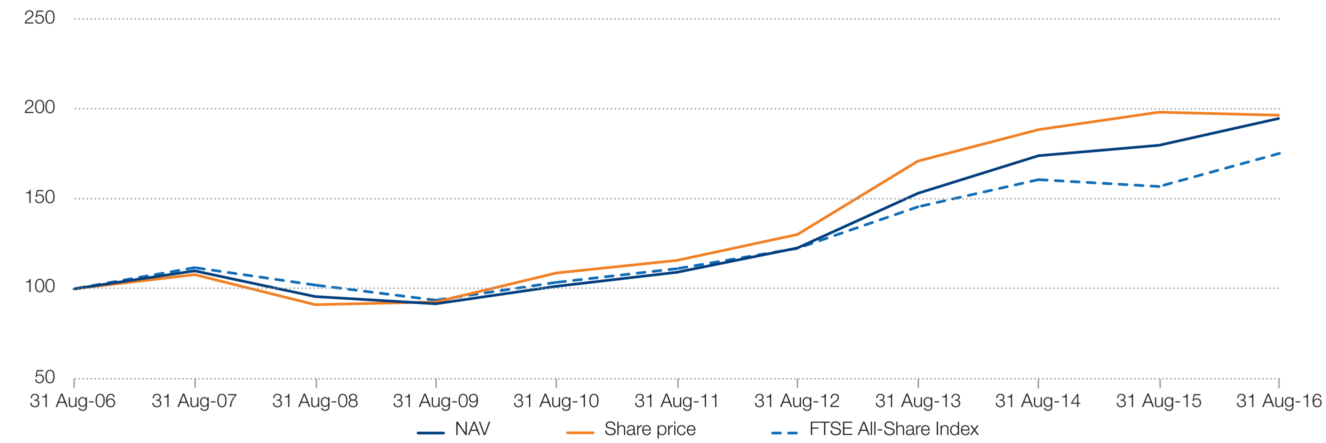
[1]Source: Morningstar. Includes dividends reinvested. Total returns are calculated on the basis that any dividends payable are reinvested on the ex-dividend date.
[2]Source: Thomson Reuters.
[3]Source: Office for National Statistics. From February 2016, the CPI has been rebased and published with 2015=100. This does not impact on published inflation rates.
[4]Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[5]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

Ten Year Financial Record

At 31 August		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Shareholders' funds (£'000)		168,975	136,104	123,479	130,288	134,787	143,100	171,616	188,936	188,165	196,490
NAV per share (pence)		235.71	198.15	179.77	189.68	196.23	208.33	249.85	275.06	273.94	286.06
Share price (pence)		212.50	172.00	165.25	184.75	187.75	199.75	251.25	266.50	269.75	257.00
Share price (discount)/premium (%)		(9.8)	(13.2)	(8.1)	(2.6)	(4.3)	(4.1)	0.6	(3.1)	(1.5)	(10.2)
Ongoing charges (%)[1]		0.90	0.92	0.99	0.99	0.97	1.07	1.00	0.93	0.99	1.00
Year ended 31 August											
Net revenue return after taxation (£'000)		5,828	6,817	5,757	5,301	6,065	6,886	7,003	7,428	7,761	8,299
Revenue return per share (pence)		8.10	9.83	8.38	7.72	8.83	10.02	10.20	10.82	11.30	12.08
Dividends per share (pence)		8.10	8.70	8.90	9.10	9.30	9.50	9.80	10.10	10.30	10.60
Performance[2]	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
NAV total return[3]	100.0	110.0	95.7	91.7	101.4	109.7	122.7	152.2	174.0	179.8	194.9
Share price total return	100.0	107.9	91.2	92.7	108.8	115.8	130.2	171.0	188.5	198.2	196.5
FTSE All-Share Index total return	100.0	111.8	102.1	93.7	103.6	111.2	122.5	145.6	160.7	156.9	175.3

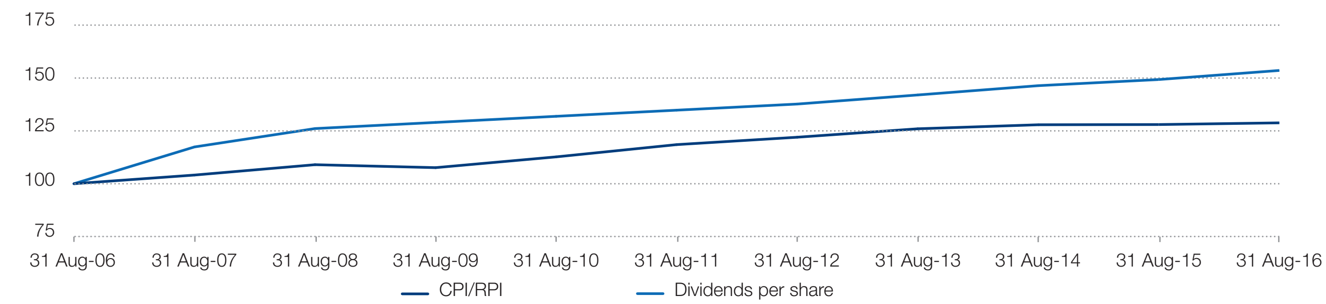
[1]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year.
[2]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2006.
[3]Calculated using capital asset values plus income reinvested for the period to 31 August 2008 and cum income net asset values plus income reinvested thereafter.

NAV/share price/FTSE All-Share Index total returns



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2006.

Dividends per share versus the rate of inflation



Source: Morningstar/Office for National Statistics. Rebased to 100 at 31 August 2006.
The Retail Prices Index ("RPI") was used as the measure of inflation up to 31 August 2013 and the Consumer Prices Index ("CPI") thereafter.

Chairman's Statement

Ian Barby

Revenue, dividends and performance

The Board declared total dividends of 10.60 pence per share for the financial year ended 31 August 2016, an increase of 2.9% over the previous financial year, making this the 21st consecutive year of rising dividends achieved by the Company. This increase compares favourably to the lesser rise of 0.6% in the Consumer Prices Index over the same period and continues to build on one of the Company's primary objectives: to provide real growth of income, being growth of income in excess of the rate of inflation.

In fact, during the year the revenue return had grown by a larger 6.9%, to 12.08 pence per share, substantially reflecting a higher than usual level of special dividends received by the Company. Given their inherent unpredictability, the Board chose not to pass on all of this increase by way of dividends, but instead added £1.0 million to the Company's revenue reserve, thereby increasing it to £5.3 million (7.70 pence per share) after allowing for payment of the year's fourth interim dividend. This continued building of the revenue reserve will provide a valuable buffer for the Company to draw upon in less favourable times.

During the year under review a total return of 8.4% for the Company's net asset value compared unfavourably to a total return of 11.7% for the FTSE All-Share Index, breaking the trend of Index outperformance achieved over recent years.

Detailed commentary on the performance of your Company's assets may be found in the Manager's Review on pages 6 to 10.

Share price discount and buy-backs

The share price produced a negative total return for the year of 0.8%, reflecting a widening in the Company's share price discount to net asset value during the year from 1.5% to 10.2% (average discount over the year: 7.1%). The deteriorating discount continues the trend discussed in my Half Year Statement and reflects a position shared across many UK-centric investment trusts, partly due to the implications of the referendum on the UK's membership of the EU. The Board continues to closely monitor the position relative to the peer group and to consider whether it would be appropriate to buy back shares, while taking into account prevailing market conditions.

While no shares were bought back or issued during the year under review, the Board nevertheless believes that retaining the ability to do so remains a valuable potential tool – both to enhance shareholder value and to reduce the volatility of the share price relative to net asset value – and will therefore be seeking to renew the existing authority through the resolutions set out in the Notice of the Annual General Meeting.

Gearing

During the year, the Company renewed its revolving £10 million credit facility with Scotiabank Europe Plc, which is in addition to the existing £20 million three-year term loan with the same lender, which expires in July 2017.

Gearing stood at 9.5% at the beginning of the year and had decreased to 8.4% at 31 August 2016.

Board composition and succession planning

Your Board continues to review its composition, balance and diversity and, in line with previous disclosures regarding succession plans, one of the longer-serving Directors, Peter Readman, will retire at the Annual General Meeting and will not seek re-election. A process is underway, led by the Nomination Committee, to recruit an additional Director.

It remains the Board's intention for a further longer-serving Director to retire at the Annual General Meeting to be held in 2017, with a view to appointing a further new Director thereafter so as to continue the progressive refreshment of the Board.

I would like to take this opportunity, on behalf of the Board, to thank Mr Readman for his invaluable contribution to the deliberations of the Directors during his 17 years in office.

Chairman's Statement

Annual General Meeting

The Company's Annual General Meeting will be held on Tuesday, 20 December 2016 at 2.30 p.m. As in previous years, the meeting will include a presentation by the Manager on the Company's investment strategy and market prospects.

Outlook

Whatever the longer-term impact of the referendum, it has had an immediately positive impact – via the fall in sterling – on the stock market and the short-term outlook for dividends. What it has also done, however, is add a new uncertainty in investors' minds, and one unlikely to be resolved for a long time, as the negotiations on the UK's exit from Europe commence. The Board's ongoing challenge is to demonstrate that a company such as yours, with an unbroken 21 years of dividend increases and a share yielding over 4%, continues to merit a place in investors' portfolios.

Ian Barby
Chairman

21 November 2016

Manager's Review

The Company's net asset value total return in the 12 months to 31 August 2016 was 8.4%, compared to 8.3% from the AIC UK Equity Income peer group average (source: Morningstar; excludes ZDP and capital shares) and 11.7% for the FTSE All-Share Index over the same period. The share price total return was -0.8% as the discount to the Company's NAV widened in a general fall in market appetite for UK equity investment trusts.

Investment income continued to grow faster than inflation, rising 5.8% during the year under review. A range of companies in the portfolio have seen strong returns from core activities and have distributed surplus capital, such as ITV, Legal & General, Prudential and Bellway. Additionally, we have taken the opportunity to increase the positions in higher-yielding shares such as Royal Dutch Shell and BP.

These changes have offset dividend decreases from Centrica and Rio Tinto, as well as the reduced dividend resulting from the merger between Aviva and Friends Life, with Aviva shares paying out less than Friends Life paid as an independent company. Special dividends from a wide range of holdings (e.g. ITV, Taylor Wimpey, Direct Line, GlaxoSmithKline, Lloyds Banking and John Laing) have risen considerably and in aggregate contributed to the highest proportion of total income in the Company's history. Lastly, the pound's weakness has provided a boost for those companies that have material overseas earnings and where dividends declared in euros and US dollars are translated into sterling.

Market background

The UK stock market started the period on a firm footing, rebounding from a sell-off in the summer of 2015, supported largely by central bank easing measures. A sharp downturn occurred at the start of 2016 as the market became worried over weaker growth in China, US rate hikes and dollar strength, softer commodity prices and the possibility of currency wars. Markets rallied from mid-February, supported by a more resilient oil price. The UK's unexpected outcome of the UK's referendum on membership of the EU at the end of June caused another sharp fall in the market, with more domestically-focused companies suffering the worst. Equities then rebounded as the Bank of England cut interest rates to 0.25% and re-started quantitative easing. Furthermore, initial fears of an immediate economic deterioration proved unfounded.

Large cap companies, for which the FTSE 100 Index acts as a proxy, and that account for 80% of the FTSE All-Share Index, returned 13.0%, considerably more than the small and mid cap indices' returns of 9.8% and 6.4% respectively. All three indices performed similarly over the months leading up to the UK's referendum on membership of the EU but diverged after the decision to leave the EU. Shares in more internationally-exposed large cap companies fared considerably better than the more domestically-focused mid caps, in part because of the fall in the value of sterling. Since then there has been a reassessment of some of the knee-jerk forecasts from economists and some of the price movements in the market.

Portfolio performance

The portfolio's gearing throughout the year added to performance, but this was offset by a negative contribution from stock selection.

Performance attribution

	Impact (%)
FTSE All-Share Index	+11.7
Stock selection	-2.7
Sector selection	-0.1
Costs	-1.0
Gearing	+0.7
Residual	-0.2
NAV total return	+8.4%

Source: Schroders, 12 months to 31 August 2016.

Stock selection within the media sector was the main disappointment, from the holdings in Pearson, ITV and Daily Mail & General Trust, although the shares of publisher RELX continued to rise. Despite learning company Pearson benefiting from selling its FT and Economist businesses for excellent prices, and more recently from sterling weakness, it has suffered from weak US college enrolments, falling textbook sales and the threat from digital educational sources. Meanwhile, the domestic companies in the sector (ITV and Daily Mail & General Trust) have also been weak due to concerns over slowing advertising revenues.

The insurance holdings, notably Legal & General and Aviva, were impacted negatively by concerns over credit exposures, potential regulatory change to the pension market and changes to the sector's capital regime. We remain comfortable with the positions as we believe that none are overexposed to commodity credit issues (a key area of concern) and each is well-capitalised under the EU's new Solvency II regime. With attractive and sustainable yields and potential for future dividend growth we maintain our conviction despite short-term headwinds.

The holding in Halfords detracted from performance as the company was negatively impacted by poor weather hitting cycling demand, its highly regarded CEO moving to Tesco, and from sterling's weakness as it is dependent on imported goods. However, we continue to hold Halfords as it benefits from a strong balance sheet, good cash generation underpinning the dividend, and the shares are on a low valuation.

On the positive side, the Company benefited from the exposure to, and stock selection within, the software services sector. The holding in Micro Focus, which runs legacy software, has benefited from buying and subsequently improving the operational performance of similar businesses. The Company also holds Sage Group, which develops accounting and payroll software, and has performed well as the market has a better appreciation of its strong cash generative attributes and healthy balance sheet.

The portfolio also benefited from being overweight the tobacco companies Imperial Brands and British American Tobacco, which both performed well due to their recent acquisitions of US businesses, strong profit growth and attractive levels of dividend growth.

Lastly, within the banking sector, our decision not to include any holding of Barclays, which has seen particularly weak share price performance, proved to be positive. Weak economic activity has provided a difficult trading environment for banks, as they face the prospect of reduced interest margins, if interest rates remain lower for longer.

Five top/bottom stock performers

Security	Portfolio (%)	Relative to index (%)	Relative performance (%)	Impact (%)
Barclays	0.0	-1.6	-43.7	+0.9
Micro Focus International	2.2	+2.1	+45.1	+0.8
RELX	2.5	+1.9	+30.1	+0.5
Imperial Brands	4.5	+2.7	+19.7	+0.4
Sage Group	1.4	+1.1	+32.2	+0.3

Security	Portfolio (%)	Relative to index (%)	Relative performance (%)	Impact (%)
Halfords	1.4	+1.3	-41.6	-0.7
Pearson	2.3	+1.9	-30.6	-0.7
Legal & General	3.5	+2.8	-23.2	-0.6
ITV	2.6	+2.2	-25.7	-0.6
Aviva	3.7	+2.8	-19.0	-0.5

Source: Schroders, Factset, 31 August 2015 – 31 August 2016.

Portfolio activity

One benefit of the market volatility over the past year has been the opportunity to continue to pursue the strategy of blending higher-yielding shares, providing steady income, with lower-yielding shares that offer the potential for faster-growing dividends.

The big shift in the portfolio over the year has been selling out of the higher yielding European bank holdings (Societe Generale, Swedbank). The proceeds were partly reinvested in Lloyds Bank, but mainly in higher-yielding oil majors (BP, Royal Dutch Shell, ENI, Galp) at a time of low oil prices and fears over the maintenance of dividends. Our view was that significant cuts to capex in the industry were likely to lead to a balance of supply and demand and an improvement in the oil price.

We bought shares in Swiss pharmaceuticals company Roche, which has a greater potential for growth in dividends given the lower proportion of profits paid to shareholders relative to AstraZeneca and GlaxoSmithKline. Reductions in the latter two holdings part-funded the purchase. The key potential is in the drug pipeline where the next 12-18 months are crucial for approvals of a haemophilia treatment and innovative combination therapy cancer treatments.

We also bought leading healthcare real estate investment trust Assura, which owns around 300 GP surgeries. The company develops new centres on behalf of GPs and is looking to acquire more centres. Rents are underwritten by the NHS, and the leases are typically long-term. Vacancy is low, and rent reviews should support double-digit growth over the next 3-4 years. The c.4% yield is attractive as is its ability to maintain dividend growth of 5-8% per annum.

As another example of shares with the potential for faster-growing dividends, we added luxury goods company Burberry to the portfolio. The shares had de-rated to attractive valuation levels as the market focused on near-term trading and pricing issues, together with the slowdown in key emerging markets. We see potential for management to reduce costs and, with the support of its strong balance sheet, to achieve a positive return for shareholders.

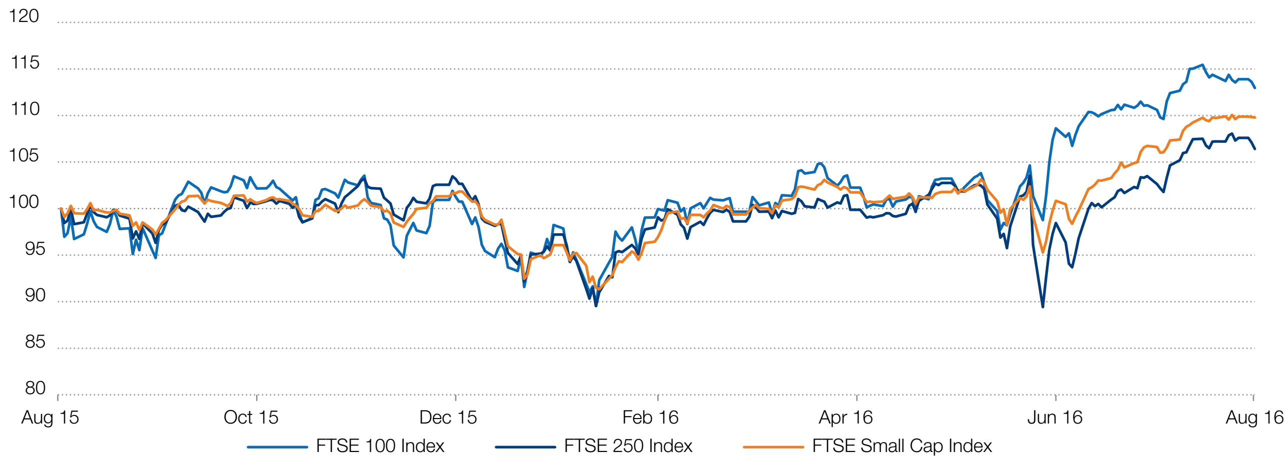
Additionally, we sold out of Synthomer, the speciality chemicals company, where we believe margins have peaked and the shares have re-rated to high levels. We added paper and packaging company Smurfit Kappa, which is set to benefit from self-help measures and a peak in capital expenditure which underpins cash generation and dividend growth. We believe the shares trade on an unwarranted discount to peers.

Outlook

Surprisingly positive UK equity market returns

Given continuing global growth concerns and the shock Brexit decision, the UK stock market has perhaps recovered surprisingly well from the lows following the EU referendum.

Market performance since 31 August 2015



Source: Schroders, Thomson Reuters, 31 August 2015 – 31 August 2016. Rebased to 100 at 31 August 2015.

This can be explained in part by central banks' market-friendly actions: in the US by not raising interest rates – and in the UK by increasing quantitative easing and the cutting of interest rates, as well as the potential for future fiscal policy action.

Sterling weakness after the referendum has provided a significant tailwind to the translation of overseas profits, particularly for FTSE 100 companies, which typically have a higher level of income derived from overseas. Additionally, markets were supported by the lack of any immediate economic impact following the Brexit vote and the filling of the political vacuum with Theresa May's early appointment as Prime Minister.

There has been a re-evaluation of some of the premature forecasts and price swings that followed on from the Brexit vote. The impact on UK economic activity is probably only moderately negative this year, but risks remain for 2017 depending on progress in Brexit talks with the EU and the political backdrop in the UK and in Europe. With this uncertainty, it would not be surprising if business investment is the area most affected. If it remains weak, this could eventually feed through into higher unemployment and reduced consumer spending.

Risks remain – home and away

As ever, there are other risks, both economic and political.

In the US the impact of the Presidential election remains to be assessed, though there is the clear potential for interest rate increases given the President-elect's spending plans. In Europe there is the ECB's QE programme and growing support for populist parties. Such matters are magnified in the UK with Brexit negotiations yet to begin. It is also important to consider the limitations of UK monetary policy, given that interest rates stand at 0.25%. This leaves the Bank of England with very little ammunition, particularly when it has said it is not willing to pursue negative rates. The government could therefore turn to expansionary fiscal policy, meaning tax cuts and/or infrastructure spending.

The new Chancellor has stepped back from eliminating the deficit by 2020 but the Autumn Statement may reveal more – in particular the likelihood of a modest stimulus in order to offset some of the potential future drag to domestic growth arising from Brexit, given the lags to growth from spending on infrastructure. Equally, the government may wish to keep some powder dry for next year, if economic activity worsens.

Full valuations

Overall, UK equity valuations look full when measured in absolute terms and in a historic context. This reflects the impact of quantitative easing in supressing yields on other assets. Valuation differentials remain wide, with high valuations on growth stocks and defensive shares (eg, beverages, consumer staples), whilst low valuations remain for companies whose prospects are less certain, such as house builders and banks. Future growth is likely to remain muted, given the potential risks mentioned above.

However, the fall in sterling together with the rise in oil and commodity prices is leading to a turn in the profits cycle – from downgrades to upgrades – particularly in the more international FTSE 100 companies. This may in turn lead to a narrowing of valuation differentials.

We also expect to see a continued pick-up in merger and acquisition activity with the continuing availability of cheap financing, weaker sterling and companies struggling to grow organically.

Dividend outlook

Total income was up 5.7% year-on-year. While the Company's ordinary dividend income grew at a more modest 2.0%, this has yet to reflect the full impact of sterling's post referendum devaluation. The contribution to total income from special dividends has also risen significantly to 8.6%, the highest level ever for the Company and a marked increase on its 5.1% contribution in 2015.

Given sterling's continued depreciation after the Company's year end, there will be a further boost to income from dividends declared in US dollars or euros this year if sterling stays at current levels.

On a more cautionary note, whilst dividend pay-out ratios remain high, the economic impact of Brexit is not likely to be fully felt until 2018 or later, and so the longer-term outlook for income growth is somewhat more uncertain.

Lastly, given the Company's aim to provide real growth of income it is important to consider UK inflation. Whilst the Consumer Prices Index rose by 0.6% in the year to August 2016, we expect inflation to increase over the next year or two, fuelled by a combination of sterling weakness and a pick-up in oil and commodity prices. We would, however, expect the Bank of England to look through this increase in inflation and to retain loose monetary policy to help support the economy through its exit from the EU.

Investment policy

We remain disciplined investors using a long-term fundamental approach and benefiting from the team's long investment experience. We are very conscious of the need to balance the risks relative to the potential reward from opportunities that can be thrown up in such unpredictable markets. However, our investment process focuses on building a diversified portfolio within a risk-controlled framework, which aims to deliver attractive levels of income, that grow in real terms for the Company's investors.

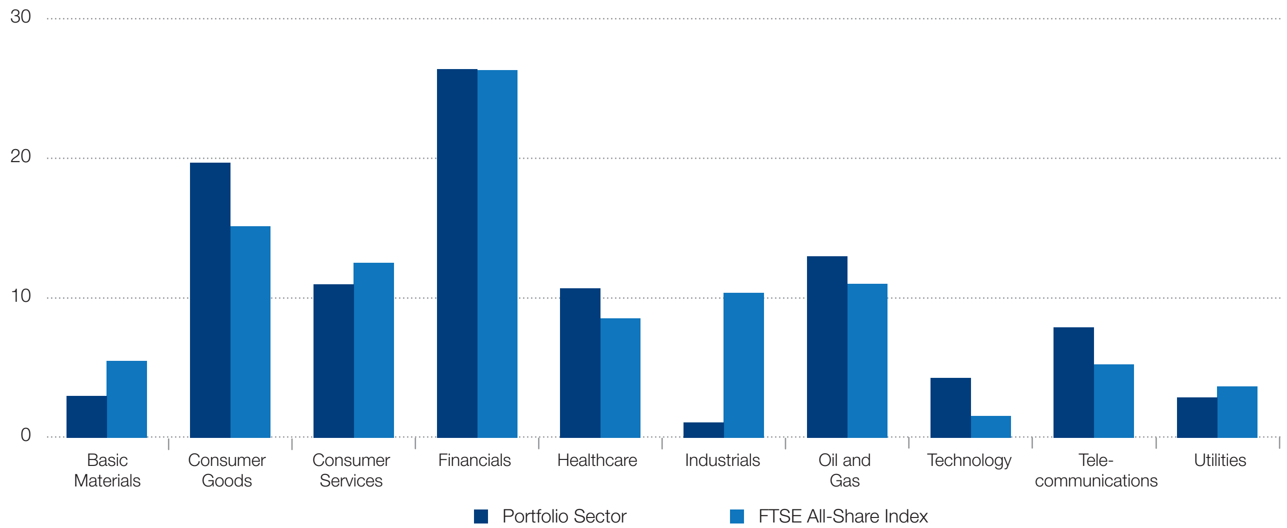
Five largest overweight stocks

Security	Portfolio (%)	Index (%)	Difference (%)
Imperial Brands	4.4	1.8	+2.6
Aviva	3.3	0.8	+2.5
Micro Focus International	2.6	0.2	+2.4
Centrica	2.8	0.6	+2.2
Legal & General	2.8	0.6	+2.2

Source: Schroders, as at 31 August 2016.

At the same time, we seek to identify mispriced opportunities within our investment universe while working closely with our in-house analysts – who provide proprietary fundamental research to help identify attractive investment candidates and also to assess the validity of the investment case for current holdings. In the current environment we continue to prioritise Companies with balance sheet strength and sustainable dividend yields.

Comparison of portfolio sector distribution with the FTSE All-Share Index at 31 August 2016



Source: Schroders/Thomson Reuters.

Schroder Investment Management Limited

21 November 2016

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

Investment Portfolio

At 31 August 2016

Companies in bold represent the 20 largest investments, which by value account for 70.3% (2015: 75.8%) of total investments. All companies are headquartered in the UK unless otherwise stated.

	£'000	%
Financials		
HSBC	**7,467**	**3.5**
Aviva	**7,079**	**3.3**
Prudential	**6,277**	**3.0**
Lloyds	**6,153**	**2.9**
Legal & General	**5,981**	**2.8**
ICAP	**4,673**	**2.2**
John Laing	4,073	1.9
Unite	3,420	1.6
Nordea (Sweden)	2,906	1.4
Assura	2,906	1.4
London Stock Exchange	2,111	1.0
Direct Line Insurance	1,506	0.7
Intermediate Capital	1,462	0.7
Total Financials	**56,014**	**26.4**
Consumer Goods		
British American Tobacco	**11,857**	**5.6**
Imperial Brands	**9,467**	**4.5**
Unilever	**5,732**	**2.7**
Bellway	3,770	1.8
Taylor Wimpey	3,717	1.8
Greencore (Ireland)	3,711	1.7
Burberry	3,318	1.6
Total Consumer Goods	**41,572**	**19.7**
Oil and Gas		
Royal Dutch Shell 'B'	**13,347**	**6.3**
BP	**6,906**	**3.3**
Galp Energia (Portugal)	2,528	1.2
ENI (Italy)	2,229	1.1
John Wood	1,980	0.9
Royal Dutch Shell 'A' (Netherlands)	498	0.2
Total Oil and Gas	**27,488**	**13.0**
Consumer Services		
RELX	**6,080**	**2.9**
ITV	**5,052**	**2.4**
Pearson	3,749	1.8
Carnival	3,257	1.5
Daily Mail & General Trust	2,531	1.2
Halfords	2,508	1.2
Total Consumer Services	**23,177**	**11.0**

	£'000	%
Healthcare		
GlaxoSmithKline	**9,701**	**4.6**
AstraZeneca	**8,320**	**3.9**
Roche (Switzerland)	4,570	2.2
Total Healthcare	**22,591**	**10.7**
Telecommunications		
Vodafone	**9,327**	**4.4**
BT	**7,511**	**3.5**
Total Telecommunications	**16,838**	**7.9**
Technology		
Micro Focus International	**5,568**	**2.6**
Sage	3,518	1.7
Total Technology	**9,086**	**4.3**
Basic Materials		
Rio Tinto	**6,444**	**3.0**
Total Basic Materials	**6,444**	**3.0**
Utilities		
Centrica	**6,182**	**2.9**
Total Utilities	**6,182**	**2.9**
Industrials		
Smurfit Kappa (Ireland)	2,338	1.1
Total Industrials	**2,338**	**1.1**
Total investments	**211,730**	**100.0**

Strategic Review

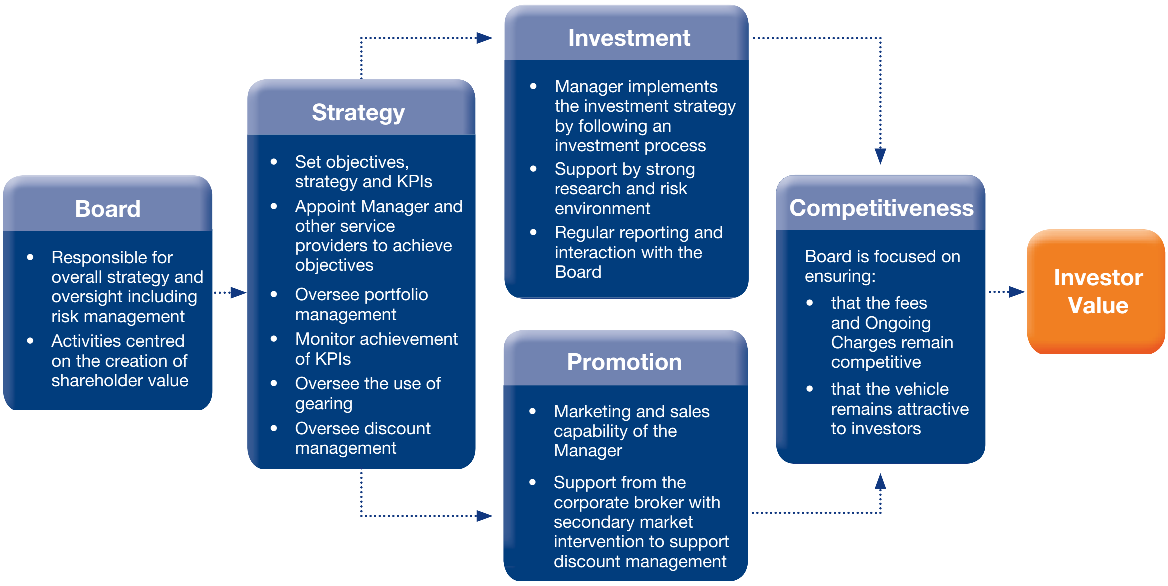
Business model

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a "Close Company" for taxation purposes.

It is not intended that the Company should have a limited life but the Directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") in 2020 and thereafter at five yearly intervals.

The Company's business model may be demonstrated by the diagram below.



Investment objective and policy

Details of the Company's investment objective and policy may be found on the inside front cover.

The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate.

Gearing

The Company's policy is to permit gearing (as described in note 21 on page 49) up to 25% of shareholders' funds. It is intended that the Manager should have the flexibility to utilise this power in order to maximise potential returns when, and to the extent that, this is considered appropriate by the Directors.

The Company has in place a £20 million three-year term loan (expiring on 30 June 2017) and a £10 million one-year revolving credit facility with Scotiabank Europe Plc. The revolving credit facility remained undrawn throughout the year under review. As at 31 August 2016, gearing stood at 8.4% (2015: 9.5%). The Directors keep the Company's gearing strategy under review and impose strict restrictions on borrowings to mitigate gearing risk.

Investment philosophy

The investment approach is based on Schroders' belief that stock markets are inefficient. The Manager believes it can exploit such inefficiencies by conducting its own research, through disciplined portfolio construction, and taking a long term view.

Investment process

The Company's portfolio manager, Sue Noffke, has been a member of Schroders' UK Equity team for over 20 years and has been managing the Company's portfolio since 2010. She is a key member of the team which employs a rigorous and disciplined investment process aiming to deliver consistent outperformance with low volatility against set objectives.

1. Research

The portfolio manager and the rest of Schroders' UK Equity team work closely with Schroders' specialist industry analysts who conduct independent fundamental research: as one of the largest UK investors, Schroders has substantial access to companies' management teams. The research focuses on factors that influence a company's ability to create value for shareholders over the long term and looks beyond short term profits to a company's profits potential and to the quality of those profits. The focus is not exclusively on growth, value, or earnings momentum factors but on each company's individual ability to create value for shareholders.

2. Portfolio construction/monitoring

The decision to buy or sell a security lies with the portfolio manager, and bottom-up (that is based on analysis of individual companies rather than general market or sector trends) stock selection is therefore the primary influence on portfolio performance. When assessing stocks for inclusion in the portfolio and in managing existing investments, the portfolio manager places a greater emphasis on the sustainability and the potential growth of a company's dividend rather than a high initial yield. The size of each holding is determined on the basis of investment conviction and an assessment of the risks and volatility associated with it, rather than its market value. Portfolio construction is supported by a robust system of risk controls. Proprietary risk tools help the portfolio manager and the Board to understand the factors contributing to risk and to avoid unintended risk.

The portfolio manager may invest up to 20% of assets in overseas stocks and this is utilised in three main ways: for added diversification where overseas equities are cheaper than their equivalents in the UK; when attractive dividends are available; and for exposure to sectors that are not well represented in the UK equity market.

3. Review/sell discipline

The management of a relatively concentrated portfolio requires a rigorous sell discipline enforced by competition for capital. The portfolio manager will sell a holding if its share price reaches a level where there appear to be better opportunities elsewhere or if a material change in a company's circumstances makes the original investment case no longer valid. Given the long term approach, portfolio turnover tends to be low.

Investment restrictions and 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 which are listed on the Official List of the London Stock Exchange; (iii) no more than 15% of the Company's gross assets may be invested in other investment companies or investment trusts which are listed on the Official List of the London Stock Exchange; (iv) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (v) no more than 25% of the Company's total net assets may be invested in the aggregate in unlisted investments and holdings representing 20% or more of the equity capital of any company.

The Investment Portfolio on page 11 demonstrates that, as at 31 August 2016, the Manager invested in 35 UK and seven 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 Manager, achieve the objective of spreading investment risk.

Promotion

The Company promotes its shares to a broad range of investors who have the potential to be long term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary fund managers. The Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.
- Execution-only investors. The Company promotes its shares via engaging with platforms and through its website. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.
- The Company also promotes its shares to institutional investors.

The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate. These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 4 and in the Explanation of Special Business at the AGM on page 50.

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objectives, which is considered to be the most significant key performance indicator for the Company.

The Board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually.

Corporate and social responsibility

Board gender diversity

As at 31 August 2016, the Board comprised four men and one woman. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance.

Responsible investment policy

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The Board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The Board expects the Manager to exercise the Company's voting rights in consideration of these issues.

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The Board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The Board monitors the implementation of this policy through regular reporting by the Manager on its engagement activity, how it is integrated into the investment process, and the outcomes of the activity.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy.

Greenhouse gas emissions

As the Company outsources its operations to third parties, it has no greenhouse gas emissions to report.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in October 2016.

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.

A summary of the principal risks and uncertainties faced by the Company, which have remained unchanged throughout the year, and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, is set out below.

Risk	Mitigation and management
Strategic risk	
The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying net asset value.	Appropriateness of the Company's investment remit periodically reviewed and success of the Company in meeting its stated objectives is monitored. Share price relative to net asset value monitored and use of buy back authorities considered on a regular basis. Marketing and distribution activity is actively reviewed.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	Ongoing competitiveness of all service provider fees subject to periodic benchmarking against competitors. Annual consideration of management fee levels.
Investment management risk	
The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager.
Financial and currency risk	
The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company's underlying investments.	Risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager.
Custody risk	
Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.	Depositary reports on safe custody of the Company's assets, including cash and portfolio holdings, are independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. Annual report from the Depositary on its activities, including matters arising from custody operations.

Risk	Mitigation and management
Gearing and leverage risk	
The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of shareholders' funds.
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. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against disclosure of inside information.
Service provider risk	
The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, Depositary and Registrar. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit Committee, including 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 from the Audit Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 45 to 49.

Viability statement

The Directors have assessed the prospects of the Company over the three year period to 31 August 2019 which it considers to be an appropriate timeframe over which to judge the viability of an investment company, taking into account the factors outlined below.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 15 and 16 and in particular the impact of a significant fall in the UK equity market on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

Based on the Company's processes for monitoring operating costs, the share price discount, the Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 August 2019.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council ("FRC") in 2014, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

21 November 2016

Board of Directors

Ian Barby

Status: Independent Non-Executive Chairman
Length of service: 11 years, appointed a Director in October 2005 and Chairman in August 2013
Experience: Mr Barby 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 a director of Pantheon International Participations PLC and Ecofin Global Utilities and Infrastructure Trust plc.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Nomination and the Management Engagement Committees)
Current remuneration: £28,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2015

David Causer

Status: Independent Non-Executive Director
Length of Service: 7 years, appointed a Director in December 2008
Experience: Mr Causer 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.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Audit Committee)
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2015

Bridget Guerin

Status: Independent Non-Executive Director
Length of Service: 4 years, appointed a Director in June 2012
Experience: Mrs Guerin was the managing director of Matrix Money Management Limited, an asset management and distribution firm, from its launch in 1999 until March 2011. She is an independent non-executive director of Charles Stanley Group PLC and of the London listed Mobeus Income & Growth VCT plc. 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.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £22,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2015

Board of Directors

Keith Niven

Status: Independent Non-Executive Director
Length of Service: 21 years, appointed a Director in January 1995
Experience: Mr Niven is 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 up until 2001.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £22,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2015

Peter Readman

Status: Independent Non-Executive Director
Length of Service: 17 years, appointed a Director in December 1999
Experience: Mr Readman 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 The Social Market Foundation.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £22,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2015

Report of the Directors

The Directors submit their Report and the audited financial statements of the Company for the year ended 31 August 2016.

Revenue and earnings

The net revenue return for the year was £8,299,000 (2015: £7,761,000), equivalent to net revenue of 12.08 (2015: 11.30) 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 in each year as a revenue reserve to provide consistency in dividend policy.

For the year ended 31 August 2016, the Directors have declared four interim dividends, totalling 10.60 (2015: 10.30) pence per ordinary share.

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 18 and 19. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 30.

Notwithstanding the provisions of the Company's Articles of Association and the UK Corporate Governance Code in respect of the periodic re-election of Directors, the Board considers that shareholders should be given the opportunity to vote on the re-election of all of its members on an annual basis. Accordingly, all of the Directors will retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election, with the exception of Mr Readman, who will retire at the AGM and will not offer himself for re-election.

Re-appointment as a Director is not automatic and follows a formal process of evaluation of each Director's performance and Directors who have served for more than six years are subject to particulary rigorous assessment of their independence and contribution.

The Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment and Directors who have served on the Board for more than nine years may still offer themselves for re-election at the AGM. The Board has assessed the independence of all Directors. All Directors are considered to be independent in character and judgement.

The Board, having taken all relevant matters into account, considers that Mr Barby, Mr Causer, Mrs Guerin and Mr Niven continue to demonstrate commitment to their roles, provide valuable contributions to the deliberations of the Board, and remain free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of their re-election.

Share capital

As at the date of this Report, the Company had 68,688,343 ordinary shares of 10 pence each in issue. No shares are held in Treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 68,688,343. Full details of the Company's share capital are set out in note 14 on page 43.

Substantial share interests

As at the date of this Report, the Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of ordinary shares	Percentage of total voting rights
Charles Stanley & Co. Limited	3,446,355	5.00%

Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager ("AIFM") Agreement. The AIFM Agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this Report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM Agreement. The Manager 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 Manager has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity insurance cover.

The Schroders Group manages £375 billion (as at 30 September 2016) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager is entitled to a management fee of 0.75% per annum, charged on the value of the Company's assets under management, net of current liabilities other than short term borrowings less any cash up to the level of borrowings.

The management fee payable in respect of the year ended 31 August 2016 amounted to £1,514,000 (2015: £1,578,000).

Details of all amounts payable to the Manager are set out in note 17 on page 44.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver the Company's investment objectives over the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM Agreement, details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a Depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Report of the Directors

Corporate Governance Statement

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 FRC published a revised version of the UK Corporate Governance Code in September 2014 (the "Code") which applies to accounting periods beginning on or after 1 October 2014 and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The Board has noted the publication of a further revised UK Corporate Governance Code in April 2016, which applies to financial years beginning on or after 17 June 2016. This latest update of the Code has been driven by the implementation of the EU's Audit Regulation and Directive and its impact on audit committees and the Board and is considering the Company's governance framework in light of the new provisions.

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 on page 27 and the Viability Statement and Going Concern Statement set out on page 17, indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes 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 chair 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.

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 18. He has no conflicting relationships.

Role and operation of the Board

The Board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objectives of the Company continue to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all Directors receive relevant management, regulatory and financial information in a timely manner and that they 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.

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

On appointment, Directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are included as part of the evaluation process and are agreed with the Chairman.

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.

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Audit Committee Chairman. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in July 2016.

Directors' and officers' liability insurance and indemnity

Directors' and officers' liability insurance cover was in place for the Directors throughout the year under review. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. This indemnity was in place throughout the year under review and to the date of this Report.

Directors' attendance at meetings

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance, the level of discount of the Company's shares to underlying net asset value and promotion of the Company, and services provided by third parties. A strategy meeting was held during the year under review (attended by all Directors) and will be held in future as deemed appropriate. Additional meetings of the Board are arranged as required.

The number of meetings of the Board and its Committees held during the financial year and the attendance of individual Directors is shown below. Whenever possible all Directors attend the Annual General Meeting.

Director	Board	Nomination Committee	Management Engagement Committee	Audit Committee
Ian Barby	4/4	1/1	1/1	2/2
David Causer	4/4	1/1	1/1	2/2
Bridget Guerin	4/4	1/1	1/1	2/2
Keith Niven	4/4	1/1	1/1	2/2
Peter Readman	4/4	1/1	1/1	2/2

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

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpage and the Annual Report, which aims to provide shareholders with a clear understanding of the Company's activities and its results.

The Chairmen of the Board and its committees attend the AGM and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

The Company has adopted a policy which ensures that shareholder complaints and other shareholder communications addressed to the Company Secretary, the Chairman or the Board are, in each case, considered by the Chairman and the Board.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the year under review, is outlined over the next few pages.

The Committees of the Board have defined Terms of Reference which are available on the webpage www.schroderincomegrowthfund.com. Membership of the Committees is set out on pages 18 and 19.

Nomination Committee

The Nomination Committee is responsible for succession planning bearing in mind the balance of skills, knowledge, experience and diversity existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nomination Committee aims to maintain a balance of relevant skills, experience and length of service of the Directors serving on the Board, taking gender and other diversity factors into account.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new Director. The Board does not consider it appropriate or in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are drawn from suggestions put forward either by recommendation from within the Company or by the use of an external agency. Candidates are then interviewed by members of the Committee, which makes a recommendation to the Board.

The Committee met on one occasion during the year under review and considered its Terms of Reference, the balance, skills, independence and experience of the Board, and succession planning.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the 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 service providers. All Directors are members of the Management Engagement Committee which is chaired by the Chairman of the Board. The Board considers each member of the Committee to be independent.

The Management Engagement Committee met on one occasion during the year under review and considered its Terms of Reference, the performance and ongoing suitability of the Manager, the terms and conditions of the AIFM Agreement, the performance and suitability of other service providers, and fees paid to Directors.

Audit Committee

The role and activities of the Audit Committee are set out in the Report of the Audit Committee on pages 25 and 26.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

21 November 2016

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in its Terms of Reference, which are available on the Company's webpage, www.schroderincomegrowthfund.com. Membership of the Committee is as set out on pages 18 and 19. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Audit Committee met twice during the year ended 31 August 2016. The Committee discharged its responsibilities by:

- considering its Terms of Reference;
- reviewing the operational controls maintained by the Manager and Depositary;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditor;
- evaluating the Auditor's performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 August 2016, the Audit Committee considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditor during its reporting:

Issue considered	How the issue was addressed
• Valuation and existence of holdings	• Review of portfolio holdings and assurance reports on controls from the Manager and Depositary.
• Recognition of investment income	• Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
• Overall accuracy of the Annual Report and Accounts	• Consideration of the draft Annual Report and Accounts and the letter from the Manager in support of the letter of representation to the Auditor.
• Calculation of the investment management fee	• Consideration of methodology used to calculate the fee, matched against the criteria set out in the AIFM Agreement.
• Internal controls and risk management	• Consideration of several key aspects of internal control and risk management operating within the Manager and Depositary.
• Compliance with the investment trust qualifying rules in Section 1158 of the Corporation Tax Act 2010	• Consideration of the Manager's report confirming compliance.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 August 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 27.

Effectiveness of the independent audit process

The Audit Committee evaluated the effectiveness of the independent audit firm and audit process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager on the audit process and the year end report from the Auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also met the Auditor without representatives of the Manager present.

Representatives of the Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts is considered. Having reviewed the performance of the Auditor as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

The Auditor is required to rotate the Senior Statutory Auditor every five years. This is the fourth year that the Senior Statutory Auditor has conducted the audit of the Company's financial statements.

Deloitte LLP has provided audit services to the Company from its incorporation in 1995 to date. The Statutory Auditors and Third Country Regulations 2016 (the "Regulations") were published on 17 June 2016 and take effect for financial periods commencing on or after that date. The Audit Committee is reviewing the impact of the Regulations on the Company's current policies, noting that they include mandatory periodic rotation of the Auditor and re-tendering of the audit contract. Deloitte LLP must be replaced as the Company's Auditor before commencement of the audit in 2023, and the Audit Committee will put the audit contract out to tender before that date.

There are no contractual obligations restricting the choice of independent auditor.

Independent Auditor

Deloitte LLP has indicated its willingness to continue in office. Accordingly, resolutions to re-appoint Deloitte LLP as Auditor to the Company, and to authorise the Directors to determine Deloitte LLP's remuneration will be proposed at the AGM.

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 or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Provision of non-audit services

The Audit Committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's appointed Auditor. The Audit Committee has determined that the Company's Auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The Auditor may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

No non-audit services were provided to the Company during the year (2015: nil).

Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Audit Committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and will continue to annually review whether an internal audit function is needed.

David Causer
Audit Committee Chairman

21 November 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Report of the Directors, the Corporate Governance Statement, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the 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 return 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 judgments 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; and
- prepare the financial statements on a 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.

The Manager is responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 18 and 19, confirm that to the best of their 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;
- the Strategic Report contained in the Report and Accounts 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; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Ian Barby
Chairman

21 November 2016

Remuneration Report

Introduction

This Report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The following Remuneration Policy is currently in force and is subject to a binding vote every three years. The full policy provisions will continue to apply until the AGM to be held in 2017 unless a revised remuneration policy is approved by shareholders prior to such AGM. In addition, the below Directors' annual Report on Remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 18 December 2014, 99.2% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Remuneration Policy were in favour while 0.8% were against. 43,953 votes were withheld.

At the AGM held on 15 December 2015, 99.07% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the year ended 31 August 2015 were in favour, while 0.93% were against. 31,915 votes were withheld.

Directors' Remuneration Policy

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

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts 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, taking into account the aggregate limit of fees set out in the Company's Articles of Association. This aggregate level of Directors' fees is currently set at £150,000 per annum and any increase in this level requires approval by the Board and the Company's shareholders. The Chairman of the Board and the Chairman of the Audit Committee each receives fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long term strategic objectives.

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to a pension, and the Company has not, and does not intend to, operate a share scheme for Directors or to award any share options or long term performance incentives to any Director. No Director has a service contract with the Company, however Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The Board did not seek the views of shareholders in setting this Remuneration Policy. Any comments on the Policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this Remuneration Policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the Directors. New Directors are subject to the provisions set out in this Remuneration Policy.

Directors' annual Report on Remuneration

This Report sets out how the Remuneration Policy was implemented during the year ended 31 August 2016.

Fees paid to Directors

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 31 August 2016 and the previous financial year:

Director	Fees 2016 £	Fees 2015 £	Taxable benefits 2016 £	Taxable benefits 2015 £	Total 2016 £	Total 2015 £
Ian Barby (Chairman)	**28,000**	28,000	**92**	160	**28,092**	28,160
David Causer	**25,000**	25,000	**148**	160	**25,148**	25,160
Bridget Guerin	**22,000**	22,000	**703**	–	**22,703**	22,000
Keith Niven	**22,000**	22,000	**92**	160	**22,092**	22,160
Peter Readman	**22,000**	22,000	**92**	160	**22,092**	22,160
Total	**119,000**	119,000	**1,127**	640	**120,127**	119,640

The information in the above table has been audited.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in October 2016. The members of the Board at the time that remuneration levels were considered were as set out on pages 18 and 19. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

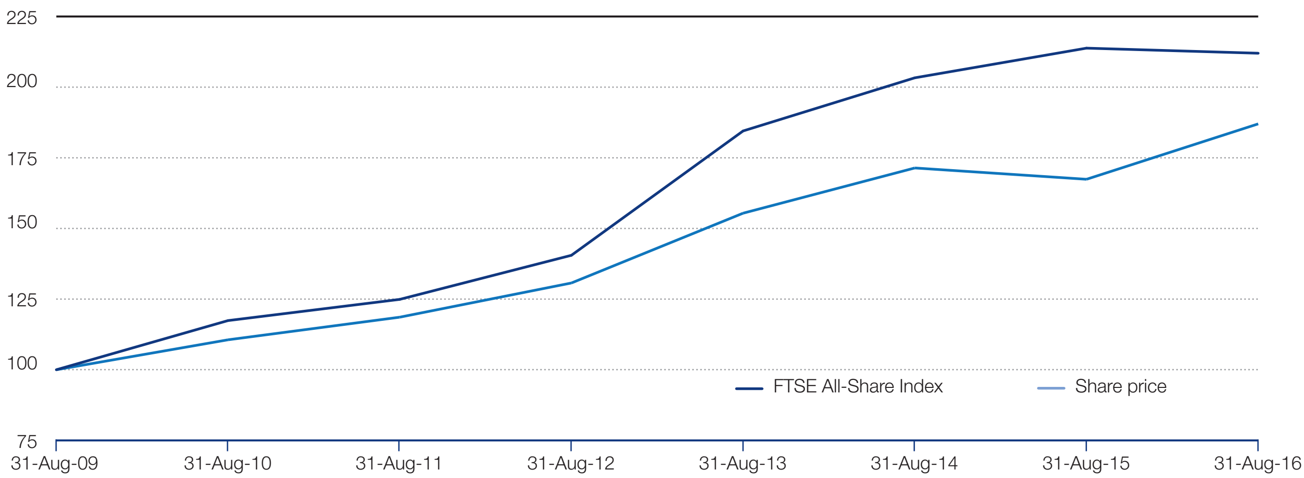
Following the annual review, the Board decided that Directors' fees should remain unchanged. Directors' fees were last increased with effect from 1 September 2014.

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration paid to Directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objectives.

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Change %
Remuneration payable to Directors	**120**	120	Nil
Distributions paid to shareholders – dividends	**7,076**	6,938	2.0

7 Year Share Price and FTSE All-Share Index total returns



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2009.

The above graph shows the Company's share price total return compared with the FTSE All-Share Index total return, over the last seven years. The FTSE All-Share Index has been selected as an appropriate comparison based on the composition of the Company's investment portfolio.

Directors' share interests

The Company's Articles of Association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, at the beginning and end of the financial year under review are set out below.

	At 31 August 2016	At 1 September 2015
Ian Barby	**100,000**	100,000
David Causer	**23,750**	23,750
Bridget Guerin	**18,862**	18,862
Keith Niven	**89,499**	89,499
Peter Readman	**Nil**	Nil

The information in the above table has been audited (see Independent Auditor's Report on pages 31 to 34).

Ian Barby
Chairman

21 November 2016

Independent Auditor’s Report to the Members of Schroder Income Growth Fund plc

Opinion on financial statements of Schroder Income Growth Fund plc

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 August 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Statement of Recommended Practice issued by the Association of Investment Companies in November 2014 “Financial Statements of Investment Trust Companies and Venture Capital Trusts”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic or Ireland” and the Statement of Recommended Practice issued by the Association of Investment Companies in November 2014 “Financial Statements of Investment Trust Companies and Venture Capital Trusts”.

Going concern and the Directors’ assessment of the principal risks that would threaten the solvency or liquidity of the Company

As required by the Listing Rules we have reviewed the Report of the Directors regarding the appropriateness of the going concern basis of accounting contained within note 1(a) to the financial statements and the Directors’ statement on the longer-term viability of the Company contained within the Strategic Review on page 17.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 15 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 15 and 16 that describe those risks and explain how they are being managed or mitigated;
- the Directors’ statement in note 1(a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Director's explanation on page 17 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors’ adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company’s ability to continue as a going concern.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These have not changed since our prior year audit.

Risk	How the scope of our audit responded to the risk
Valuation and ownership of investments The investments of the Company (£211.7m) make up 97.5% of total assets (£217.1m). Please see accounting policy 1(b) and note 10. There is a risk that investments within the portfolio may not be actively traded or that the prices quoted may not be reflective of fair value. There is a risk that the assets recorded may not represent the property of the Company.	We have evaluated the design and implementation of controls in place in relation to the valuation and ownership of investment. We reconciled 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source. In order to confirm the liquidity of all the holdings at year-end we compared the holding size of each investment to the volume of its shares traded in the month after the year end. We have agreed 100% of the Company's portfolio to the independently obtained confirmation from the custodian, with no exception. We reviewed a report prepared on the design and operation of controls at the custodian, who are responsible for holding the investments on the Company's behalf.
Recognition of investment income Revenue (£9.8m) may be understated where it is not recognised. Please see accounting policy 1(d) and note 3. There is a risk that revenue is not complete, or correctly allocated between revenue and capital accounts.	We have evaluated the design and implementation of controls for monitoring completeness of revenue and key controls over revenue recognition; For a sample of investments held we obtained the dividend history and ensured that all dividends due were correctly and accurately recorded; For a sample of corporate actions and special dividends received, we determined whether the allocation between revenue and capital was appropriate by reviewing management's allocation and performing independent research.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 25.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the Company to be £1,965,000 (2015: £1,881,000), which is 1% (2015: 1%) of net assets. Net assets have been selected as the benchmark in determining materiality as users of the financial statements will have most focus on this item. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £39,000 (2015: £37,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. As part of our audit we assessed the controls in place at HSBC Securities Services, to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • 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 are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
Respective responsibilities of directors and 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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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.
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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Calum Thomson, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 November 2016

Income Statement

for the year ended 31 August 2016

	Note	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	**–**	**7,866**	**7,866**	–	(1,426)	(1,426)
Net foreign currency gains/(losses)		**–**	**91**	**91**	–	(16)	(16)
Income from investments	3	**9,746**	**175**	**9,921**	9,214	909	10,123
Other interest receivable and similar income	3	**6**	**–**	**6**	10	–	10
Gross return/(loss)		**9,752**	**8,132**	**17,884**	9,224	(533)	8,691
Investment management fee	4	**(757)**	**(757)**	**(1,514)**	(789)	(789)	(1,578)
Administrative expenses	5	**(343)**	**–**	**(343)**	(356)	–	(356)
Net return/(loss) before finance costs and taxation		**8,652**	**7,375**	**16,027**	8,079	(1,322)	6,757
Finance costs	6	**(273)**	**(273)**	**(546)**	(272)	(272)	(544)
Net return/(loss) on ordinary activities before taxation		**8,379**	**7,102**	**15,481**	7,807	(1,594)	6,213
Taxation on ordinary activities	7	**(80)**	**–**	**(80)**	(46)	–	(46)
Net return/(loss) on ordinary activities after taxation		**8,299**	**7,102**	**15,401**	7,761	(1,594)	6,167
Return/(loss) per share	9	**12.08p**	**10.34p**	**22.42p**	11.30p	(2.32)p	8.98p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no recognised gains and losses other than those included in the Income Statement and Statement of Changes in Equity.

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 38 to 49 form an integral part of these accounts.

Statement of Changes in Equity

for the year ended 31 August 2016

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2014	6,869	7,404	2,011	1,596	34,936	129,716	6,404	188,936
Net (loss)/return on ordinary activities	–	–	–	–	–	(1,594)	7,761	6,167
Dividends paid in the year	–	–	–	–	–	–	(6,938)	(6,938)
At 31 August 2015	6,869	7,404	2,011	1,596	34,936	128,122	7,227	188,165
Net return on ordinary activities	–	–	–	–	–	7,102	8,299	15,401
Dividends paid in the year	–	–	–	–	–	–	(7,076)	(7,076)
At 31 August 2016	**6,869**	**7,404**	**2,011**	**1,596**	**34,936**	**135,224**	**8,450**	**196,490**

The notes on pages 38 to 49 form an integral part of these accounts.

Statement of Financial Position

at 31 August 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**211,730**	204,829
Current assets			
Debtors	11	**1,862**	1,709
Cash at bank and in hand		**3,557**	2,184
		5,419	3,893
Current liabilities			
Creditors: amounts falling due within one year	12	**(20,659)**	(557)
Net current (liabilities)/assets		**(15,240)**	3,336
Total assets less current liabilities		**196,490**	208,165
Creditors: amounts falling due after more than one year	13	**–**	(20,000)
Net assets		**196,490**	188,165
Capital and reserves			
Called-up share capital	14	**6,869**	6,869
Share premium	15	**7,404**	7,404
Capital redemption reserve	15	**2,011**	2,011
Warrant exercise reserve	15	**1,596**	1,596
Share purchase reserve	15	**34,936**	34,936
Capital reserves	15	**135,224**	128,122
Revenue reserve	15	**8,450**	7,227
Total equity shareholders' funds		**196,490**	188,165
Net asset value per share	16	**286.06p**	273.94p

These accounts were approved and authorised for issue by the Board of Directors on 21 November 2016 and signed on its behalf by:

Ian Barby
Chairman

The notes on pages 38 to 49 form an integral part of these accounts.

Company registration number: 3008494

Notes to the Accounts

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 November 2014 and which superseded the SORP issued 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 through profit or loss.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The Company has adopted Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the amended SORP, both of which became effective for periods beginning on or after 1 January 2015. FRS 102 replaces all extant standards applicable to the Company's accounts. As a result there are some presentational changes to the accounts but no change in the way numbers are measured. The adoption of FRS102 has not affected the reported financial position or financial performance of the Company.

The changes to these accounts required by FRS 102 and the amended SORP may be summarised briefly as follows:

- the reconciliation of movements in shareholders' funds has been renamed "Statement of Changes in Equity";
- the balance sheet has been renamed "Statement of Financial Position";
- the Company no longer presents a Statement of Cash Flows or the two related notes, as it is no longer required for an investment company which meets certain specified conditions; and
- footnotes have been added to note 15, indicating which of the Company's reserves are regarded as distributable.

Other than these changes, the accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 August 2015.

The Company has early adopted an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016 regarding the categorisation of financial instruments into the fair value hierarchy in note 19. As a result of this amendment, the criteria used to allocate financial instruments into the three levels remain unchanged from prior years.

(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.

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

(c) Accounting for reserves

Gains and losses on sales of investments, and the 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 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".

(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.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue 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.
- 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 42.

(f) Finance 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 in accordance with FRS 102.

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 at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

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

Bank loans and overdrafts are classified as loans and receivables and are initially measured at fair value and subsequently at amortised cost. They are recorded at the proceeds received net of direct issue costs.

(h) Taxation

The tax charge for the year is based on amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

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 102, 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 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 102, dividends are included in the accounts in the year in which they are paid.

2. Gains/(losses) on investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Gains on sales of investments based on historic cost	**3,020**	3,699
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(5,537)**	(6,384)
Losses on sales of investments based on the carrying value at the previous balance sheet date	**(2,517)**	(2,685)
Net movement in investment holding gains and losses	**10,383**	1,259
Gains/(losses) on investments held at fair value through profit or loss	**7,866**	(1,426)

3. Income

	2016 £'000	2015 £'000
Income from investments:		
UK dividends	**8,071**	7,987
Overseas dividends	**743**	1,154
Scrip dividends	**932**	73
	9,746	9,214
Other interest receivable and similar income:		
Deposit interest	**6**	10
Total income	**9,752**	9,224
Capital:		
Special dividends allocated to capital	**175**	909

4. Investment management fee

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Management fee	**757**	**757**	**1,514**	789	789	1,578

The basis for calculating the management fee is set out in the Report of the Directors on page 21.

5. Administrative expenses

	2016 £'000	2015 £'000
Administration expenses	**197**	212
Directors' fees	**119**	119
Auditor's remuneration for audit services[1]	**27**	25
	343	356

[1]Includes £4,000 (2015: £4,000) irrecoverable VAT.

6. Finance costs

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Interest on bank loans and overdrafts	**273**	**273**	**546**	272	272	544

7. Taxation on ordinary activities

	2016 £'000	2015 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	**80**	46
Current tax charge for the year	**80**	46

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2015: lower) than the Company's applicable rate of corporation tax for the year of 20.00% (2015: 20.58%).

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

	2016			2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	**8,379**	**7,102**	**15,481**	7,807	(1,594)	6,213
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 20.00% (2015: 20.58%)	**1,676**	**1,420**	**3,096**	1,607	(328)	1,279
Effects of:						
Capital (return)/loss on investments	**–**	**(1,591)**	**(1,591)**	–	297	297
Income not chargeable to corporation tax	**(1,942)**	**(35)**	**(1,977)**	(1,896)	(187)	(2,083)
Unrelieved expenses	**266**	**206**	**472**	289	218	507
Irrecoverable overseas tax	**80**	**–**	**80**	46	–	46
Current tax charge for the year	**80**	**–**	**80**	46	–	46

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,266,000 (2015: £4,267,000) based on a prospective corporation tax rate of 18% (2015: 20%). The reduction in the standard rate of corporation tax was substantively enacted in October 2015 and is effective from 1 April 2020.

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 continue to meet the conditions required to retain its status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

	2016 £'000	2015 £'000
(a) Dividends paid and declared		
2015 fourth interim dividend of 4.3p (2014: 4.1p)	**2,954**	2,816
First interim dividend of 2.0p (2015: 2.0p)	**1,374**	1,374
Second interim dividend of 2.0p (2015: 2.0p)	**1,374**	1,374
Third interim dividend of 2.0p (2015: 2.0p)	**1,374**	1,374
Total dividends paid in the year	**7,076**	6,938

	2016 £'000	2015 £'000
Fourth interim dividend declared of 4.6p (2015: 4.3p)	**3,160**	2,954

All dividends paid and declared to date have been paid, or will be paid, out of revenue profits.

(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 £8,299,000 (2015: £7,761,000).

	2016 £'000	2015 £'000
First interim dividend of 2.0p (2015: 2.0p)	**1,374**	1,374
Second interim dividend of 2.0p (2015: 2.0p)	**1,374**	1,374
Third interim dividend of 2.0p (2015: 2.0p)	**1,374**	1,374
Fourth interim dividend of 4.6p (2015: 4.3p)	**3,160**	2,954
Total dividends of 10.6p (2015: 10.3p) per share	**7,282**	7,076

9. Return/(loss) per share

	2016 £'000	2015 £'000
Revenue return	**8,299**	7,761
Capital return/(loss)	**7,102**	(1,594)
Total return	**15,401**	6,167
Weighted average number of ordinary shares in issue during the year	**68,688,343**	68,688,343
Revenue return per share	**12.08p**	11.30p
Capital return/(loss) per share	**10.34p**	(2.32)p
Total return per share	**22.42p**	8.98p

10. Investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Opening book cost	**161,177**	157,555
Opening investment holding gains	**43,652**	48,777
Opening valuation	**204,829**	206,332
Purchases at cost	**32,735**	37,419
Sales proceeds	**(33,700)**	(37,496)
Losses on sales of investments based on the carrying value at the previous balance sheet date	**(2,517)**	(2,685)
Net movement in investment holding gains and losses	**10,383**	1,259
Closing valuation	**211,730**	204,829
Closing book cost	**163,232**	161,177
Closing investment holding gains	**48,498**	43,652
Total investments held at fair value through profit or loss	**211,730**	204,829

All investments are listed on a recognised stock exchange.

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

	2016 £'000	2015 £'000
On acquisitions	**152**	180
On disposals	**23**	34
	175	214

11. Debtors

	2016 £'000	2015 £'000
Dividends and interest receivable	**1,754**	1,606
Taxation recoverable	**68**	65
Other debtors	**40**	38
	1,862	1,709

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

12. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loan	**20,000**	–
Securities purchased awaiting settlement	**101**	–
Other creditors and accruals	**558**	557
	20,659	557

The bank loan is a three-year term loan with Scotiabank expiring on 30 June 2017 carrying a fixed interest rate of 2.72% per annum. The loan is unsecured but is subject to certain undertakings and restrictions, all of which have been met.

The Company has a £10 million revolving credit facility with Scotiabank which has not been utilised during the current or comparative year. Further details of this facility are given in note 20 on page 46.

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

13. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank loan	**–**	20,000

The bank loan is a three-year term loan with Scotiabank expiring on 30 June 2017 and is now included in note 12 above.

14. Called-up share capital

	2016 £'000	2015 £'000
Ordinary shares allotted, called-up and fully paid:		
68,688,343 (2015: 68,688,343) shares of 10p each	**6,869**	6,869

15. Reserves

					Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	7,404	2,011	1,596	34,936	84,470	43,652	7,227
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(2,517)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	10,383	–
Transfer on disposal of investments	–	–	–	–	5,537	(5,537)	–
Realised exchange gains on currency balances	–	–	–	–	91	–	–
Management fee and finance costs allocated to capital	–	–	–	–	(1,030)	–	–
Special dividend allocated to capital	–	–	–	–	175	–	–
Dividends paid	–	–	–	–	–	–	(7,076)
Retained revenue for the year	–	–	–	–	–	–	8,299
Closing balance	7,404	2,011	1,596	34,936	86,726	48,498	8,450

The Company's Articles of Association permit dividend distributions out of realised capital profits.

[1]These reserves are not distributable.
[2]These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends.
[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.
[4]The revenue reserve may distributed as dividends or used to repurchase the Company's own shares.

16. Net asset value per share

	2016	2015
Net assets attributable to the Ordinary shareholders (£'000)	196,490	188,165
Shares in issue at the year end	68,688,343	68,688,343
Net asset value per share	286.06p	273.94p

17. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee. Details of the basis of the calculation are given in the Report of the Directors on page 21. Any investments in funds managed or advised by the Manager or any of its associated companies are excluded from the assets used for the purpose of the calculation and therefore incur no fee.

The management fee payable in respect of the year ended 31 August 2016 amounted to £1,514,000 (2015: £1,578,000) of which £393,000 (2015: £383,000) was outstanding at the year end.

No Director of the Company served as a director of any member of the Schroder Group at any time during the year.

18. Related party transactions

Details of the remuneration payable to Directors and their shareholdings are given in the Remuneration Report on pages 29 and 30. There have been no other transactions with related parties during the year (2015: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below. Note that the criteria used to categorise investments include an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016, and which the Company has early adopted.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.
Level 2 – valued using observable inputs other than quoted prices included within Level 1.
Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 38.

At 31 August 2016, all investments in the Company's portfolio are categorised as Level 1 (2015: same).

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

The Company's objectives are set out on the inside front cover of this Report. 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 on monetary items.

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; and
– a credit facility and a term loan 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 analysis 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 25% where gearing is defined as 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. The Company's term loan with Scotiabank carries a fixed interest rate and therefore does not give rise to any interest rate risk.

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:

	2016 £'000	2015 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	3,557	2,184
Total exposure	3,557	2,184

Interest receivable on cash balances is at a margin below LIBOR (2015: same).

During the year, the Company extended its £10 million revolving credit facility with Scotiabank, and this now expires on 30 June 2017. 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. This facility has not been utilised during the current or comparative year.

The above year end amounts are not representative of the exposure to interest rates during the current or comparative year as the level of cash balances has fluctuated. The maximum and minimum net cash balances during the year are as follows:

	2016 £'000	2015 £'000
Maximum interest rate exposure during the year – net cash balances	5,900	4,687
Minimum interest rate exposure during the year – net cash balances	383	1,079

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2015: 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 which are exposed to interest rate movements, with all other variables held constant.

	2016		2015	
	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	18	(18)	11	(11)
Capital return	–	–	–	–
Total return after taxation	18	(18)	11	(11)
Net assets	18	(18)	11	(11)

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes as the level of cash balances will fluctuate and the Company may draw on its credit facility.

(ii) Other price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of 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 comprised the following:

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	**211,730**	204,829

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 11. The portfolio principally comprises securities of companies listed on the London Stock Exchange and accordingly there is a concentration of exposure to economic conditions in the UK. However it should be noted that many of these companies conduct much of their business overseas. Furthermore, up to 20% of the portfolio may be listed on overseas stock exchanges.

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% (2015: 10%) in the fair values of the Company's 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 includes the impact on the management fee but assumes that all other variables are held constant.

	2016		2015	
	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	**(79)**	**79**	(77)	77
Capital return	**21,094**	**(21,094)**	20,406	(20,406)
Total return after taxation and net assets	**21,015**	**(21,015)**	20,329	(20,329)
Change in net asset value	**10.7%**	**(10.7%)**	10.8%	(10.8%)

(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 credit facility is also available to provide liquidity at short notice. The Board's policy is for the Company to remain fully invested in normal market conditions. Short term borrowings may be used to manage 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:

	2016 Three months or less £'000	2016 More than three months but less than one year £'000	2016 Total £'000	2015 Three months or less £'000	2015 More than one year but less than two years £'000	2015 Total £'000
Creditors: amounts falling due within one year						
Securities purchased awaiting settlement	**101**	**–**	**101**	–	–	–
Other creditors and accruals	**472**	**–**	**472**	468	–	468
Term loan – including interest	**137**	**20,316**	**20,453**	–	–	–
Creditors: amounts falling due after more than one year						
Term loan – including interest	**–**	**–**	**–**	137	20,949	21,086
	710	**20,316**	**21,026**	605	20,949	21,554

(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.

Exposure to the custodian

The custodian of the Company's assets is HSBC Bank plc which has Long Term Credit Ratings of AA- with Fitch and Aa2 with Moody's. The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

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.

	2016 Balance sheet £'000	2016 Maximum exposure £'000	2015 Balance sheet £'000	2015 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	**211,730**	**–**	204,829	–
Current assets				
Debtors – dividends and interest receivable and other debtors	**1,862**	**1,862**	1,709	1,709
Cash at bank and in hand	**3,557**	**3,557**	2,184	2,184
	217,149	**5,419**	208,722	3,893

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

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried at fair value or the amount in the Statement of Financial Position 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:

	2016 £'000	2015 £'000
Debt		
Bank loans	**20,000**	20,000
Equity		
Called-up share capital	**6,869**	6,869
Reserves	**189,621**	181,296
	196,490	188,165
Total debt and equity	**216,490**	208,165

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the 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 borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2016 £'000	2015 £'000
Borrowings used for investment purposes, less cash	**16,443**	17,816
Net assets	**196,490**	188,165
Gearing	**8.4%**	9.5%

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 the Company's own shares shares for cancellation or to hold in Treasury, which takes into account the share price discount;
- 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.

Annual General Meeting ("AGM") – Explanation of Special Business

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 of the Company will be held on Tuesday, 20 December 2016 at 2.30 p.m. The formal Notice of Meeting is set out on page 51.

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

Resolution 9 – authority to allot shares (ordinary resolution) and resolution 10 – power to disapply pre-emption rights (special resolution)

At the AGM held on 15 December 2015, the Directors were granted authority to allot a limited number of new ordinary shares or reissue 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 2015, power was also given to the Directors to allot a limited number of new shares and/or reissue 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 on page 51.

An ordinary resolution (resolution 9) will be proposed to authorise the Directors to allot shares for cash up to a maximum aggregate nominal amount of £686,882 (being 10% of the issued share capital as at 21 November 2016). A special resolution (resolution 10) 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 £686,882 (being 10% of the Company's issued share capital (excluding any shares held in Treasury) as at 21 November 2016). 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 10 therefore relates to both issues of new shares and the re-issue of Treasury shares.

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 prevailing at the time of issue.

If renewed, both authorities will expire at the conclusion of the AGM in 2017 unless renewed or revoked earlier.

Resolution 11 – authority to make market purchases of the Company's ordinary shares (special resolution)

At the AGM held on 15 December 2015, 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 2016. 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 2017, unless renewed or revoked earlier.

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

The resolution to be put to shareholders will also authorise the Company to hold up to 10% of the issued share capital bought back in Treasury for potential reissue in line with the conditions outlined above. Shares held in Treasury may be reissued or cancelled at a future date rather than simply cancelled at the time of acquisition.

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.

Notice of Annual General 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, 20 December 2016 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2016.
2. To approve the Annual Report on Remuneration for the year ended 31 August 2016.
3. To re-elect Mr Ian Barby as a Director of the Company.
4. To re-elect Mr David Causer as a Director of the Company.
5. To re-elect Mrs Bridget Guerin as a Director of the Company.
6. To re-elect Mr Keith Niven 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 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 £686,882 (representing 10% of the share capital in issue on 21 November 2016); 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."
10. To consider and, if thought fit, to pass, the following resolution as a special resolution:

   "That, subject to the passing of resolution 9 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 9 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 £686,882 (representing 10% of the aggregate nominal amount of the share capital in issue on 21 November 2016); 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."
11. 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 2016;

   (b) the minimum price which may be paid for a Share is 10p;

   (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased; and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the Shares of that class on the London Stock Exchange;

   (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;

   (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed or revoked prior to such time; and

   (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

By Order of the Board

Schroder Investment Management Limited
Company Secretary

21 November 2016
Registered Number: 3008494

Registered Office:
31 Gresham Street
London EC2V 7QA

Explanatory Notes

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

   A proxy form is 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 6DA, 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. 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 Annual General 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 6.30 p.m. on 18 December 2016, or 6.30 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 6.30 p.m. on 18 December 2016 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. 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 re-election at the Meeting are set out on pages 18 and 19 of the Company's Annual Report and Accounts for the year ended 31 August 2016.

7. As at 21 November 2016, 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 2016 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 webpage, 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.

Shareholder Information

Webpage and share price information

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

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

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

A glossary of terms used in this Annual Report may be found on the Company's webpage at www.schroderincomegrowthfund.com.

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

First interim dividend paid	31 January
Annual General Meeting	December
Second interim dividend paid	30 April
Half year results announced	April/May
Third interim dividend paid	31 July
Financial year end	31 August
Fourth interim dividend paid	31 October
Annual results announced	November

Alternative Investment Fund Managers ("AIFM") Directive

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this Annual Report or on the website www.schroders.co.uk/its.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website at www.schroders.co.uk/its.

Preferential treatment of investors

The Company's investors purchase shares on the open market and therefore the Company is not in a position to influence the treatment of investors. No investor receives preferential treatment.

Liquidity risk management

The Company's shares are traded on the London Stock Exchange through market intermediaries. There are no special rights to redemption.

Periodic and regular disclosure under the Directive

(a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;

(b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place. Shareholders will be notified immediately where the issue, cancellation, sale and redemption of shares is suspended, when redemptions are suspended or where other similar special arrangements are activated;

(c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Review; and

(d) the total amount of leverage employed by the Company may be found in the AIFM disclosures on the website www.schroders.co.uk/its.

Any changes to the following information will be provided through a regulatory news service without undue delay and in accordance with the Directive:

(a) the maximum level of leverage which the Manager may employ on behalf of the Company; and

(b) the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

Remuneration disclosures

The information required under the AIFM Directive to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the website www.schroders.co.uk/its.

www.schroderincomegrowthfund.com

www.schroders.co.uk/its

Advisers

Alternative Investment Fund Manager (the "Manager")
Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

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

Registered Office
31 Gresham Street
London EC2V 7QA

Depositary and Custodian
HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank
Scotiabank Europe Plc
201 Bishopsgate
London EC2M 3NS

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk
*Calls to this number are free of charge from UK landlines.

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

Corporate Broker
Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

Independent Auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Shareholder enquiries
General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing codes

ISIN:	GB0007915860
SEDOL:	0791586
Ticker:	SCF

Global Intermediary Identification Number (GIIN)
T34UKV.99999.SL.826

Schroders