Schroder
Income Growth Fund plc

Report and Accounts for the year ended 31 August 2014

Schroders

Investment Objectives

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

Directors

Ian Barby (Chairman)
Aged 69, was appointed as a Director of the Company on 31 October 2005. He practised as a Barrister before joining Warburg Investment Management Ltd in 1985, subsequently becoming a Vice Chairman of Mercury Asset Management plc and latterly, until 2003, a Managing Director of Merrill Lynch Investment Managers. He has wide experience of the investment management industry and of the investment trust sector and is currently chairman of Invesco Perpetual UK Smaller Companies PLC and of Ecofin Water and Power Opportunities plc as well as being a director of Blackrock World Mining Trust plc and Pantheon International Participations PLC.

David Causer
Aged 64, was appointed as a Director on 11 December 2008. He is a Chartered Accountant and a member of The Securities Institute. He has held a number of senior positions within financial organisations including Finance Director of Mercury Asset Management Group plc and a managing director of Merrill Lynch Investment Managers until 2001. He was Finance Director of The British Red Cross Society until December 2007. He is currently a director and Audit Committee chairman of Fidelity China Special Situations plc.

Bridget Guerin
Aged 52, was appointed as a Director of the Company on 1 June 2012. Mrs Guerin was the managing director of Matrix Money Management Limited, an asset management and distribution firm, from its launch in 1999 until March 2011. She is an independent non-executive director of Charles Stanley Group PLC and of the London listed Mobeus Income & Growth VCT. She is also a non-executive director of the CCP Quantitative Fund, a Cayman Islands CTA Fund managed by Cantab Capital, and of other funds and companies managed by, or associated with, Cantab Capital. She is also a Member of the York Race Committee and a Trustee of the York Racecourse Pension Fund. From 2000 until 2009 she was a director of Matrix Group Limited and also sat on the board of several funds of hedge funds and UCITS Fund boards. Mrs Guerin was a director of Schroder Unit Trusts Limited between 1993 and 1999.

Keith Niven
Aged 66, was appointed as a Director of the Company on 5 January 1995. He is non-executive chairman of Mobeus Income & Growth VCT plc. He is also an investment adviser to the Rolls-Royce Pension Fund. Mr Niven was previously a Vice Chairman of Schroder Investment Management Limited and chairman of Schroder Unit Trusts Limited.

Peter Readman
Aged 67, was appointed as a Director of the Company on 15 December 1999. He is chairman of Abercromby Property International, the Cambridge University Investment Board and the Chamber Orchestra of Europe. He is also a director of a number of other companies including Keystone Investment Trust plc and Pantheon International Participations PLC.

All Directors are members of the Audit, Management Engagement and Nomination Committees.

Mr Causer is Chairman of the Audit Committee; Mr Barby is Chairman of the Nomination and Management Engagement Committees.

Alternative Investment Fund Managers ("AIFM") Directive

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

Advisers

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Website: www.shareview.co.uk
*Calls to this number are free of charge from UK landlines.

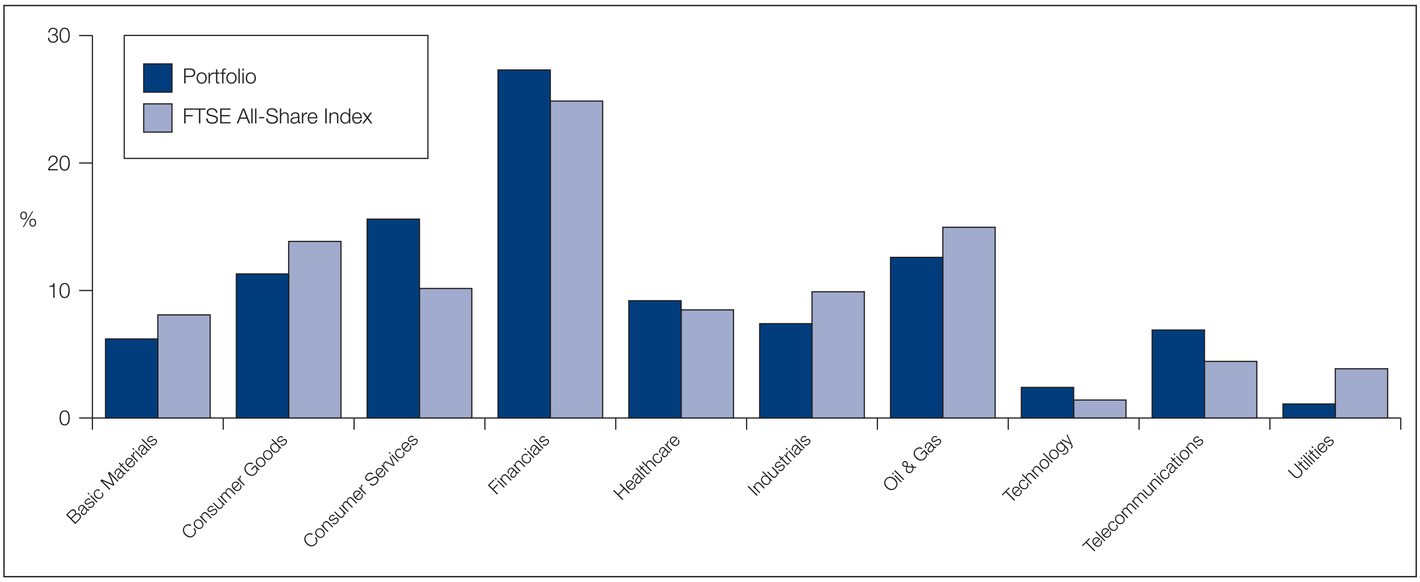
Contents

Financial Highlights

	2014	2013	
Total returns for the year ended 31 August			
Net asset value ("NAV") per share[1]	**14.1%**	25.2%	
Share price[1]	**10.2%**	31.4%	
FTSE All-Share Index[2]	**10.3%**	18.9%	
			% Change
Shareholders' funds, net asset value, share price and (discount)/premium at 31 August			
Shareholders' funds (£'000)	**188,936**	171,616	+10.1
NAV per share	**275.06p**	249.85p	+10.1
Share price	**266.50p**	251.25p	+6.1
Share price (discount)/premium	**(3.1)%**	0.6%	
Revenue for the year ended 31 August			
Net revenue return after taxation (£'000)	**7,428**	7,003	+6.1
Revenue return per share	**10.82p**	10.20p	+6.1
Dividends per share	**10.10p**	9.80p	+3.1
Consumer Prices Index ("CPI")[3]	**128.3**	126.4	+1.5
Gearing[4]	**9.6%**	3.3%	
Ongoing Charges[5]	**0.93%**	1.00%	

[1] Source: Morningstar.
[2] Source: Thomson Financial Datastream.
[3] The measure of inflation has changed from the Retail Prices Index presented in previous years to the CPI. Further details of the change can be found in the Chairman's Statement on page 4.
[4] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The reasons behind the increase in gearing during the year under review are outlined in the Chairman's Statement on page 4.
[5] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year.

Comparison of Portfolio Sector Distribution with the FTSE All-Share Index at 31 August 2014



Source: Thomson Financial Datastream.

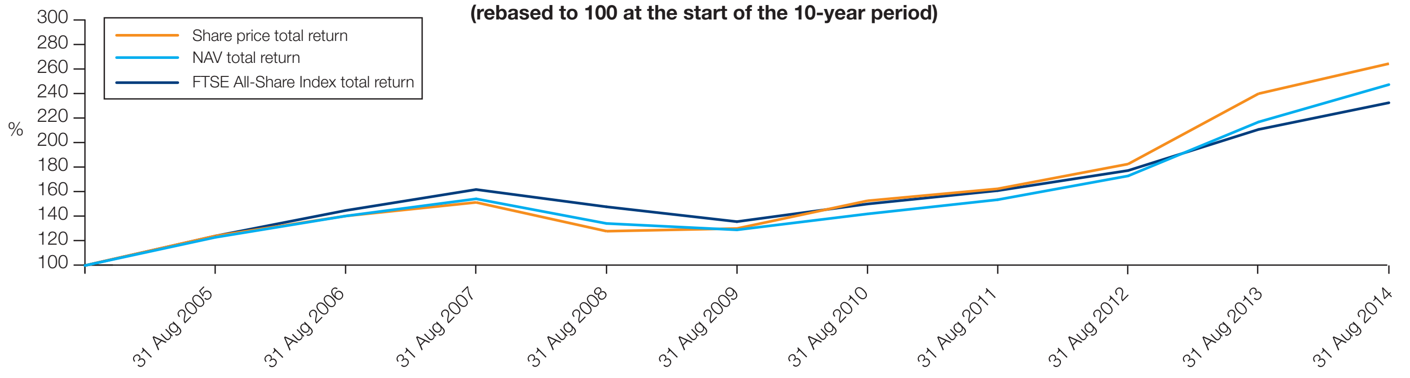
Ten-Year Financial Record

At 31 August	2005[1]	2006	2007	2008	2009	2010	2011	2012	2013	2014
Shareholders' funds (£'000)	149,626	160,195	168,975	136,104	123,479	130,288	134,787	143,100	171,616	188,936
NAV per share (pence)	200.00	220.39	235.71	198.15	179.77	189.68	196.23	208.33	249.85	275.06
Share price (pence)	186.50	203.75	212.50	172.00	165.25	184.75	187.75	199.75	251.25	266.50
Share price (discount)/premium (%)	(6.8)	(7.6)	(9.8)	(13.2)	(8.1)	(2.6)	(4.3)	(4.1)	0.6	(3.1)
Ongoing Charges (%)[2]	0.94	0.91	0.90	0.92	0.99	0.99	0.97	1.07	1.00	0.93
Year ended 31 August										
Net revenue return after taxation (£'000)	5,399	5,521	5,828	6,817	5,757	5,301	6,065	6,886	7,003	7,428
Revenue return per share (pence)	7.16	7.44	8.10	9.83	8.38	7.72	8.83	10.02	10.20	10.82
Dividends per share (pence)	6.80	6.90	8.10	8.70	8.90	9.10	9.30	9.50	9.80	10.10

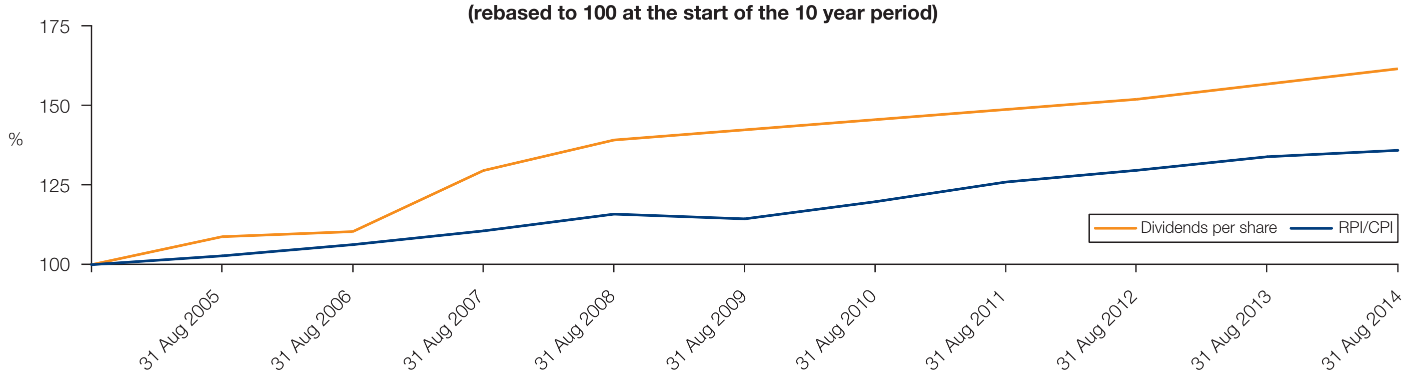
Performance[3]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV total return	100.0	123.0	140.4	154.4	134.3	129.1	142.1	153.7	173.1	217.1	247.6
Share price total return	100.0	124.1	140.4	151.5	128.0	130.2	152.8	162.6	182.8	240.2	264.7
FTSE All-Share Index total return	100.0	124.1	144.9	162.0	148.0	135.8	150.2	161.1	177.5	211.0	232.8

[1] The results for the year ended 31 August 2005 have been restated where necessary, in accordance with Financial Reporting Standards 21, 25 and 26.
[2] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year.
[3] Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 31 August 2004.

NAV/Share Price/FTSE All-Share Index total returns[1]
(rebased to 100 at the start of the 10-year period)



Dividends per share vs the rate of inflation[1,2]
(rebased to 100 at the start of the 10 year period)



[1] Source: Morningstar/Thomson Financial Datastream.
[2] For the year ended 31 August 2014, the Consumer Prices Index has been used as the measure of inflation; for the year ended 31 August 2013 and prior years, the Retail Prices Index ("RPI") has been used.

Chairman's Statement

Revenue Return for the Year and Dividends

A key part of your Company's investment objective is to provide real growth in income, being growth of income in excess of the rate of inflation, as referenced by the Consumer Prices Index ("CPI"). The Board changed the measure of inflation against which the Company's growth in income is compared from the Retail Prices Index presented in previous years to the CPI as the CPI has become the more generally accepted measure of inflation.

During the year under review – to 31 August 2014 – this real growth of income was achieved by the declaring of dividends totalling 10.10 pence per share, amounting to an increase of 3.1% over the previous year and double the corresponding rise in the CPI of 1.5%. Given that the overall net revenue return per share rose by 6.1% during the year, £490,000 was also added to the revenue reserve, bringing it up to £3.6 million (or 5.22 pence per share) after accounting for the fourth interim dividend.

By adding to the revenue reserve in good times – and conversely drawing on it when conditions are less favourable – the Company has successfully managed to increase its dividend each year since launch in 1995, whilst also maintaining it in real (inflation-adjusted) terms over the same period.

Investment Performance

I am also pleased to report another strong year of capital performance for your Company, where the objective is to achieve capital growth as a consequence of the rising income.

During the year under review the net asset value total return rose by 14.1%, comparing favourably to the total return of 10.3% of the FTSE All-Share Index.

These results continue to build on your Company's longer-term outperformance of the FTSE All-Share Index.

Share Price Discount/Premium

The Company's share price relative to underlying net asset value continued to trade within a fairly narrow range during the year under review, standing at a discount of 3.1% at the year end, compared to a premium of 0.6% at the start of the year. The average share price discount over the 12 month period was 0.8%.

Detailed comment on the performance of your Company's assets may be found in the Manager's Review on page 6.

Alternative Investment Fund Managers ("AIFM") Directive

In accordance with the AIFM Directive, the Company has, with effect from 17 July 2014, become an Alternative Investment Fund and has appointed Schroder Unit Trusts Limited ("SUTL"), a wholly owned subsidiary of Schroders plc, as the Alternative Investment Fund Manager (the "Manager") to provide portfolio management, risk management, accounting and company secretarial services to the Company in accordance with an Alternative Investment Fund Manager Agreement (the "AIFM Agreement"). SUTL has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. While important to record, these necessary legal changes will not make any noticeable difference to the management of your Company's assets.

In addition, the Company has appointed HSBC Bank plc as its Depositary, also with effect from 17 July 2014. An additional fee of 0.01% of net assets will be payable for depositary services. In return, shareholders gain an enhanced level of protection of the Company's assets.

Further details of both the AIFM Agreement and the Depositary Agreement may be found in the Report of the Directors.

Gearing Policy and AIFM Directive Leverage Limit

During the year under review, the Company took advantage of the low interest rate environment to lock in a £20 million three-year term loan with Scotiabank Europe PLC, while also renewing the existing one-year revolving credit facility with the same bank, but with a reduction in the facility limit from £15 million to £10 million.

Gearing stood at 3.3% at the beginning of the year – and had increased to 9.6% as at 31 August 2014. The level of gearing continues to be monitored closely by the Board.

The AIFM Directive has introduced a requirement for the Manager to set maximum levels of leverage, using a wider definition than borrowing – and including the use of derivatives. Further details of this leverage limit may be found on the Manager's website at www.schroders.co.uk/its and in the Strategic Report on page 9.

Management Fee

Following a review during the year, the Board has agreed new management fee arrangements with the Manager. With effect from 1 September 2014, the management fee structure (which was based on a percentage of net revenue return, a percentage of assets and a performance fee) has been replaced with a single management fee of 0.75% of assets. The fee continues to be 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), and is calculated and paid quarterly in arrears.

Chairman's Statement

In setting these changes, the Board aims to simplify the management fee structure and reduce the level of the Company's operating expenses. To illustrate this, if the new management fee had been in place for the year ended 31 August 2014, it would have reduced the fee payable to the Manager by £109,000 (6.8%).

Update to Investment Policy

While entering into fixed term gearing for three years remains an attractive way of ensuring a low cost of funds, the Board may from time to time want to reduce the "gearing effect" of the Company's borrowings. Selling holdings to do this is relatively expensive, and would leave the Company's portfolio with cash yielding less than the interest costs of the borrowings. Therefore, the Board is proposing the potential use of put options as an alternative.

Put options give the right to sell a specified amount of an underlying security at a specified price for a fixed period of time. Using put options protects part of the capital value of the Company's portfolio in the event that the stock market falls during the life of the put option. Such instruments will only be bought to provide protection to the Company's portfolio up to an amount equal to the value of the Company's borrowings, as a means of offsetting the Company's gearing. Such put options will be limited to short term exchange-traded instruments on major stock market indices.

Your Board does not believe that the use of put options will change the overall risk profile of your Company. While the premium on each put option will be lost if the market rises sufficiently over its life, the goal is to assist the Manager to minimise the short term volatility of the Company's net asset value and, by so doing, increase the likelihood of the Company continuing to achieve its investment objectives.

The ability to employ put options is considered to be a material change to the Company's Investment Policy under the Listing Rules of the UK Listing Authority and therefore a resolution to adopt this amendment to the Investment Policy is included in the Notice of the Annual General Meeting on page 42. Your Board unanimously recommends that shareholders vote in favour.

The revised Investment Policy, with the proposed changes appearing in bold, is set out below.

"Investment Policy
The investment policy of the Company is to invest primarily in above-average yielding UK equities but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio. **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 be utilised."**

Share Issuance and Buy Back Authorities

While the Board continued to monitor the share price relative to net asset value during the year, no shares were bought back or issued during the period. The Board will continue to seek opportunities to issue shares to meet demand should the share price reach a sustained premium in the financial year ahead.

The Board will be seeking to renew the existing authorities to issue and buy back shares in the Company and appropriate resolutions are included in the Notice of the Annual General Meeting. The Board believes that these authorities are valuable tools that may be used to enhance shareholder value and to reduce the volatility of the share price relative to net asset value, where circumstances are appropriate.

Annual General Meeting

The Company's Annual General Meeting will be held at 2.30 p.m. on Thursday, 18 December 2014. As in previous years, the meeting will include a presentation by the Manager on the Company's investment strategy and market prospects.

Outlook

The end of the Company's financial year in August 2014 was close to a new peak in the stock market, and since then there has been a correction on concerns over future economic growth. The Manager's Review on pages 6 and 7 discusses whether this concern is justified, but at the least it highlights that growth in investment income in real terms may be harder to achieve in the near future than it has been in recent years.

One of the Board's priorities since the end of the last decade has been to re-build the Company's revenue reserve, while continuing with the aim of increasing the dividend every year. As well as achieving the latter, it is satisfactory to report that this reserve now totals more than half the amount of the annual dividend, a useful buffer for the future.

Mr Ian Barby
Chairman

17 November 2014

Manager's Review

The Company's net asset value total return in the 12 months to 31 August 2014 was 14.1%, compared to 10.3% for the FTSE All-Share Index.

Review of the Year

The rise in the net asset value was the fifth consecutive year of gains. There were short-term setbacks in the stock market, not least from political uncertainties such as in the Ukraine, the Middle East, and the Scottish independence vote, but most companies benefited from two continuing economic factors – growth and low interest rates – offset in part by a new negative, rising sterling.

While emerging markets' growth is slowing, the US and UK economies continued to recover. The UK, for example, was helped by a rise in household spending (with consumer confidence back to the levels of the middle of the last decade) and, more recently, business investment. Secondly, despite uncertainty a year ago about how long Western central banks would continue with their quantitative easing, interest rates remain well below their historical averages. Offsetting this, sterling rose through the year, one factor why UK profits have not risen as much as the broader economic growth has implied.

Despite this, the portfolio has delivered further growth in its dividend income. Low volatility has meant that there have been few opportunities to boost income by writing call options on the portfolio holdings, but an 8% rise in investment income brought the Company's revenue return per share to a level 6% above the last peak in 2008.

Performance

Within the generally firm stock market, there was a pattern of individual shares reacting either to takeover rumours or corporate results, with the market rewarding companies announcing profit upgrades and punishing those with downgrades. The portfolio's outperformance of the FTSE All-Share Index came in part from M&A candidates such as AstraZeneca and ITV, while the single largest negative contributor was not holding another company that was bid for, Shire (a bid that collapsed after the year end).

Other strong holdings were in the insurance sector (Direct Line, Legal & General, and Prudential) and Halfords, while the portfolio benefited relative to the FTSE All-Share Index from reducing its holdings in the supermarket sector (eg by selling the holdings in Tesco and Morrisons) which is facing challenges from discount stores. One disappointment was stock selection in utilities, with the holding in Centrica performing less well than National Grid which was not held.

Policy Changes

The largest single source of turnover in the portfolio was redeploying funds from Vodafone's sale of its US business Verizon Wireless, the proceeds being distributed to shareholders in the form of cash and Verizon shares. Proceeds from this and the sale of the supermarket holdings were largely re-invested in some of the large-cap holdings (eg BP, Royal Dutch Shell).

New holdings established in the year included a house-builder (Bellway), and three medium-sized companies with above-average growth potential: John Wood (engineering in the oil and gas industry), Sage (accounting software), and Greencore (convenience food). In all cases we are looking to achieve a balance between stocks yielding more than the average and companies with an ability to grow their dividends consistently from current levels.

Outlook

While sterling's rise has been a challenge, the last 12 months have been a relatively good environment for many companies, with the prospect seemingly of more growth – at least in the UK and US – to come. Stock markets were therefore not prepared at the end of this summer for a subsequent worldwide downgrade in growth expectations, accompanied by a general fall in investor risk appetite.

The last two months – as in the third quarter of 2013 – are a reminder of the risks in a world where so much economic activity and stock market liquidity is sensitive to short-term economic forecasts and central bank policy. Growth expectations for the UK and US economies remain robust despite forecasts coming down. Monetary policy will diverge, with the prospect of higher US and UK interest rates next year while both the ECB and the Bank of

Manager's Review

Japan are expected to ease policy further. Rising US and UK interest rates typically coincide with a pick-up in earnings but could lead to a de-rating of the market, particularly among mid and small cap stocks. The UK market also has the uncertainty of the General Election in May 2015 and a possible EU referendum to follow.

We believe that UK equities remain well placed for modestly positive returns, with valuations – at historical average levels, but still cheap relative to other asset classes – supporting the current market level. To reflect this optimism, borrowing has increased, with gearing at 9.6% at the year end. The higher gearing will help next year's investment income, as will the recent decline in sterling, but otherwise there is little evidence of companies' dividends growing more than a few percent on this year's total.

We maintain a slight cyclical bias within the portfolio and continue to look for attractive opportunities in other areas, particularly the lowly valued larger cap area of the market.

Schroder Investment Management Limited
17 November 2014

Strategic Report

The Directors have pleasure in presenting the Company's Strategic Report. This replaces reporting previously included in the Business Review section of the Report of the Directors. This Report provides a review of the Company's business and sets out the principal risks and uncertainties applicable to it.

Business and Company Structure

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 the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

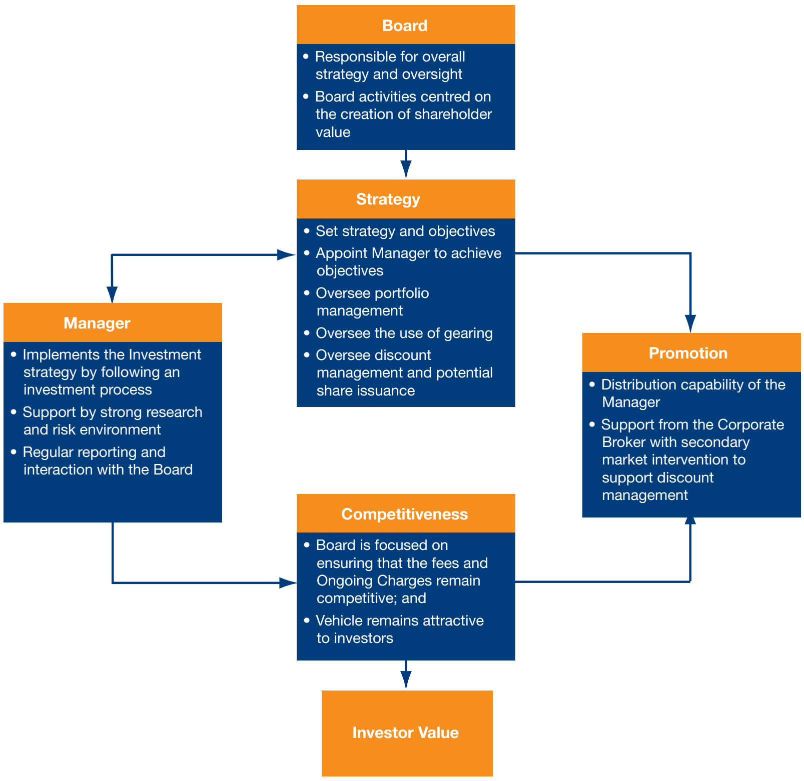
The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006.

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 of the Company contain provisions requiring the Directors to next put forward a proposal for the continuation of the Company to shareholders at the Company's Annual General Meeting to be held in 2015 and thereafter at five yearly intervals.

Business Model

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



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.

Strategic Report

A proposal is being put forward at the Annual General Meeting to seek approval from shareholders to alter the Investment Policy to permit the purchase of put options up to the value of the Company's borrowing. Further details can be found in the Chairman's Statement on page 5 and in the Report of the Directors on page 19.

Investment Restrictions/Spread of Investment Risk
Risk in relation to the Company's investments is spread as a result of the Manager investing the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objectives. The key restrictions imposed on the Manager include (i) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (ii) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; (iii) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (iv) no more than 25% of the Company's total net assets may be invested in the aggregate in unlisted investments and holdings representing 20% or more of the equity capital of any company. The Investment Portfolio on page 12 demonstrates that, as at 31 August 2014, the Manager invested in 42 UK and 5 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.

Gearing
The Company's policy is to permit gearing (as described in note 22 on page 41) 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 a three-year term loan and a one-year revolving credit facility with Scotiabank Europe PLC, which together amount to £30 million. Of this, £20 million was drawn down (under the term loan) at the year end. As at 31 August 2014, Gearing stood at 9.6% (2013: 3.3%). The Directors keep the Company's gearing strategy under review and impose strict restrictions on borrowings to mitigate gearing risk.

Leverage
Leverage is any method by which the Company increases its exposure to changes in market prices by borrowing on its credit facility or through transactions in other financial instruments such as derivatives. The Company already has authority to enter into short dated call options written on holdings in the portfolio (although it has not done so in the current year). It is also seeking shareholder authority to purchase put options.

The "Leverage Ratio" represents the sum of the Leverage generated by all financial instruments held by the Company, as calculated in accordance with the detailed requirements of the AIFM Directive, divided by the Company's net asset value. Details on how the amount of Leverage is calculated for each class of financial instrument may be found by referring to the Directive or to the detailed guidance published by the Association of Investment Companies in September 2013. The Directive requires that ratios are calculated in accordance with two methodologies, the "Gross Method" and the "Commitment Method". The essential difference between the two is that the Commitment Method allows netting off for the effect of hedges under certain strict conditions.

The Manager has set a maximum limit of 2.0 for both the Gross and Commitment Methods of calculating the ratio but expects that, under normal market conditions, the figures will be substantially lower than this. At 31 August 2014, the Company's Gross ratio and its Commitment ratio were both 1.1.

The Manager may change the maximum leverage limits from time to time. Any change will be disclosed to shareholders in accordance with the Directive.

Investment Strategy
The Board has delegated management of the Company's portfolio to Schroders. The Manager manages the portfolio with the aim of helping the Company to achieve its investment objectives. Details of the Manager's investment approach, along with other factors that have affected performance during the year, are set out in the Investment Manager's Review on page 6.

Investment Management
The Manager is engaged to assist the Company in achieving its investment objectives.

The Manager is authorised and regulated by the Financial Conduct Authority ("FCA") and provides portfolio management, risk management, accounting and company secretarial services to the Company under the terms of an Alternative Investment Fund Manager 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 cover.

Strategic Report

The Schroders Group manages £276.2 billion (as at 30 September 2014) 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 implements the investment strategy, managing the Company's assets in line with 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, hedging, cash, derivatives and other financial instruments. Schroder Investment Management Limited also acts as Company Secretary, providing the Board with corporate governance support, liaising with the Company's Corporate Broker to assist in monitoring the share price relative to underlying net asset value and advising the Board on key relationships with other service providers, whose services are subject to regular review.

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

Our fund 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 in order to deliver consistent outperformance with low volatility against set objectives.

1. Research

The fund manager and the rest of the 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 fund manager, and bottom-up stock selection is therefore the primary influence on portfolio performance. When assessing stocks for inclusion in the portfolio and in managing existing investments Mrs Noffke 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 the stock's weight in the Index. Portfolio construction is supported by a robust system of risk controls. Proprietary risk tools help the fund manager and the Board to understand the factors contributing to risk and to avoid unintended risk.

The fund manager uses the portfolio's freedom to invest up to 20% of assets in overseas stocks 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.

Performance, Results and Dividends

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Chairman's Statement on pages 4 and 5 and the Manager's Review on pages 6 and 7.

The Company's results for the year under review are set out in the financial statements on pages 28 to 31.

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and has put in place a robust framework of internal control which is designed to monitor those risks and to enable the Directors to mitigate them as far as possible. The matrix and the monitoring system, which have been in place throughout the year under review and which are reviewed annually by the Board, assist in determining the nature and extent of the risks the Board is willing to take in achieving its strategic objectives. The principal risks are considered to be as follows:

Investment Activity and Performance

An inappropriate investment strategy (for example in terms of asset allocation or the level of gearing) may result in underperformance against the market and the companies in the peer group. The Board monitors the Manager's compliance with the Company's investment restrictions at each Board meeting.

Strategic Report

Financial Risk

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

The Company utilises a three-year term loan together with a one-year revolving credit facility, which together amount to £30 million. These arrangements increase the funds available for investment through borrowing. Therefore, in falling markets, any reduction in the net asset value and, by implication the consequent share price movement, is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk.

A full analysis of the financial risks facing the Company is set out in note 21 on pages 38 to 41.

Strategic Risk

Over time, investment vehicles and asset classes can become out of favour with investors, or may fail to meet their investment objectives. This may result in a wide discount of the share price to underlying net asset value. The discount/premium of the share price relative to its net asset value is closely monitored and compared with those of peer group companies. The Board considers the use of the Company's buy back authority on a regular basis and has adopted guidelines under which it is prepared to consider buying back its shares.

The Board periodically reviews whether the Company's investment remit remains appropriate and continually monitors the success of the Company in meeting its stated objectives.

Accounting, Legal and Regulatory Risk

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

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

Board Diversity

As at 31 August 2014, the Board comprised four men and one woman. The Board considers all of the Directors to be independent. 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 when the Board examines its overall balance, skills set and experience.

Corporate Social and Environmental Policy

As an investment company, the Company has no direct social, environmental or human rights responsibilities; its policy is focused on ensuring that its portfolio is properly managed and invested. The Company has however adopted a Corporate Social and Environmental policy, details of which are set out in the Report of the Directors on page 15.

Future Developments

The future performance of the Company depends upon the success of the Company's investment strategy in the light of economic factors and UK equity market developments. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on pages 4 and 5 and the Manager's Review on pages 6 and 7.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

17 November 2014

Investment Portfolio[1]

As at 31 August 2014

Company	Sector Classification	Principal Activity	Market Value of Holding £'000	% of Equity Shareholders' Funds
Royal Dutch Shell 'B'	Oil and Gas	Integrated oil company	10,767	5.7
HSBC	Financials	Banking and financial services group	10,419	5.5
AstraZeneca	Healthcare	Global pharmaceutical company	10,159	5.4
Legal & General	Financials	UK financial services group	9,662	5.1
GlaxoSmithKline	Healthcare	Global pharmaceutical company	8,807	4.7
British American Tobacco	Consumer Goods	International cigarette company	8,608	4.6
BP	Oil and Gas	Integrated oil company	7,949	4.2
Vodafone	Telecommunications	Global mobile telephone provider	7,934	4.2
Imperial Tobacco	Consumer Goods	International cigarette company	6,818	3.6
BT	Telecommunications	UK fixed-line telecommunications provider	6,465	3.4
Prudential	Financials	International financial services group	5,951	3.2
Swedbank (Sweden)	Financials	Banking and financial services group	5,756	3.0
Rio Tinto	Basic Materials	Mining	5,717	3.0
Friends Life	Financials	Speciality finance provider	5,520	2.9
Direct Line Insurance	Financials	Provider of non-life insurance	5,420	2.9
ITV	Media	Television broadcasting company in the UK	5,272	2.8
Reed Elsevier	Consumer Services	International publishing group	4,744	2.5
Glencore	Basic Materials	Diversified natural resource company	4,245	2.2
Pearson	Media	International publishing company	4,126	2.2
ICAP	Financials	Interdealer broker	4,070	2.2
Twenty largest investments			**138,409**	**73.3**
Unilever	Consumer Goods	International consumer products group	3,940	2.1
Halfords	Consumer Services	General retailer	3,776	2.0
Societe Generale (France)	Financials	Banking and financial services group	3,694	2.0
BAE Systems	Industrials	Global defence company	3,281	1.7
Rolls Royce	Industrials	Power systems manufacturing	3,248	1.7
Inchcape	Consumer Services	Importer and distributor of motor vehicles	3,159	1.7
Micro Focus International	Technology	Computer software provider	3,107	1.6
Daily Mail & General Trust	Media	Provider of media and analytical information	3,071	1.6
Carillion	Industrials	Supplier of construction services	3,043	1.6
Intermediate Capital	Financials	Financial services provider	3,028	1.6
Aviva	Financials	International insurance and financial services	2,760	1.5
Synthomer	Basic Materials	Specialty chemical manufacturer	2,671	1.4
Carnival	Consumer Services	Global cruise company	2,670	1.4
Intercontinental Hotels	Consumer Services	International hotel group	2,669	1.4
IMI	Industrials	Diversified manufacturer	2,302	1.2
Centrica	Utilities	Gas and energy supplier	2,246	1.2
AMEC	Support Services	Project management and consultancy company	2,234	1.2
Bellway	Consumer Goods	UK house builder	2,020	1.1
Sage	Technology	Business accounting software	1,913	1.0
Total (France)	Oil and Gas	Integrated oil company	1,874	1.0
Greencore (Ireland)	Consumer Goods	International manufacturer of convenience foods	1,842	1.0
Greene King	Consumer Services	Brewer, wholesaler and retailer of beer	1,822	1.0
John Wood	Oil and Gas	International energy services company	1,764	0.9
Statoil (Norway)	Oil and Gas	Integrated oil company	1,705	0.9
G4S	Industrials	International security company	1,697	0.9
Melrose	Industrials	Engineering	1,564	0.8
easyJet	Aerospace and Defence	Commercial airline	823	0.4
Total investments			**206,332**	**109.2**
Other net liabilities			**(17,396)**	**(9.2)**
Total equity shareholders' funds			**188,936**	**100.0**

At 31 August 2013, the twenty largest investments represented 68.2% of shareholders' funds.

[1] UK investments unless otherwise stated.

Report of the Directors

The Directors present their annual Report and the audited financial statements of the Company for the year ended 31 August 2014.

Revenue and Earnings

The net revenue return for the year was £7,428,000 (2013: £7,003,000), equivalent to net revenue of 10.82 (2013: 10.20) pence per Ordinary share.

Dividend Policy

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

For the year ended 31 August 2014, the Directors have declared four interim dividends, totalling 10.10 (2013: 9.80) pence per Ordinary share.

Directors and their Interests

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

In accordance with the Company's Articles of Association and its policy on tenure which requires any Director who has served for more than nine years to be subject to annual re-election by Shareholders, Mr Ian Barby, Mr David Causer, Mr Keith Niven and Mr Peter Readman will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board has assessed the independence of the Directors and all Directors are considered to be independent. Mr Barby, Mr Niven and Mr Readman are each considered to be independent in character and judgement notwithstanding that they have each served on the Board for more than nine years.

The Board, having reviewed its performance during the year, considers that each of Mr Barby, Mr Causer, Mr Niven and Mr Readman continues to demonstrate commitment to his role and provides a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections.

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 August 2014, all of which were beneficial, were as follows:

Director	Ordinary shares of 10p each 31 August 2014	Ordinary shares of 10p each 1 September 2013
Ian Barby	100,000	100,000
David Causer	23,750	23,750
Bridget Guerin	6,049	5,922
Keith Niven	89,499	89,499
Peter Readman	Nil	Nil

There have been no changes to the above holdings between the end of the financial year and the date of this Report.

Share Capital

As at the date of this Report, the Company had 68,688,343 Ordinary shares of 10p each in issue. No shares were held in Treasury. Accordingly, the total number of voting rights in the Company as at the date of this Report is 68,688,343. There was no change in the number of shares in issue during the year under review (2013: no change). Full details of the Company's share capital are set out in note 14 on page 36.

Substantial Share Interests

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

Report of the Directors

	Number of Ordinary shares	Percentage of total voting rights
Charles Stanley & Co Limited	3,446,355	5.0%

In addition, the Directors are aware that 23,429,358 Ordinary shares, representing 34.1% of the Company's issued share capital, were held by investors in the Schroder ISA as at the date of this Report.

Manager

In accordance with the Alternative Investment Fund Managers Directive, the Company has, with effect from 17 July 2014, become an Alternative Investment Fund and has appointed Schroder Unit Trusts Limited ("SUTL"), as the Alternative Investment Fund Manager (the "AIFM"/"Manager") in accordance with the terms of an AIFM Agreement. SUTL has delegated investment management, accounting and company secretarial services to Schroder Investment Management Limited with effect from the same date. The Board has reviewed the performance of the Manager during the year under review and continues to consider that the Manager has the appropriate depth of resource to achieve above-average returns in the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM Agreement, further details of which are set out below, is in the best interests of shareholders.

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. At the date of this Report no such notice had been given.

Management Fees

During the year and following a review of management fees, agreement was reached with the Manager that, with effect from 1 September 2014, the previous management and performance fee arrangements be revised as set out below.

Management Fee Arrangements to 31 August 2014

During the year ended 31 August 2014, the Manager was entitled to a fee at the rate of 10% of the net revenue return for the year after taxation plus 0.375% on assets up to and including £75 million, 0.35% on the next £50 million, and 0.325% on assets in excess of £125 million.

There were also performance fee arrangements in place during the year under review. These were calculated as follows: the performance fee was symmetrical in nature, so that the Manager was rewarded for out-performance but penalised for under-performance. The fee, or rebate, was based on the Company's net asset value total return compared with the total return of the FTSE All-Share Index over a rolling three-year period and was subject to a cap of 25% of the asset-based management fee for the year then ended. The performance fee, or rebate, was calculated and paid annually. The fee, or rebate, in respect of any period was calculated as 5% of the value (based on opening net assets for the relevant period) of the out-performance, or under-performance, of the Company's net asset value over the return on the FTSE All-Share Index, with performance measured in terms of total return.

For the year ended 31 August 2014, the Manager was entitled to a management fee amounting to £1,422,000 (2013: £1,288,000) and a performance fee amounting to £174,000 (2013: £148,000) as shown in note 4 to the accounts on page 33.

Management Fee Arrangements from 1 September 2014

From 1 September 2014, the previous fee structure was replaced by a single management fee of 0.75% per annum. This will continue to be 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.

In setting these changes, the Board has aimed to simplify the fee structure and reduce the level of the Company's operating expenses.

Depositary

HSBC Bank plc, a public limited company incorporated in England and Wales, company registration number 00014259, registered office at 8 Canada Square, London, E14 5HQ, has been appointed with effect from 17 July 2014 to carry out the duties of a Depositary specified in the Alternative Investment Fund Managers 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.

Report of the Directors

The Depositary is liable to the Company for the loss of any financial instrument held in custody, unless the Depositary is permitted to and has discharged such liability under the AIFM Directive and the Depositary Agreement. The Depositary is also liable to the Company for all other losses suffered by it as a result of the Depositary's fraud, negligence and/or intentional failure to properly fulfil its duties. Under the Depositary Agreement, the Company has agreed to indemnify the Depositary against certain liabilities for direct losses suffered by the Depositary except in the case of any liability arising from applicable law or from the negligence, fraud or wilful default of the Depositary.

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.

Registrar

The Company has appointed Equiniti Limited to act as its Registrar. The services provided in their capacity as Registrar include share register maintenance, including the cancellation and allotment of shares as required; handling Shareholder queries and correspondence; arranging for the payment of dividends, maintenance and reconciliation of associated bank accounts; meeting management for company meetings including registering of proxy votes and Scrutineer services as and when required; and Corporate Action services.

Corporate Social and Environmental Policy

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

Greenhouse Gas Emissions

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

Going Concern

The Directors believe that, having considered the Company's investment objectives (as set out on the inside front cover), risk management policies (see note 21 to the accounts on pages 38 to 41), capital management policies and procedures (see note 22 to the accounts on page 41), expenditure projections and the fact that the Company's assets comprise readily realisable securities which can be sold to meet funding requirements if necessary, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, the Directors consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Independent Auditor

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

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 company in order to comply with the principles of the UK Corporate Governance Code (the "Code") which is applicable to the Company for the year under review. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The Board has noted the publication of the revised UK Corporate Governance Code in September 2014, which applies to financial years beginning on or after 1 October 2014, 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 Going Concern statement on page 15 and the Statement of Directors' Responsibilities on pages 18 and 19, indicate how the Company has complied with the principles of good governance of the Code and its requirements on internal control.

Report of the Directors

The Board considers that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment company. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the chairman of the Audit Committee effectively acts as the Senior Independent Director, leading 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.

Role and Composition 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. It also identifies and monitors the key risks facing the Company.

Investment activities are predominantly monitored through quarterly Board meetings at which the Board receives detailed reports and updates from the Manager, a representative of which attends each Board meeting. Services from other key service providers are reviewed as appropriate.

In order to support the promotion of the Company by assisting in reducing the volatility of the discount, the Board monitors the discount of the Company's share price to its underlying net asset value and the discounts of peer group companies and considers the use of its share buy back authority on a regular basis.

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 both closed-ended funds and open-ended peers. An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. Management fees are reviewed at least annually and agreement was reached with the Manager during the year to change the fee structure, to take effect from 1 September 2014 (further details can be found in the Report of the Directors on page 14).

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

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 the inside front cover of this Report. He has no conflicting relationships.

A formal schedule of matters specifically reserved for decision by the full 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 in a timely manner relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

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 and the wider sector, 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 provided on a regular basis 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 and training and development needs are included as part of the evaluation process.

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.

Report of the Directors

Board Evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough appraisal process has been put in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman, 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 the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in July 2014.

Directors' and Officers' Liability Insurance and Indemnity

Directors' and officers' liability insurance cover was in place in respect of the Directors throughout the year. 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.

Directors' Attendance at Meetings

Four Board meetings are usually scheduled each year to deal with various matters including the setting and monitoring of investment strategy, approval of borrowings, review of investment performance, the level of the discount or premium to net asset value and evaluation of service providers. Additional meetings of the Board may be arranged as required.

The number of meetings of the Board and its Committees held during the financial year, and the attendance of individual Directors, are shown below. All Directors attend the Annual General Meeting.

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

The Board is satisfied that each of the Chairman and the other non-executive Directors commits sufficient time to the affairs of the Company to fulfil his/her duty as a Director.

Board Committees and their Activities

Terms of Reference

The Committees of the Board have defined Terms of Reference which are available on the website www.schroderincomegrowthfund.com. Membership of the Committees is set out on the inside front cover of this Report.

Nomination Committee

The Nomination Committee is responsible for succession planning, taking into consideration the balance of skills, knowledge and experience 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 and experience, including gender, ages and length of service of the Directors serving on the Board.

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, it aims to promote diversification and the Board also recognises the importance of diversity.

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

Once appointed as a Director, re-appointment is not automatic and follows a formal process of evaluation of each Director's performance by the Chairman. Any Director who is subject to annual re-election due to length of service is subject to particularly rigorous assessment of their contribution.

The Committee met on one occasion during the year under review and considered its Terms of Reference and the composition of the Board.

Report of the Directors

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Company's Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met twice during the year under review and considered the performance and suitability of the Manager; the terms and conditions of the management contract, including fees; services provided by other service providers; its Terms of Reference; and Directors' fees.

Audit Committee

The role, duties and activities of the Audit Committee are set out in the Report of the Audit Committee on page 21.

Relations with Shareholders

The Half-Year Report and the Annual Report aim 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 Annual General Meeting ("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 business 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 inside front cover of this Report.

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

Exercise of Voting Powers and the UK Stewardship Code

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

Anti-Bribery Policy

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

Internal Audit

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

Internal Control and Risk Management Systems

Information on the Company's internal control and risk management systems can be found in the Strategic Report on pages 10 and 11.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

Report of the Directors

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Annual General Meeting ("AGM")

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

The AGM of the Company will be held on Thursday, 18 December 2014 at 2.30 p.m. The formal Notice of Meeting is set out on page 42.

Special Business to be Proposed at the AGM

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

Resolution 10 – Update to Investment Policy (Ordinary Resolution)

"The Directors are seeking to propose an update to the Company's current Investment Policy to permit the purchase of index put options of an amount up to the value of the Company's borrowing." The Board believes that this change to the investment policy will benefit the Company by increasing the likelihood of it continuing to achieve its investment objectives.

The Manager will only buy put options up to the value of the Company's borrowing, as a means of offsetting the Company's gearing without the cost of selling that exposure. The put options will be limited to short term exchange-traded instruments on major stock market indices. The Board does not believe that this will change the overall risk profile of the Company. While the premium on each put option will be lost if the market rises over its life, the goal is to assist the Manager to minimise the short term volatility of the Company's net asset value. As the exposure will be limited to the level of the Company's borrowings (currently limited to 25% of shareholders' funds), and there are restrictions on the amount of call options that may be used by the Company, it is expected that the aggregate use of put options will be well within that implied by the Company's leverage limit of 2.0.

The Board is therefore proposing Resolution 10 as an ordinary resolution to approve this change of Investment Policy which, if passed, will take effect from the date of the AGM.

The revised Investment Policy, with the proposed changes in bold, is set out below.

"Investment Policy

The investment policy of the Company is to invest primarily in above-average yielding UK equities but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio. **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 be utilised**."

Report of the Directors

Resolution 11 – Authority to Allot Shares (Ordinary Resolution) and Resolution 12 – Power to Disapply Pre-Emption Rights (Special Resolution)

At the AGM held on 19 December 2013, the Directors were granted authority to allot a limited number of new Ordinary shares or re-issue shares held in Treasury for cash. No shares have been allotted under this authority, which will expire at the forthcoming AGM. At the AGM held in December 2013, power was also given to the Directors to allot a limited number of new shares, or re-issue shares held in Treasury, other than pro rata to existing shareholders. This power will also expire at the forthcoming AGM and resolutions to renew both authorities will be proposed at the forthcoming AGM, the details of which are set out in full in the Notice of Meeting on page 42.

An ordinary resolution (resolution 11) 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 17 November 2014). A special resolution (resolution 12) 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 17 November 2014). 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 12 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 at the time of issue.

If renewed, both authorities will expire at the conclusion of the AGM in 2015 unless renewed or revoked earlier.

Resolution 13 – Authority to Make Market Purchases of the Company's Ordinary Shares (Special Resolution)

At the AGM held on 19 December 2013, 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 17 November 2014. 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 2015, 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 re-issue in line with the conditions outlined above. Shares held in Treasury may be re-issued or cancelled at a future date rather than simply cancelled at the time of acquisition.

Recommendation

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

By Order of the Board

Schroder Investment Management Limited
Company Secretary

17 November 2014

Report of the Audit Committee

I am pleased to present the first Report of the Audit Committee (the "Committee"), outlining the work carried out by the Committee during the year ended 31 August 2014.

Composition and Terms of Reference

Membership of the Committee is set out on the inside front cover of this Report. The Committee's Terms of Reference are available on the website www.schroderincomegrowthfund.com.

Role of the Committee

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

The Audit Committee met twice during the year to consider the operational controls maintained by the Manager and Depositary/Custodian; the Half Year and Annual Report and Accounts; the audit plan and engagement letter; and its Terms of Reference, the independence of the Auditor and an evaluation of its performance. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience (see Directors' biographies on the inside front cover of this Report).

Annual Report and Financial Statements

During its review of the Company's financial statements for the year ended 31 August 2014, 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
• Overall accuracy of the Annual Report and Accounts	• Consideration of the draft Annual Report and Accounts, the letter from the Manager in support of the letter of representation to the Auditor and the Auditor's Report to the Audit Committee.
• Calculation of investment management and performance fees	• Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM Agreement.
• Valuation and existence of holdings	• Review of portfolio holdings and assurance reports on controls from the Manager, Custodian and Depositary.
• Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	• Consideration of the Manager's report confirming compliance.
• Internal controls and risk management	• Consideration of several key aspects of internal control and risk management operating within the Manager and the Depositary.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 August 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's 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 pages 18 and 19.

Effectiveness of the Independent Audit Process

The Audit Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on their re-appointment at the forthcoming Annual General Meeting. This evaluation involved an assessment of the effectiveness of the Auditors' 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 Auditors, 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 Auditors without representatives of the Manager present.

Representatives of the Company's Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered. Having reviewed the performance of the external Auditor 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 second year that the Senior Statutory Auditor has conducted the audit of the Company's financial statements.

Provision of Non-Audit Services

The Audit Committee has adopted a policy requiring pre-approval by the Committee for any non-audit services provided by the Auditor. No non-audit services were provided during the year (2013: nil).

David Causer

Chairman of the Audit Committee

17 November 2014

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 Report is presented in a different format this year in order to comply with new legislative requirements. Both the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration are subject to shareholder approval at the forthcoming Annual General Meeting ("AGM") as described below.

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 limit for 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 receive fees at a higher rate than the other Directors to reflect their additional responsibilities and commitment. 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 pensions, and the Company has not, and does not intend 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 with the Company under which they are entitled to one month's notice in the event of termination. 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 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.

Annual Report on Implementation of Directors' Policy on Remuneration

This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 31 August 2014.

Fees Paid to Directors

During the year ended 31 August 2014, the Chairman was paid a fee of £25,000 and the other Directors were each paid a fee of £19,000. The chairman of the Audit Committee received an additional fee of £3,000.

Remuneration Report

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 2014 and the previous financial year:

	Salary/Fees		Taxable benefits		Total	
	2014	2013	2014	2013	2014	2013
Director	£	£	£	£	£	£
Ian Barby[1] (Chairman)	25,000	19,000	52	–	25,052	19,000
David Causer	22,000	22,000	–	–	22,000	22,000
Bridget Guerin	19,000	19,000	505	345	19,505	19,345
Sir Paul Judge[2]	N/A	25,000	–	–	N/A	25,000
Keith Niven	19,000	19,000	1,072	1,194	20,072	20,194
Peter Readman	19,000	19,000	–	–	19,000	19,000

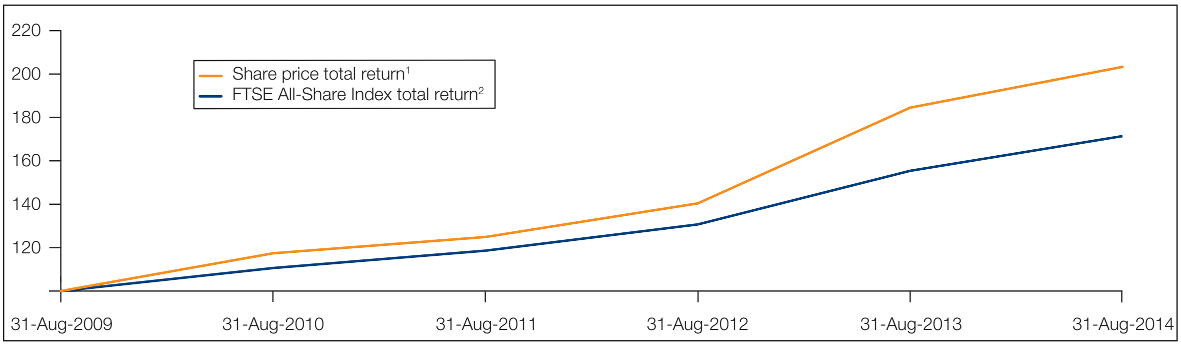
[1] Appointed as Chairman on 1 September 2013.
[2] Retired as a Director on 31 August 2013.
The information in the above table has been audited.

Consideration of Matters Relating to Directors' Remuneration

Directors' remuneration levels were reviewed by the Management Engagement Committee and the Board during the year under review. The members of the Committee at the time that remuneration levels were considered were as set out in the inside front cover of this Report. No external advice was sought in considering Directors' fee levels. However 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.

Performance Graph

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



Data has been rebased to 100 at 31 August 2009.
[1] Source: Morningstar.
[2] Source: Thomson Financial Datastream.

Remuneration Report

Expenditure by the Company on Directors' Remuneration compared with Distributions to Shareholders

The table below compares the remuneration payable to Directors with distributions paid to shareholders during the year under review and the prior financial year.

	Year ended 31 August 2014	Year ended 31 August 2013	% Change
Remuneration payable to Directors	**£105,629**[1]	£124,539	-15.2
Distributions paid to shareholders			
– Dividends	**£6,731,458**	£6,525,393	+3.2

[1]The reduction in remuneration payable to Directors for the year ended 31 August 2014 compared to the previous financial year reflects a reduction in the number of Directors.

In considering these figures, shareholders should take into account the Company's principal investment objectives of providing both income and capital growth.

Directors' Share Interests

The Company's Articles of Association do not require Directors to own shares in the Company. The shareholdings of Directors, including those of connected persons, at the beginning and end of the financial year under review are set out in the Report of the Directors on page 13. Such information has been audited.

The Company does not operate a share scheme for Directors nor does it award Directors share options.

Implementation of the Directors' Remuneration Policy for the year ending 31 August 2015

The Board does not intend to make any significant changes to the implementation of the Directors' Remuneration Policy as set out in this Report for the year ending 31 August 2015.

Shareholder Approval

Directors' Remuneration Policy

The above Remuneration Policy is currently in force and is subject to a binding vote every three years. An ordinary resolution to approve this Policy will be put to shareholders at the forthcoming AGM, following which the full Policy provisions will continue to apply until the AGM to be held in 2017 unless a revised Remuneration Policy is approved prior to such AGM.

Directors' Annual Report on Remuneration

The above Report on Directors' 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 Annual General Meeting held on 19 December 2013, 99.48% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Remuneration Report for the year ended 31 August 2013 were in favour while 0.52% were against. 20,600 votes were withheld.

Ian Barby
Chairman
17 November 2014

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and Statement of Recommended Practice issued by the Association of Investment Companies in January 2009 '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 Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies in January 2009 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained within the Report of the Directors on page 15 that the Company is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

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.

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:

Risk	How the scope of our audit responded to the risk
Valuation and ownership of investments The investments of the Company make up 98% of total assets. 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 documented and assessed the design and implementation of controls in place to value the investment portfolio. • We agreed the valuation of 100% of the investment portfolio to third party pricing sources. • In order to confirm that investments are actively traded, we verified trading activity and volume, on a sample basis, of investments held around the year end. • In order to confirm that investments should not be impaired, we identified investments which are not frequently traded and monitored the price of any post year end sales. • We tested the ownership of investments by verifying 100% of the portfolio to an independent confirmation from the custodian. • We reviewed a report prepared on the design and operation of controls at the custodian to confirm that no issues with the controls in place over the safekeeping of assets at the custodian had been identified.

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

Risk	
Recognition of investment income	**How the scope of our audit responded to the risk**
Revenue may be understated where it is not recognised or recognised in the incorrect period. There is a risk that not all accrued revenue has been recorded by the Company. There is a risk that corporate actions and special dividends may be incorrectly valued or incorrectly allocated between revenue and capital.	We performed the following testing over revenue recognition: • evaluated the design and implementation of controls for monitoring completeness of revenue and key controls over revenue recognition; • obtained the dividend history for a sample of investments held and ensured that all dividends due were correctly and accurately recorded; • tested a sample of dividends recorded after the balance sheet date to confirm they had been recorded in the correct period; • for a sample of corporate actions and special dividends received, we assessed management's rationale for the allocation between revenue and capital against the requirements of the SORP; and • agreed details of the corporate actions and special dividends to a third party source to corroborate the nature of the dividend.

The Audit Committee's consideration of these risks is set out on page 21.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

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 as being 1% of total net assets, which is £1,889,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £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 the fund administrator who prepares the financial statements of the Company by reviewing a controls report over their activities.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

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

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 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 nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

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 Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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 and/or those further matters we have expressly agreed to report to them on in our engagement letter. 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

17 November 2014

Income Statement

for the year ended 31 August 2014

	Note	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	2	–	16,999	16,999	–	28,834	28,834
Losses on derivative contracts		–	–	–	–	(380)	(380)
Net foreign currency gains/(losses)		–	19	19	–	(3)	(3)
Income from investments	3	8,599	612	9,211	7,955	432	8,387
Other interest receivable and similar income	3	4	–	4	108	–	108
Gross return		8,603	17,630	26,233	8,063	28,883	36,946
Management fee	4	(711)	(711)	(1,422)	(644)	(644)	(1,288)
Performance fee	4	–	(174)	(174)	–	(148)	(148)
Administrative expenses	5	(292)	–	(292)	(324)	–	(324)
Net return before finance costs and taxation		7,600	16,745	24,345	7,095	28,091	35,186
Finance costs	6	(121)	(121)	(242)	(52)	(52)	(104)
Net return on ordinary activities before taxation		7,479	16,624	24,103	7,043	28,039	35,082
Taxation on ordinary activities	7	(51)	–	(51)	(40)	–	(40)
Net return on ordinary activities after taxation		7,428	16,624	24,052	7,003	28,039	35,042
Return per share	9	10.82p	24.20p	35.02p	10.20p	40.82p	51.02p

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 results above and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 32 to 41 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 August 2014

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2012	6,869	7,404	2,011	34,936	1,596	85,053	5,231	143,100
Net return on ordinary activities	–	–	–	–	–	28,039	7,003	35,042
Dividends paid in the year	–	–	–	–	–	–	(6,526)	(6,526)
At 31 August 2013	6,869	7,404	2,011	34,936	1,596	113,092	5,708	171,616
Net return on ordinary activities	–	–	–	–	–	16,624	7,428	24,052
Dividends paid in the year	–	–	–	–	–	–	(6,732)	(6,732)
At 31 August 2014	**6,869**	**7,404**	**2,011**	**34,936**	**1,596**	**129,716**	**6,404**	**188,936**

The notes on pages 32 to 41 form an integral part of these accounts.

Balance Sheet

at 31 August 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	206,332	176,421
Current assets			
Debtors	11	1,871	1,329
Cash at bank and in hand		1,791	1,073
		3,662	2,402
Current liabilities			
Creditors: amounts falling due within one year	12	(1,058)	(7,207)
Net current assets/(liabilities)		2,604	(4,805)
Total assets less current liabilities		208,936	171,616
Creditors: amounts falling due after more than one year	13	(20,000)	–
Net assets		188,936	171,616
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
Share purchase reserve	15	34,936	34,936
Warrant exercise reserve	15	1,596	1,596
Capital reserves	15	129,716	113,092
Revenue reserve	15	6,404	5,708
Total equity shareholders' funds		188,936	171,616
Net asset value per share	16	275.06p	249.85p

These accounts were approved and authorised for issue by the Board of Directors on 17 November 2014 and signed on its behalf by:

Ian Barby
Chairman

The notes on pages 32 to 41 form an integral part of these accounts.

Company registration number: 3008494

Cash Flow Statement

for the year ended 31 August 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	**17**	**6,603**	6,130
Servicing of finance			
Interest paid		**(161)**	(110)
Net cash outflow from servicing of finance		**(161)**	(110)
Taxation			
Overseas tax paid		**(73)**	(52)
Investment activities			
Purchases of investments		**(51,596)**	(28,010)
Sales of investments		**38,746**	28,276
Expiry of option contracts		**–**	(380)
Special dividends received allocated to capital		**612**	432
Net cash (outflow)/inflow from investment activities		**(12,238)**	318
Dividends paid		**(6,732)**	(6,526)
Net cash outflow before financing		**(12,601)**	(240)
Financing			
Loan drawn down		**13,300**	–
Net cash inflow from financing		**13,300**	–
Net cash inflow/(outflow) in the year	**18**	**699**	(240)

The notes on pages 32 to 41 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31 August 2014

1. Accounting policies

(a) Basis of accounting

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

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

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

(b) Valuation of investments

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

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

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

(c) Accounting for reserves

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

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

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

(d) Income

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

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

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

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

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to 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.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on pages 35 and 36.

(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 and in accordance with the provisions of FRS 25 "Financial Instruments: Presentation" and FRS 26 "Financial Instruments: Measurement".

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

(g) Financial instruments

Cash 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.

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

(h) Taxation

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

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

Notes to the Accounts

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

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Foreign currency

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

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

(k) Dividends payable

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

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

	2014 £'000	2013 £'000
Gains on sales of investments based on historic cost	**7,150**	6,635
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(7,881)**	(4,002)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(731)**	2,633
Net movement in investment holding gains and losses	**17,730**	26,201
Gains on investments held at fair value through profit or loss	**16,999**	28,834

3. Income

	2014 £'000	2013 £'000
Income from investments:		
UK dividends	**7,209**	6,966
Overseas dividends	**1,328**	954
Scrip dividends	**62**	35
	8,599	7,955
Other interest receivable and similar income:		
Premiums receivable from written options	**–**	105
Deposit interest	**4**	3
	4	108
Total income	**8,603**	8,063
Capital:		
Special dividends allocated to capital	**612**	432

4. Management and performance fees

		2014			2013	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fee	**711**	**711**	**1,422**	644	644	1,288
Performance fee	**–**	**174**	**174**	–	148	148
	711	**885**	**1,596**	644	792	1,436

The basis for calculating the management and performance fees is set out in the Report of the Directors on page 14.

Notes to the Accounts

5. Administrative expenses

	2014 £'000	2013 £'000
Administration expenses	163	178
Directors' fees	104	123
Auditor's remuneration for audit services[1]	25	23
	292	324

[1] Includes £4,000 (2013: £4,000) irrecoverable VAT.

6. Finance costs

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Interest on bank loans and overdrafts	121	121	242	52	52	104

7. Taxation on ordinary activities

(a) Analysis of charge in the year:

	2014 £'000	2013 £'000
Irrecoverable overseas tax	51	40
Current tax charge for the year	51	40

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the Company's applicable rate of corporation tax for the year of 22.17% (2013: 23.58%).

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

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net return on ordinary activities before taxation	7,479	16,624	24,103	7,043	28,039	35,082
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 22.17% (2013: 23.58%)	1,658	3,686	5,344	1,661	6,612	8,273
Effects of:						
Capital returns on investments	–	(3,773)	(3,773)	–	(6,709)	(6,709)
Income not chargeable to corporation tax	(1,906)	(136)	(2,042)	(1,876)	(102)	(1,978)
Unrelieved expenses	248	223	471	215	199	414
Irrecoverable overseas tax	51	–	51	40	–	40
Current tax charge for the year	51	–	51	40	–	40

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £3,773,000 (2013: £3,348,000) based on a prospective corporation tax rate of 20% (2013: 20%). The reduction in the standard rate of corporation tax was substantively enacted in July 2013 and will be effective from 1 April 2015. 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.

Notes to the Accounts

8. Dividends

(a) Dividends paid and declared

	2014 £'000	2013 £'000
2013 fourth interim dividend of 3.8p (2012: 3.5p)	**2,610**	2,404
First interim dividend of 2.0p (2013: 2.0p)	**1,374**	1,374
Second interim dividend of 2.0p (2013: 2.0p)	**1,374**	1,374
Third interim dividend of 2.0p (2013: 2.0p)	**1,374**	1,374
Total dividends paid in the year	**6,732**	6,526

	2014 £'000	2013 £'000
Fourth interim dividend declared of 4.1p (2013: 3.8p)	**2,816**	2,610

(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 £7,428,000 (2013: £7,003,000).

	2014 £'000	2013 £'000
First interim dividend of 2.0p (2013: 2.0p)	**1,374**	1,374
Second interim dividend of 2.0p (2013: 2.0p)	**1,374**	1,374
Third interim dividend of 2.0p (2013: 2.0p)	**1,374**	1,374
Fourth interim dividend of 4.1p (2013: 3.8p)	**2,816**	2,610
Total dividends of 10.1p (2013: 9.8p) per share	**6,938**	6,732

9. Return per share

	2014 £'000	2013 £'000
Revenue return	**7,428**	7,003
Capital return	**16,624**	28,039
Total return	**24,052**	35,042
Weighted average number of Ordinary shares in issue during the year	**68,688,343**	68,688,343
Revenue return per share	**10.82p**	10.20p
Capital return per share	**24.20p**	40.82p
Total return per share	**35.02p**	51.02p

10. Investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Opening book cost	**137,493**	129,123
Opening investment holding gains	**38,928**	16,729
Opening valuation	**176,421**	145,852
Purchases at cost	**51,658**	28,045
Sales proceeds	**(38,746)**	(26,310)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(731)**	2,633
Net movement in investment holding gains and losses	**17,730**	26,201
Closing valuation	**206,332**	176,421
Closing book cost	**157,555**	137,493
Closing investment holding gains	**48,777**	38,928
Total investments held at fair value through profit or loss	**206,332**	176,421

All investments are listed on a recognised stock exchange.

Notes to the Accounts

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

	2014 £'000	2013 £'000
On acquisitions	268	161
On disposals	34	35
	302	196

11. Debtors

	2014 £'000	2013 £'000
Dividends and interest receivable	1,751	1,228
Taxation recoverable	81	59
Other debtors	39	42
	1,871	1,329

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

12. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loan	–	6,700
Other creditors and accruals	1,058	507
	1,058	7,207

The Company's revolving credit facility with Scotiabank Europe PLC ("Scotiabank") was extended during the year and reduced to £10 million. It now expires on 30 June 2015. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been met. The facility was undrawn at the year end. At the prior year end, the Company had drawn down £6.7 million on this facility. Further details of the facility are given in note 21 on page 39.

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

	2014 £'000	2013 £'000
Bank loan	20,000	–

The 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.

14. Called-up share capital

	2014 £'000	2013 £'000
Ordinary shares allotted, called-up and fully paid:		
68,688,343 (2013: 68,688,343) shares of 10p each	6,869	6,869

Notes to the Accounts

15. Reserves

	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	7,404	2,011	34,936	1,596	74,164	38,928	5,708
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(731)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	17,730	–
Transfer on disposal of investments	–	–	–	–	7,881	(7,881)	–
Realised exchange gains on currency balances	–	–	–	–	19	–	–
Management fee and finance costs allocated to capital	–	–	–	–	(832)	–	–
Performance fee	–	–	–	–	(174)	–	–
Special dividends allocated to capital	–	–	–	–	612	–	–
Dividends paid	–	–	–	–	–	–	(6,732)
Retained revenue for the year	–	–	–	–	–	–	7,428
Closing balance	**7,404**	**2,011**	**34,936**	**1,596**	**80,939**	**48,777**	**6,404**

16. Net asset value per share

	2014	2013
Net assets attributable to the Ordinary shareholders (£'000)	**188,936**	171,616
Shares in issue at the year end	**68,688,343**	68,688,343
Net asset value per share	**275.06p**	249.85p

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

	2014 £'000	2013 £'000
Total return on ordinary activities before finance costs and taxation	**24,345**	35,186
Less capital return on ordinary activities before finance costs and taxation	**(16,745)**	(28,091)
Increase in accrued dividends and interest receivable	**(523)**	(159)
Decrease/(increase) in other debtors	**3**	(1)
Management fee and performance fee charged to capital	**(885)**	(792)
Scrip dividends received as income	**(62)**	(35)
Increase in accrued expenses	**470**	22
Net cash inflow from operating activities	**6,603**	6,130

18. Analysis of changes in net debt

	At 31 August 2013 £'000	Cash flow £'000	Exchange movement £'000	**At 31 August 2014 £'000**
Cash at bank and in hand	1,073	699	19	**1,791**
Bank loans	(6,700)	(13,300)	–	**(20,000)**
Net debt	(5,627)	(12,601)	19	**(18,209)**

19. Transactions with the Manager

The Company has appointed Schroder Unit Trusts Limited ("the Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting and company secretarial services. If the Company invests in funds managed or advised by the Manager or any of its associated companies, those funds are excluded from the assets used for the purposes of the management fee calculation and therefore attract no fee. During the

Notes to the Accounts

year there was also a performance fee agreement in place. However the Company's management fee and performance fee arrangements have changed with effect from 1 September 2014. Details of the management and performance fee calculations applicable in the current year and the new arrangements which took effect from 1 September 2014 are given in the Report of the Directors on page 14.

The management fee payable in respect of the year ended 31 August 2014 amounted to £1,422,000 (2013: £1,288,000) of which £724,000 (2013: £288,000) was outstanding at the year end. A performance fee amounting to £174,000 (2013: £148,000) is also payable for the year and the whole of this amount (2013: same) was outstanding at the year end.

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

20. Disclosures regarding financial instruments measured at fair value

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

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

Level 1 – valued using quoted prices in active markets.

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 32.

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

	2014			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets held at fair value through profit or loss				
Equity investments	**206,332**	**–**	**–**	**206,332**
Total	**206,332**	**–**	**–**	**206,332**

	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Equity investments	176,398	23	–	176,421
Total	176,398	23	–	176,421

There have been no transfers between Levels 1 and 2 or 3 during the year (2013: nil).

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

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

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy. The Company has no significant direct exposure to foreign exchange risk 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;
– derivative contracts comprising written options; 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 analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

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

Notes to the Accounts

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% of shareholders' funds, 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 three year 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:

	2014 £'000	2013 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**1,791**	1,073
Creditors: amounts falling due within one year – borrowings on the credit facility	**–**	(6,700)
Total exposure	**1,791**	(5,627)

Interest receivable on cash balances is at a margin below LIBOR (2013: same).

During the year, the Company renewed its revolving credit facility with Scotiabank but reduced the limit to £10 million (2013: £15 million). This facility now expires on 30 June 2015. 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. The facility was undrawn at 31 August 2014 (2013: £6.7 million drawn at a weighted average interest rate of 1.54%).

In addition to the above, a new £20 million 3-year term loan was arranged with Scotiabank during the year, and this matures on 30 June 2017. Interest payable on this loan is fixed at 2.72% per annum for its duration and therefore it has not been included in the exposure table above.

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

	2014 £'000	2013 £'000
Maximum credit/minimum debit interest rate exposure during the year – net cash/(credit facility) balances	**1,791**	(3,549)
Maximum debit interest rate exposure during the year – net credit facility balances	**(14,480)**	(6,532)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2013: 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.

	2014		2013	
	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	**9**	**(9)**	(11)	11
Capital return	**–**	**–**	(17)	17
Total return after taxation	**9**	**(9)**	(28)	28
Net assets	**9**	**(9)**	(28)	28

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

(ii) Other price risk

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

Management of market price risk

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

Market price risk exposure

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

	2014 £'000	2013 £'000
Equity investments held at fair value through profit or loss	**206,332**	176,421

Notes to the Accounts

The Company may be exposed to changes in market prices through written options contracts, however none were held at the year end (2013: nil).

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

Concentration of exposure to market price risk

An analysis of the Company's investments is set out on page 12. The portfolio principally comprises securities listed in the UK, although up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside of the UK. Accordingly there is a concentration of exposure to the UK. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2013: 10%) in the fair values of the Company's equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure through equity investments and includes the impact on the management fee but assumes that all other variables are held constant.

	2014		2013	
	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	**(77)**	**77**	(29)	29
Capital return	**20,556**	**(20,556)**	17,613	(17,613)
Total return after taxation and net assets	**20,479**	**(20,479)**	17,584	(17,584)
Change in net asset value	**10.8%**	**(10.8%)**	10.2%	(10.2%)

(b) Liquidity risk

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

Management of the risk

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

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

Liquidity risk exposure

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

	2014			2013	
	Three months or less £'000	**Two to three years £'000**	**Total £'000**	Three months or less £'000	Total £'000
Creditors: amounts falling due within one year					
Drawings on the credit facility – including interest	**–**	**–**	**–**	6,725	6,725
Other creditors and accruals	**969**	**–**	**969**	499	499
Creditors: amounts falling due after more than one year					
Term loan – including interest	**137**	**21,493**	**21,630**	–	–
	1,106	**21,493**	**22,599**	7,224	7,224

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

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

Cash

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

Notes to the Accounts

Exposure to the Custodian

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 is clear and they are therefore protected. However cash balances deposited with the Custodian may be at risk in this instance, as the Company would rank alongside other creditors of the Custodian.

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.

	2014		2013	
	Balance sheet £'000	**Maximum exposure £'000**	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	**206,332**	**–**	176,421	–
Current assets				
Debtors – dividends and interest receivable and other debtors	**1,871**	**1,871**	1,329	1,329
Cash at bank and in hand	**1,791**	**1,791**	1,073	1,073
	209,994	**3,662**	178,823	2,402

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 in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

22. 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:

	2014 £'000	2013 £'000
Debt		
Bank loans	**20,000**	6,700
Equity		
Called-up share capital	**6,869**	6,869
Reserves	**182,067**	164,747
	188,936	171,616
Total debt and equity	**208,936**	178,316

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

The Board's policy is to permit gearing up to 25% of shareholders' funds, where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2014 £'000	2013 £'000
Borrowings used for investment purposes, less cash	**18,209**	5,627
Net assets	**188,936**	171,616
Gearing	**9.6%**	3.3%

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

– the planned level of gearing, which takes into account the Manager's views on the market;
– the need to buy back equity shares, which takes into account the share price discount;
– the opportunities for issues of new shares; and
– the amount of dividend to be paid, in excess of that which is required to be distributed.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder Income Growth Fund plc will be held at 2.30 p.m. on Thursday, 18 December 2014 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2014.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the year ended 31 August 2014.
4. To re-elect Mr Ian Barby as a Director of the Company.
5. To re-elect Mr David Causer as a Director of the Company.
6. To re-elect Mr Keith Niven as a Director of the Company.
7. To re-elect Mr Peter Readman as a Director of the Company.
8. To re-appoint Deloitte LLP as Auditor of the Company.
9. To authorise the Directors to determine the remuneration of Deloitte LLP as Auditor of the Company.
10. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
    "That the Company amend its Investment Policy in the manner described in the Chairman's Statement and the Report of the Directors to the Company's Annual Report and Accounts for the year ended 31 August 2014."
11. 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 17 November 2014); 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."
12. To consider and, if thought fit, to pass, the following resolution as a special resolution:
    "That, subject to the passing of resolution 11 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 11 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 17 November 2014); 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."
13. 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 17 November 2014;
    (b) the minimum price which may be paid for a Share is 10p;
    (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased; and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the Shares of that class on the London Stock Exchange;
    (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;
    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed or revoked prior to such time; and
    (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 3008494
17 November 2014

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

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

2. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of Ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by Ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company at 6.00 p.m. on 16 December 2014, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 16 December 2014 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 the inside front cover of the Company's Annual Report and Accounts for the year ended 31 August 2014.

7. As at 17 November 2014, 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 17 November 2014 is 68,688,343.

8. A copy of this Notice of Meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from the Company's website, www.schroderincomegrowthfund.com.

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

Company Summary and Shareholder Information

The Company

Schroder Income Growth Fund plc was launched in 1995. It is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 17 November 2014, the Company had 68,688,343 Ordinary shares of 10p each in issue (no shares were held in Treasury). The Company's assets are managed by Schroders, which also administers the Company.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Company's Annual General Meeting in 2015 and thereafter at five-yearly intervals.

Website and Share Price Information

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

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

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

Registrar Services

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

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

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its shares (with ISIN GB0007915860 and ticker SCF) can be recommended by Independent Financial Advisers 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.

Association of Investment Companies

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

Alternative Investment Fund Managers Directive – Periodic Disclosure

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 Report; and

(d) the total amount of leverage employed by the Company may be found in the Strategic Report.

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

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

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

www.schroderincomegrowthfund.com

www.schroders.co.uk/its

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