Schroder
Income Growth Fund plc

Report and Accounts to 31 August 2008

Schroders

Investment Objective

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

Directors

Sir Paul Judge (Chairman)*†
Aged 59, was appointed as a Director of the Company on 11 January 1995 and is President of the Chartered Institute of Marketing and of the Association of MBAs and a director of ENRC plc and of public companies in the US and South Africa. Formerly he has been a Director of WPP Group plc, ministerial adviser at the Cabinet Office, Director General of the Conservative Party, Chairman of Premier Brands Limited, and Planning Director of Cadbury Schweppes PLC.

Peregrine Banbury*†
Aged 60, was appointed as a Director of the Company on 11 January 1995 and is Managing Partner, Private Banking at Coutts & Co. He has an extensive background in private client and institutional investments, having been an investment manager with Robert Fleming & Co. and a Director of EBC Amro Asset Management Limited.

Ian Barby*†
Aged 63, was appointed as a Director of the Company on 31 October 2005. He practised as a Barrister before joining Warburg Investment Management Ltd in 1985, subsequently becoming a Vice Chairman of Mercury Asset Management plc and latterly, until 2003, a Managing Director of Merrill Lynch Investment Managers. He has wide experience of the investment management industry and of the investment trust sector and is currently Chairman of Invesco Perpetual UK Smaller Companies PLC and of Ecofin Water and Power Opportunities plc as well as being a director of Merrill Lynch World Mining Trust plc, Pantheon International Participations PLC and SR Europe Investment Trust plc.

Keith Niven†
Aged 60, was appointed as a Director of the Company on 5 January 1995. He is non-executive Chairman of Matrix Income & Growth VCT plc and Matrix Income & Growth 3 VCT plc and a non-executive Director of three other investment trusts, Schroder UK Growth Fund plc, Impax Environmental Markets plc and Advance UK Trust plc. He is also an investment adviser to the Rolls-Royce Pension Fund. Mr Niven was previously a Vice Chairman of Schroder Investment Management Limited and Chairman of Schroder Unit Trusts Limited.

Peter Readman*†
Aged 61, was appointed as a Director of the Company on 15 December 1999. He is Chairman of Abercromby Property International and the Chamber Orchestra of Europe and a director of a number of other companies including Keystone Investment Trust plc and Pantheon International Participations plc.

* Member of the Audit and Management Engagement Committees

† Member of the Nomination Committee

Mr Banbury is Chairman of the Audit and Management Engagement Committees

Sir Paul Judge is Chairman of the Nomination Committee

Advisers

Investment Manager
Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

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

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

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

Independent Auditors
Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Registrar
Equiniti Limited
PO Box 28448, Finance House,
Orchard Brae, Edinburgh EH4 1WQ
Shareholder Helpline: 0871 384 2451*
Website: www.shareview.co.uk
*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Contents

Financial Highlights

	31 August 2008	31 August 2007	% Change
Net asset value ("NAV") per ordinary share	**198.15p**	235.71p	(15.9)
Share price	**172.00p**	212.50p	(19.1)
Share price discount	**13.2%**	9.8%	
Shareholders' funds	**£136.10m**	£168.98m	(19.5)
Shares in issue ('000)	**68,688**	71,687	

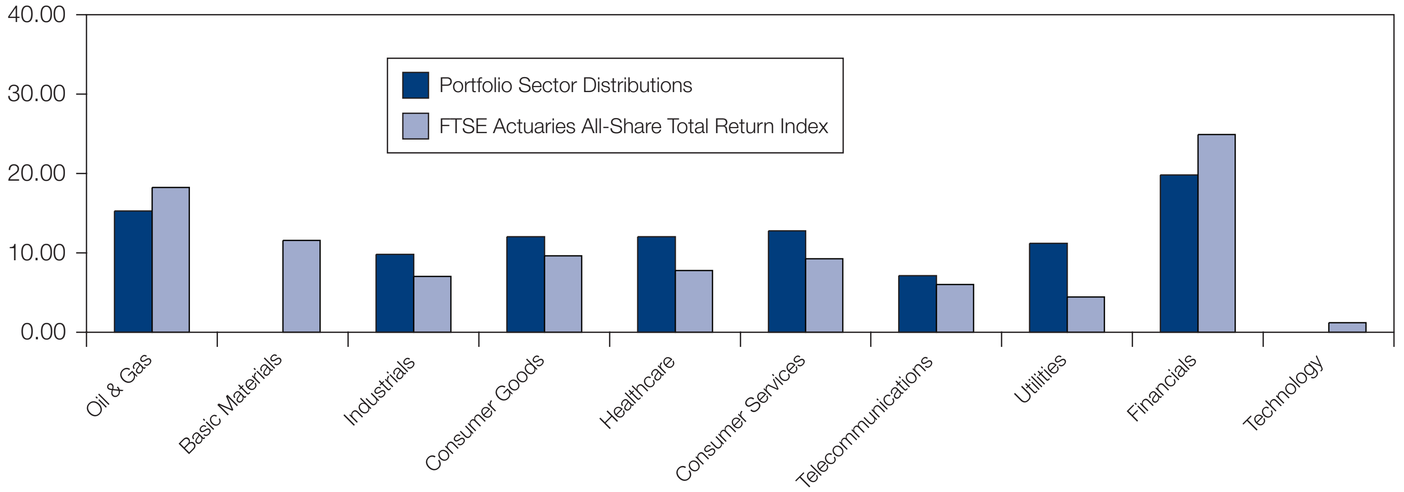
	Year ended 31 August 2008	Year ended 31 August 2007	% Change
Revenue return per ordinary share	**9.83p**	8.10p	21.4
Dividends per share declared in respect of the year	**8.70p**	8.10p	7.4
Total return per ordinary share	**(30.50)p**	24.44p	(224.8)
NAV total return*	**(13.5)%**	10.0%	
FTSE Actuaries All-Share Total Return**	**(8.7)%**	11.8%	
FTSE Actuaries 350 Higher Yield Total Return**	**(12.4)%**	9.6%	
Share price total return	**(15.5)%**	7.90%	
Total expense ratio***	**0.92%**	0.90%	

* Source: Fundamental Data.

** Source: Thomson Datastream.

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

Comparison of Portfolio Sector Distribution with the FTSE Actuaries All-Share Total Return Index* at 31 August 2008



Source: Schroders.

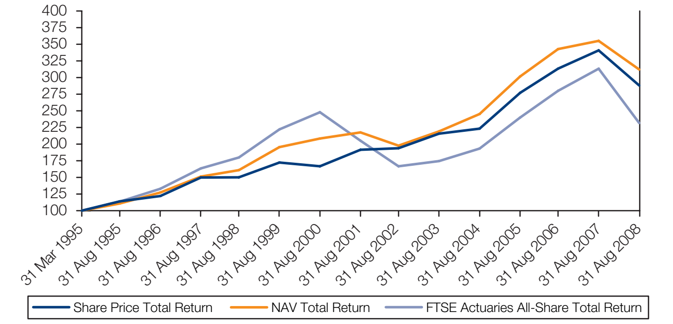
*Sector distributions are shown as a percentage of total assets less current liabilities.

Total returns to 31 August

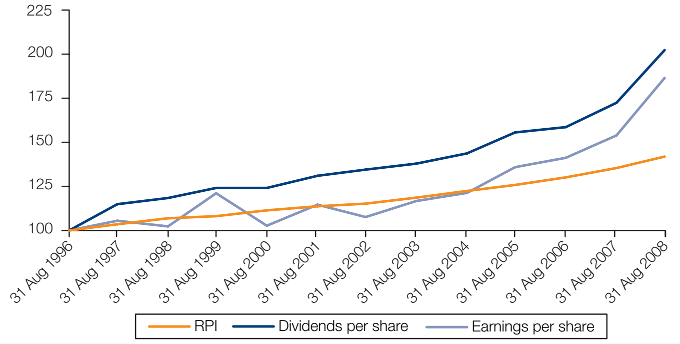
	Share price total return* %	NAV total return* %	FTSE Actuaries All-Share total return** %	FTSE Actuaries 350 Higher Yield total return** %
1 year	(15.5)	(13.5)	(8.7)	(12.4)
2 years	(8.8)	(4.8)	2.1	(4.0)
3 years	3.2	8.6	19.2	9.3
4 years	28.0	33.6	47.9	35.8
5 years	32.5	49.5	63.9	53.2
6 years	47.4	65.6	71.5	58.6
7 years	49.2	50.5	39.5	40.3
8 years	71.4	57.2	15.4	48.6
9 years	65.8	67.5	28.8	55.5
10 years	90.4	103.5	59.0	100.6
Since Inception (March 1995)	188.1	227.5	186.0	263.9

* Source: Fundamental Data.
** Source: Thomson Datastream.

Share Price/NAV/FTSE Actuaries All-Share Index performance since inception (rebased to 100 at the start of the period)



Earnings and total dividends per share vs inflation since 31 August 1996 (the Company's first full year) (rebased to 100 at the start of the period)



Long Term Record

As at 31 August	Shareholders' funds* £'000	Diluted NAV per share pence	Undiluted NAV per share pence	Share price pence	Share price (discount)/ Premium %
2008	136,104	198.2	198.2	172.0	(13.2)
2007	168,975	235.7	235.7	212.5	(9.8)
2006	160,195	220.4	220.4	203.8	(7.6)
2005	149,626	200.0	200.0	186.5	(6.8)
2004	125,433	166.1**	166.1	156.0	(6.1)
2003	114,246	154.1	159.9	156.8	1.7
2002	105,192	145.2	150.3	147.0	1.2
2001	121,093	165.8	174.7	151.0	(8.9)
2000	122,598	164.4	174.9	136.8	(16.8)
1999	136,927	159.8	168.7	147.3	(7.8)

* The figures for 2005 have been restated in accordance with FRS26. The figures for the earlier years have not been restated.
** Warrants Lapsed on 31 December 2003.

As at 31 August	Share price total return # %	NAV total return # %	FTSE All-Share total return † %	Earnings per share pence	Net dividends per share pence	Cost of running trust‡ £'000
2008	(15.47)	(13.46)	(8.70)	9.83	8.70	1,362
2007	7.90	10.00	11.80	8.10	8.10	1,584
2006	13.17	13.66	16.75	7.44	6.90	1,510
2005	24.09	23.03	24.09	7.16	6.77*	1,429
2004	3.49	11.89	10.81	6.39	6.25	1,301
2003	11.27	10.81	4.64	6.15	6.00	1,161
2002	1.21	(9.14)	(18.70)	5.67	5.85	1,143
2001	14.85	4.44	(17.27)	6.04	5.70	1,200
2000	(3.24)	6.56	11.60	5.41	5.40	1,144
1999	14.82	21.51	23.49	6.38	5.40**	1,249

\# Source: Fundamental Data.
† Source: Fundamental Data to 2006; Thomson Datastream from 2007.
‡ Based on operating expenses excluding finance costs and any performance fees or rebates (if applicable), excludes £1,100,000 back dated VAT recovery on management fee.
* Includes special dividend of 0.25p.
** Includes special dividend of 0.3p.

Chairman's Statement

Results for the Year and Dividends

During the year ended 31 August 2008, the Company's revenue return increased to 9.83 pence per share, a rise of 21.4% when compared with the 8.10 pence per share for the previous year. The recovery of VAT on management fees in 2001-2007, as described below, represented 0.80 pence per share of the revenue return; excluding this, the Company's revenue return increased by 11.5%.

In line with your Company's objective of raising dividends above the rate of inflation, your Board has declared total dividends of 8.70 pence per share for the year ended 31 August 2008. This represents an increase of 7.4% over the 8.10 pence per share declared in respect of the previous year which is above the increase in the Retail Price Index of 4.8% for the same period.

Meanwhile, the revenue reserve has been strengthened further with 5.96 pence per share now available to help fund future dividends.

Investment Performance

Shareholders will be aware of the problems facing the UK stock market over the last year, as the combined threats of a credit crunch and rising materials prices threatened corporate profitability. During the year under review, the Company produced a negative net asset value total return of 13.5%*, compared with a negative total return of 12.4% for the FTSE Actuaries 350 Higher Yield Index** and 8.7% for the FTSE Actuaries All-Share Index**.

The difference between the two indices highlights a feature of the year: the market's concentration on a small number of low-yielding companies – particularly in the natural resources sector – which are largely precluded from income-oriented portfolios such as that of your Company. The Manager's Review describes this factor in greater detail.

As a result of the Company's under-performance against the FTSE Actuaries All-Share Index, the Company is due to receive a performance fee rebate from the Manager amounting to £120,000 for the year ended 31 August 2008.

At 31 August 2008, the Company's share price was trading at a discount to net asset value of 13.2% compared to 9.8% at the start of the year. The share price total return for the year was a negative 15.5%*.

Shareholders will be aware of the continued decline of the world's stock markets since the end of the financial year. For the months September and October 2008, the Company produced a negative net asset value total return of 14.0%* compared with a negative total return of 18.7% for the FTSE Actuaries 350 Higher Yield Index** and a negative total return of 23.2% for the FTSE Actuaries All-Share Index** for the same period. The share price on 31 October 2008 was 159.00p*, which represented a discount to net asset value of 2.5%.

Share Purchases and Treasury Shares

During the year ended 31 August 2008, the Board continued to operate its share buy-back facility and a total of 2,999,000 ordinary shares were purchased for cancellation, equal to approximately 4.2% of the shares in issue on 1 September 2007. The Board continues to consider share buy-backs as one of a number of tools that may be used to enhance shareholder value.

VAT on Management Fees

As indicated in the Chairman's Statement in the Company's Half-Yearly Report, and in the Interim Management Statement to 31 May 2008, the Board has been actively pursuing the potential reclaim of VAT on management fees previously paid to the Investment Manager. While the overall position remains complex, the Board has conservatively estimated that, following an audit of the Company's records undertaken by the Manager and HM Revenue & Customs, the Company will be able to recover at least £1.1 million (excluding interest) paid on management fees for the period April 2001 to October 2007. As a consequence, £1.1 million was incorporated into the net asset value of the Company from 21 July 2008.

Chairman's Statement

There are two other periods, 1995-1996 and 1996-2001, for which further recovery may be achieved but the extent of any potential VAT reclaim for those periods remains uncertain. The Board will continue to monitor the situation.

New Articles of Association and Cap on Directors' Fees

The Directors are seeking shareholder approval for a number of changes to the Company's Articles of Association, primarily to reflect the provisions of the Companies Act 2006, and in particular those provisions relating to Directors' conflicts of interest. An explanation of the main changes to be proposed to the existing Articles of Association is set out in the Explanatory Notes on page 40 of this Annual Report.

In addition to these changes, the Board is seeking shareholder approval to change the Company's Articles of Association to increase the cap on the aggregate fees which may be paid to Directors, which currently stands at £100,000 per annum. This cap has remained unchanged since 2006. The Directors are proposing the election of an additional Director at the forthcoming Annual General Meeting, which, if approved, is expected to increase the aggregate fees payable to Directors to approximately £93,000 per annum. An ordinary resolution will therefore be proposed at the Annual General Meeting to increase the cap on the aggregate of fees which may be paid to Directors each year to £125,000 to accommodate any future increases in Directors' fees. The level of fees payable to Directors continues to be reviewed each year and the Directors' Remuneration Report will be submitted for approval by shareholders at each Annual General Meeting.

Proposed Election of Non-Executive Director

As part of our commitment to refreshing the composition of the Board on a regular basis, we have undergone this year a search for a new Director. Following that search, your Board is pleased to propose the election of Mr David Causer as a non-executive Director at the forthcoming Annual General Meeting, and recommends that shareholders vote in favour of the resolution, as set out in the Notice of Meeting on page 39.

Mr Causer, 58, is a fully qualified Chartered Accountant and a Member of The Securities Institute. He has held a number of senior positions within financial organisations including Finance Director of Mercury Asset Management Group plc and a Managing Director of Merrill Lynch Investment Managers until 2001. He was Finance Director of The British Red Cross Society until December 2007.

Annual General Meeting

The Company's Annual General Meeting will be held at 3.30 p.m. on Thursday, 11 December 2008. As in previous years, the meeting will include a presentation by the Investment Manager on the Company's investment strategy and market prospects.

Outlook

While the stock market's continued weakness has to be of concern, the Board takes comfort from what seems to be a recent return to favour of the Company's income-oriented investment philosophy. The challenge now is to find the companies offering the prospects of real dividend growth over the coming years in what will inevitably be a difficult operating environment.

Sir Paul Judge
Chairman

13 November 2008

Sources:

* *Fundamental Data*

** *Thomson Datastream*

Investment Manager's Review

During the year the Company produced a negative net asset value total return of 13.5%, compared with a negative total return of 12.4% for the FTSE Actuaries 350 Higher Yield Index and 8.7% for the FTSE Actuaries All-Share Index (source: Thomson Datastream).

Market Background

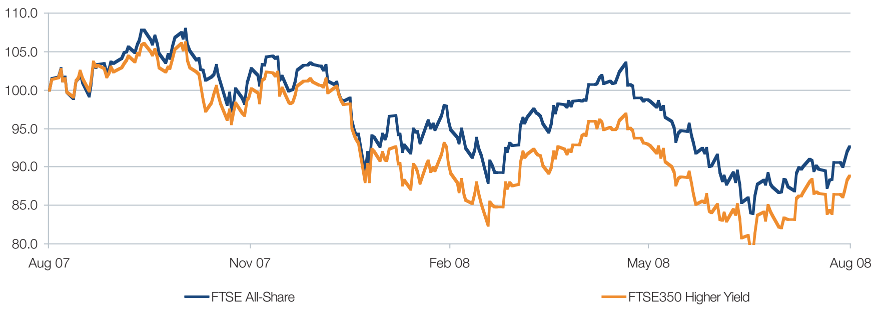
After four years of appreciation, the UK stock market fell substantially in the twelve months to 31 August 2008. Negative factors accumulated throughout the year: concern over the impact of tightening credit was accompanied initially by fear over inflation as oil and commodity prices rose, and then moved later in the year into major dislocations in the finance industry and fears over a global recession. While this has led at times to major share price volatility and unprecedented financial instability – for example after the demise of Lehman Brothers in September – there have been two positive features for the Company.

First, dividend growth above the rate of inflation – the goal of the Company – has still been readily available. Most OECD countries have started to move into a harsher stage of the economic cycle, but UK companies continued to provide shareholders with rising dividends. The Company's income was affected by changes in the portfolio during the year, but overall dividend income rose by over 5%.

Secondly, the driving forces within the UK stock market seemed to change. We mentioned in last year's Review how market gains were dominated by a few sectors, and in particular mining shares. This continued in the first half of the financial year, but later the market uncertainty and the prospect of global slowdown changed investor sentiment. The mining sector reversed earlier gains while previously unloved higher-yielding companies outperformed the market.

This chart shows the performance of the FTSE Actuaries All-Share Index and the FTSE Actuaries 350 Higher Yield Index. The Company's search for income, and our perception of the value available in the higher-yielding companies, has concentrated the portfolio in the latter group which has meant that we have underperformed the former index.

FTSE ACTUARIES ALL-SHARE AND FTSE ACTUARIES 350 HIGHER YIELD INDICES



Source: Schroders
Rebased to 100 at 31 August 2007

Investment Approach

We focus on companies that offer an attractive income profile and a promising business model. The emphasis is on companies with a disciplined use of capital, on the view that this should have a beneficial impact on their operational results in the long-term. This in turn should provide the scope for above-inflation growth in dividends.

The resulting selection of holdings is similar to a year ago. The share price volatility gave us an opportunity to buy consumer shares like Home Retail, Next and Kesa Electricals on valuations that seem materially below their potential, while the holdings in Scottish & Newcastle and Old Mutual were sold after relative price strength. The difficult decision has been in the banks. While the portfolio's exposure has been below that of the index, almost any exposure – particularly after the August year-end – has been painful.

Outlook

Most of the factors noted above have continued at an accelerated trend after the year-end: the stockmarket is materially lower, investors are even more concerned about financial stability and economic slowdown, and lowly-

Investment Manager's Review

valued/high income shares have continued to recover some of the ground lost relative to other shares over the last two years. Governments' attempts to stabilise their banking systems and mitigate the risk of recession are, at the time of writing, largely unproven in their ability to restore calm to the world's stockmarkets.

While this environment must constrain any conviction one may have about the immediate future, we believe that there are positives for the Company. The main one is that this is a world in which there seems to be a strong case for income investing. Alternative sources of income have either low yields (government bonds) or declining yields (interest rates), while a diversified portfolio of high-quality companies, as in the Company, should offer appeal to investors. Many of the holdings lagged the broader indices in the rising market: the shares should now provide protection.

The challenge is for us to monitor these companies' prospects in what will be a harsher trading environment. The scale of their dividend growth in recent years will not be maintained, but we believe that only a deep depression could threaten their ability in aggregate to pay good dividends to shareholders. Further share price weakness would be an opportunity to buy these companies on even higher yields.

Schroders

13 November 2008

Investment Portfolio

As at 31 August 2008

Company	Sector Classification	Principal Activity	Market Value of Holdings £'000	% of Shareholders' Funds
Royal Dutch Shell 'B'	Oil & Gas	Integrated oil company	10,764	7.91
BP	Oil & Gas	Integrated oil company	8,624	6.34
GlaxoSmithKline	Pharmaceuticals & Biotech.	Global pharmaceutical company	8,457	6.21
Astrazeneca	Pharmaceuticals & Biotech.	Global pharmaceutical company	6,659	4.89
HSBC	Financials	Banking and financial services group	6,612	4.86
Vodafone	Mobile Telecommunications	Global mobile telephone provider	5,262	3.87
Imperial Tobacco	Tobacco	International cigarette company	5,089	3.74
RSA Insurance	Non-Life Insurance	Financial services	4,878	3.58
Centrica	Gas Water & Multiutilities	Energy related products	4,612	3.39
Scottish & Southern Energy	Electricity	UK energy company	4,287	3.15
Pearson	Media	International media company	4,111	3.02
Rexam	General Industrials	Consumer packaging group	4,080	3.00
Aviva	Life Insurance	International insurance and financial services	4,027	2.96
BT	Telecommunications	UK fixed line telecommunications provider	3,693	2.71
Unilever	Consumer Goods	International consumer products group	3,651	2.68
Diageo	Beverages	International drinks group	3,350	2.46
National Grid	Gas Water & Multiutilities	Electricity and gas networks	3,133	2.30
British American Tobacco	Consumer Goods	International cigarette company	3,093	2.27
Reed Elsevier	Media	International publishing group	3,055	2.25
IMI	Industrial Engineering	Diversified manufacturing	2,729	2.01
Twenty largest investments			**100,166**	**73.60**
Home Retail	General Retailers	Home and general merchandising retailer	2,531	1.86
BAE Systems	Aerospace & Defence	Global defence company	2,520	1.85
Next	General Retailers	UK fashion and accessories	2,441	1.79
HBOS	Financials	Banking and financial services group	2,379	1.75
Kingfisher	General Retailers	Retail operations	2,196	1.61
United Utilities	Gas Water & Multiutilities	International multi-utility business	2,104	1.54
Barclays	Financials	Banking and financial services group	1,985	1.46
Lloyds TSB	Financials	Banking and financial services group	1,969	1.45
Prudential	Life Insurance	International financial services company	1,872	1.37
Kesa Electricals	General Retailers	Retails consumer electronics	1,856	1.36
Tomkins	General Industrials	Global engineering and manufacturing group	1,655	1.22
Legal & General	Life Insurance	UK financial services group	1,411	1.04
Rentokil Initial	Support Services	International provider of business services	1,398	1.03
Total investments			**126,483**	**92.93**
Net current assets			**9,621**	**7.07**
Total equity shareholders' funds			**136,104**	**100.00**

At 31 August 2007, the twenty largest investments represented 70.83% of shareholders' funds.

Report of the Directors – Incorporating the Business Review

The Directors submit their Report and the Accounts of the Company for the year ended 31 August 2008.

Business Review

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of section 833 of the Companies Act 2006. The Company was established in 1995 and its ordinary shares are listed on the London Stock Exchange.

In order to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). Such approval has been granted from the HM Revenue & Customs for the year ended 31 August 2007 and the Company has subsequently conducted its affairs so as to enable it to continue to qualify for such approval.

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.

Performance

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

Investment Strategy

The Board has delegated management of the Company's portfolio to Schroder Investment Management Limited (the "Manager"). The Manager manages the portfolio with the aim of helping the Company to achieve its investment objectives. Details of the Manager's approach, along with other factors that have affected performance during the year, are set out in the Investment Manager's Review on pages 6 and 7.

Investment Policy

The investment policy of the Company is to invest primarily in above-average yielding UK equities.

If considered appropriate, the Company may use equity related instruments such as convertibles and up to 10% of the portfolio may be invested in bonds.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio on an ongoing basis with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Investment Portfolio on page 8 demonstrates that, as at 31 August 2008, the Manager invested in 33 UK equity investments spread across a range of industry sectors. The Board believes that this diversity achieves the objective of spreading risk.

Gearing

The Company's policy is to permit borrowings up to 25% of shareholders' funds. It is intended that the Manager should have the flexibility to utilise this power in order to maximise potential returns where and to the extent that this is considered appropriate by the Directors.

The Company did not employ any borrowings during the year and the Board does not currently intend that the Company will use long-term borrowings. However the Company may from time to time utilise short-term borrowings.

Report of the Directors – Incorporating the Business Review

Measuring Success – Key Performance Indicators ("KPIs")

KPIs are the method through which the Board measures the development and success of the Company's business. The Board considers achievement of the Company's investment objectives as stated above to be the most significant KPI for the Company.

In order to allow the Board to measure performance against the Company's investment objectives, the Board is provided with quarterly reports from the Manager. These reports provide commentary on markets, portfolio activity, performance and strategy, including the impact of stock selection decisions and other attribution analysis, together with the outlook for the portfolio and markets. This information forms the basis of discussions at each Board meeting. On a regular basis, the Board also reviews the investment approach and processes of the Manager and considers reports from its broker on the perception of shareholders and the market on the Manager's performance and the Company's strategy, together with statistics on peer group performance.

A full analysis of the Company's performance for the year under review and over the longer-term, together with the portfolio sector distribution relative to the FTSE Actuaries All-Share Total Return Index as at 31 August 2008, can be found on pages 2 and 3 of this Report.

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business together with a robust framework of internal control which is designed to monitor those risks and to provide a system to enable the Directors to mitigate those risks as far as possible. A full analysis of the Director's system of internal control is set out in the Corporate Governance Statement on page 17. The principal risks to the business are considered to be as follows:

Market Risk

The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in UK stock markets would have an adverse impact on the market value of the Company's underlying investments. The Board considers the risk profile of the portfolio at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact arising from substantial changes in markets. Further details may be found in note 26 to these accounts on page 36.

Discount

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

Regulatory Risks

The regulatory environment in which the Company operates is increasingly complex and the Company faces a number of regulatory risks. A breach of section 842 of the United Kingdom Income and Corporation Taxes Act 1988 could result in the Company being subject to capital gains tax on the sale of portfolio investments. Breaches of other regulations such as the UK Listing Authority's Listing Rules could lead to a number of detrimental outcomes and damage the Company's reputation.

Resources

The Company has no employees; its investments are managed by Schroders, which also acts as Company Secretary and provides accounting and administration services to the Company. The principal terms of the Investment Management Agreement are set out on page 13.

Environmental Policy

As an investment trust, the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement on page 20.

Report of the Directors – Incorporating the Business Review

Dividend Policy

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

For the year ended 31 August 2008, the Directors have declared ordinary dividends amounting to 8.70 pence per share (2007: 8.10 pence per share).

Net Asset Value

Over the year under review the net asset value per share of the Company decreased from 235.71 pence to 198.15 pence per share.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors at 31 August 2008 (2007: nil).

Purchase of Own Shares

The total number of shares in issue on 31 August 2008 was 68,688,343. At the Annual General Meeting held on 19 December 2007, an authority for the Directors to purchase up to 14.99% of the issued share capital of the Company was renewed by shareholders. The Directors wish to renew the authority to purchase ordinary shares at the forthcoming Annual General Meeting. Accordingly, a resolution authorising the Directors to purchase up to 14.99% of the share capital in issue on 13 November 2008 will be proposed at the forthcoming Annual General Meeting for which notice is given on page 39.

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy-back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. Purchases will only be made if the Directors 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. This authority will lapse at the conclusion of the Company's Annual General Meeting in 2009 unless renewed earlier.

The Company is also permitted to purchase up to 5% of its own issued shares and hold those shares in treasury. These shares may then be reissued or cancelled at a future date rather than simply cancelled at the time of acquisition. Any shares held in treasury for 12 months will be cancelled.

The Company purchased 2,999,000 shares for cancellation during the year ended 31 August 2008. No shares were purchased for holding in Treasury during the year.

Issues of Shares and Disapplication of Pre-emption Rights

At the 2007 Annual General Meeting the Directors were given powers to allot new ordinary shares or shares held in treasury for cash other than pro rata to existing shareholders. The Directors wish to renew these powers at the forthcoming Annual General Meeting. Accordingly, resolutions 10 and 11 as set out in the Notice of Meeting on page 39 will be proposed as an ordinary and a special resolution respectively which, if passed, will give the Directors power to allot ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £343,441 (equivalent to 3,434,417 ordinary shares of 10p and 5% of the Company's existing issued ordinary share capital at 13 November 2008), as if section 89(1) of the Companies Act 1985 did not apply. These authorities will lapse unless renewed at the Company's Annual General Meeting in 2009.

Report of the Directors – Incorporating the Business Review

The Directors intend to use the authority to issue shares whenever they believe it is advantageous both to new investors and to the Company's existing shareholders to do so. The authority will only be used to issue shares at a premium to net asset value at the time of issue.

Directors and their Interests

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

In accordance with the Company's Articles of Association, Mr Ian Barby will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. In addition, Sir Paul Judge, Mr Peregrine Banbury and Mr Niven retire in accordance with the Company's policy on tenure, having each served as non-executive Directors for more than nine years, and, being eligible, offer themselves for re-election. The Board has assessed the independence of all Directors. Sir Paul Judge and Mr Banbury are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years. Mr Niven is not considered to be independent.

The Board supports the re-elections of Sir Paul Judge, Mr Banbury, Mr Barby and Mr Niven, as it considers that each of these Directors continue to demonstrate commitment to their role and provide a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections.

In addition, the election of Mr David Causer as an additional non-executive Director will be proposed at the Annual General Meeting. Mr Causer's biographical details can be found in the Chairman's Statement on page 5. The Board supports the election of Mr Causer whom it considers has the necessary skills and experience to make a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of his election.

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 August 2008, all of which were beneficial, were as follows:

Director	Ordinary shares of 10p each 31 August 2008	Ordinary shares of 10p each 1 September 2007
Sir Paul Judge	**1,000**	1,000
Peregrine Banbury	**1,000**	1,000
Ian Barby	**100,000**	100,000
Keith Niven	**72,987**	73,210
Peter Readman	**Nil**	Nil

Following the financial year end, Mr Niven's shareholding has increased to 79,875 ordinary shares of 10 pence each. There have been no other changes to the above holdings between the end of the financial year and the date of this Report.

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Legal & General plc	2,917,768	4.2%

The Directors are also aware that 30,959,284 ordinary shares, representing 45.1% of voting rights attaching to the Company's issued share capital, were held by investors in the Schroder PEP/ISA scheme at 13 November 2008.

Report of the Directors – Incorporating the Business Review

Investment Manager

During the year under review the Board considered the services provided by the Investment Manager, Schroder Investment Management Limited. The Board continues to consider that the Manager provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objective. The Board therefore considers that the Manager's continued appointment under the terms of the current Investment Management Agreement, further details of which are set out below, remains in the interests of shareholders as a whole.

The Investment Manager provides investment management and company secretarial services to the Company pursuant to an Investment Management Agreement. This Agreement can be terminated by either party on 12 months' written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. At the date of this Report, no such notice had been given.

During the year ended 31 August 2008, the Investment Manager was entitled to a fee at the rate of 10% of the net revenue return for the year after taxation plus 0.375% on assets up to and including £75 million, 0.35% on the next £50 million, and 0.325% on assets in excess of £125 million.

With effect from 1 September 2000, a performance fee was introduced. The fee is symmetrical in nature, so that the Manager is rewarded for out-performance but penalised for under-performance. The performance fee, or rebate, is based on the Company's net asset value total return compared with the total return of the FTSE Actuaries All-Share Index over a rolling three-year period and is subject to a cap of 25% of the asset-based management fee for the year then ended. The performance fee, or rebate, is calculated and paid annually. The fee, or rebate, in respect of any period will be calculated as 5% of the value (based on opening net assets for the relevant period) of the out-performance, or under-performance, of the Company's net asset value over the return on the FTSE Actuaries All-Share Index, with performance measured in terms of total return. For the year ended 31 August 2008, the Company was entitled to a performance fee rebate amounting to £120,000 (2007: rebate of £172,000 including VAT).

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

Independent Auditors

The Company's Auditors, Deloitte & Touche LLP, have expressed their willingness to remain in office and a resolution to re-appoint them as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee has adopted a policy on the engagement of the Auditors to supply non-audit services to the Company. The Company did not incur any costs for non-audit services during the year under review (2007: £Nil).

Provision of Information to the Auditors

The Directors at the date of approval of this report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Annual General Meeting

The Annual General Meeting will be held at 3.30 pm on Thursday, 11 December 2008. The Notice of Meeting is set out on page 39.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

13 November 2008

Directors' Remuneration Report

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

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £100,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. The Directors' fees are renewed annually. With effect from 1 September 2007, Directors' fees were increased to £15,000 per annum, the Audit Committee chairman's fees were increased to £17,500 per annum and the Chairman's fees were increased to £20,000 per annum. An ordinary resolution will be proposed at the Annual General Meeting pursuant to Article 98 of the Company's Articles of Association to increase the maximum aggregate fees payable to Directors to £125,000 per annum.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of them. No element of Directors' remuneration is performance-related.

The Board believes that the principles of Provision B of the Combined Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

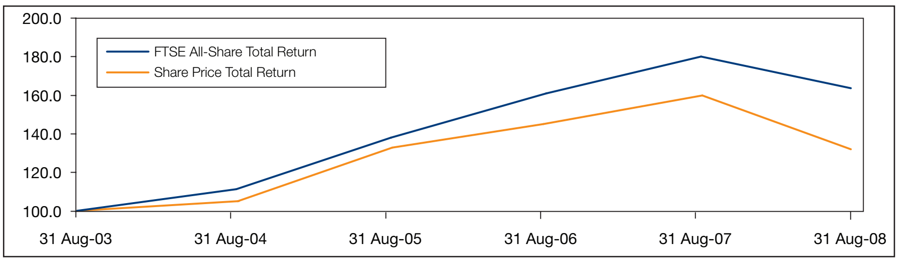
No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The Directors' terms of appointment are available for inspection at the Company's Registered Office address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

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

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

Performance Graph

A graph showing the Company's share price total return compared with the FTSE Actuaries All-Share Total Return Index, over the last five years, is set out below.



Source: Share Price Total Return from Fundamental Data. FTSE Actuaries All-Share Total Return from Thomson Datastream, (data rebased to 100 at August 2003).

Directors' Remuneration Report

Remuneration

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

Director	**For the year ended 31 August 2008**	For the year ended 31 August 2007
Sir Paul Judge	**£20,000**	£18,500
Peregrine Banbury	**£17,500**	£14,000
Ian Barby	**£15,000**	£14,000
Keith Niven	**£15,000**	£14,000
Peter Readman	**£15,000**	£14,000
	£82,500	£74,500

The information in the above table has been audited (see the Independent Auditors' Report on pages 21 and 22).

By Order of the Board
Schroder Investment Management Limited
Company Secretary
13 November 2008

Statement of Directors' Responsibilities

The Directors are responsible for preparing accounts for each financial year which 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, and are in accordance with applicable United Kingdom law and Generally Accepted Accounting Principles (UK GAAP).

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Company consist predominantly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error, other irregularities and non-compliance with laws and regulations.

The Directors believe that they have complied with these responsibilities.

The Directors, who are listed on the inside front cover of this report, each confirm to the best of their knowledge that

- the accounts are prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- this annual report includes a fair view 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 they face.

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the 2006 Combined Code (the "Code").

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities set out on page 16, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of the Code, save in respect of the appointment of a senior independent Director, where departure from the Code is considered appropriate given the Company's position as an investment trust. The Board has considered whether a senior independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a senior independent Director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of the Code's Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Role of the Board

The Board determines and monitors the Company's investment objectives and policy, and considers the future strategic direction of the Company. Matters specifically reserved for decision by the Board have been adopted. The Board is responsible for presenting a balanced and understandable assessment of the Company's position and, where appropriate, future prospects in annual and interim reports and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, *inter alia*, for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees are available on the Company's website at www.schroderincomegrowthfund.com. Details of membership of the Committees at 31 August 2008 may be found on the inside front cover of this report and information regarding attendance at Committee Meetings during the year under review may be found on page 19.

Audit Committee

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

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2008 and considered the annual accounts and half-yearly accounts, the external Auditors' year-end reports and management letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Management Engagement Committee

The role of the Committee is to review the terms of the management contract with the Investment Manager. In

Corporate Governance

addition, the Committee reviews Directors' fees and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2008 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

The role of the Committee is to consider and make recommendations to the Board on its composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board. The Board considers each member of the Committee, with the exception of Mr Niven, to be independent.

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2008 and considered an evaluation of the balance of skills and expertise of the Board, succession planning, the selection of suitable candidates for a new Director and arrangements for candidates to be interviewed.

The Committee did not believe that it was necessary to approach an external consultancy or use open advertising in considering the appointment of a non-executive Director, as the calibre of candidates found from sources from within the Company was sufficiently high.

Composition and Independence

The Board currently consists of five non-executive Directors. The biography of each serving Director, including their age and length of service, may be found on the inside front cover of this Report. The Board considers each of the Chairman, Peregrine Banbury, Ian Barby and Peter Readman to be independent of the Company's Investment Manager. Keith Niven is not considered to be independent by virtue of his previous relationship with the Investment Manager and his position as a Director on the Board of another investment trust managed by Schroders. The independence of each Director is considered on a continuing basis.

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

The Board is satisfied that it is of sufficient size, with an appropriate balance of skills and experience, and that no individual or group of individuals is, or has been, in a position to dominate decision-making.

Tenure

The Board has adopted a policy on tenure that is considered appropriate for an investment trust. The independence of Directors is assessed on a case by case basis. The Directors do not consider that length of service by itself leads to a closer relationship with the Investment Manager, or that it necessarily affects a Director's independence. In order to give shareholders the opportunity to endorse this policy, and in accordance with the provisions of the Code, any Director who has served for more than nine years will be subject to annual re-election by shareholders.

Induction and Training

When a Director is appointed he or she receives a full, formal and tailored induction, which is administered by the Company Secretary. Directors are thereafter provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise. In addition, other advisers to the Company provide relevant reports to the Board from time to time. Directors may attend ad hoc seminars and events covering issues and developments relevant to the investment trust industry.

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation took place in July 2008. The evaluation takes place in two stages. First, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is

Corporate Governance

led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

The Board has developed evaluation criteria which focuses on each Director's individual contribution to the Board and its Committees and the responsibilities, composition and agenda of the Committees and the Board as a whole.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation.

Meetings and Attendance

The Board meets at least five times each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the five scheduled Board meetings and at Committee meetings held during the year under review is set out in the table below.

Directors' Attendance at Meetings

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Paul Judge	5/5	2/2	2/2	1/1
Ian Barby	5/5	2/2	2/2	1/1
Peregrine Banbury	4/5	1/2	1/2	1/1
Keith Niven	5/5	N/A	2/2	N/A
Peter Readman	5/5	2/2	2/2	1/1

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

Information Flows

The Chairman ensures that all Directors receive, in a timely manner, relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. Accordingly, the Board receives and considers regular reports from the Investment Manager and other key advisers, supplemented by ad hoc reports and information as required.

Directors' and Officers' Liability Insurance

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

Directors' Indemnities

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

Relations with Shareholders

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

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report and Accounts is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by all Directors and proceedings include a presentation by the Investment Manager. There is an

Corporate Governance

opportunity for individual shareholders to question the chairmen of the Board, Audit and Management Engagement Committees at the Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and on the Company's website as soon as reasonably practicable after the meeting.

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

Environmental Policy

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

Exercise of Voting Powers

The Company has delegated responsibility for voting to Schroders, which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website.

Internal Control

The Code requires the Board to conduct at least annually a review of the adequacy of the Company's systems of internal control and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance for Directors on the Combined Code, as revised in October 2005 (the "Turnbull Guidance"), under which the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually.

The Board believes that the key risks identified and the implementation of a continuing system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. Risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified during the course of the year and up to the date of this report, from the Board's continuing risk assessment.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The Company does not have an internal audit function as it employs no staff and delegates to third parties most of its operations. The Board will continue to monitor its system of internal control and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

Independent Auditors' Report[1]

To the Shareholders of Schroder Income Growth Fund plc

We have audited the accounts of Schroder Income Growth Fund plc for the year ended 31 August 2008 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Principles) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the accounts.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Business Review[1]. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the

Independent Auditors' Report[1]

part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Principles, of the state of the Company's affairs as at 31 August 2008 and of its loss for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the accounts.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

13 November 2008

[1] The report and accounts are published on the Company's website, www.schroderincomegrowthfund.com. The maintenance and integrity of the website maintained by the Company is the responsibility of the Company. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website or any other website upon which the report and accounts may be published and accordingly, the Auditors accept no responsibility for any changes that have occurred to the report and accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the report and accounts may differ from legislation in their jurisdiction.

Income Statement

	Note	Year to 31 August 2008 Revenue £'000	Capital £'000	Total £'000	Year to 31 August 2007 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	2	–	(28,419)	(28,419)	–	10,405	10,405
Income	3	7,061	349	7,410	6,730	428	7,158
Investment management fee	4	(566)	(566)	(1,132)	(693)	(693)	(1,386)
VAT recoverable	4	550	550	1,100	–	–	–
Performance fee rebate	5	–	120	120	–	172	172
Administrative expenses	6	(230)	–	(230)	(198)	–	(198)
Net return/(loss) before finance costs and taxation		6,815	(27,966)	(21,151)	5,839	10,312	16,151
Interest payable and similar charges	7	(2)	–	(2)	(7)	–	(7)
Net return/(loss) on ordinary activities before taxation		6,813	(27,966)	(21,153)	5,832	10,312	16,144
Taxation on ordinary activities	8	4	–	4	(4)	–	(4)
Net return/(loss) attributable to equity shareholders		6,817	(27,966)	(21,149)	5,828	10,312	16,140
Net return/(loss) per ordinary share	10	9.83p	(40.33)p	(30.50)p	8.10p	14.34p	22.44p

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

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 27 to 38 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Note	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
At 31 August 2006		7,269	1,611	7,404	42,979	1,596	94,140	5,196	160,195
Net return on ordinary activities		–	–	–	–	–	10,312	5,828	16,140
Ordinary dividends paid	9	–	–	–	–	–	–	(5,188)	(5,188)
Purchase of shares for cancellation		(100)	100	–	(2,172)	–	–	–	(2,172)
At 31 August 2007		7,169	1,711	7,404	40,807	1,596	104,452	5,836	168,975
At 31 August 2007		7,169	1,711	7,404	40,807	1,596	104,452	5,836	168,975
Net return on ordinary activities		–	–	–	–	–	(27,966)	6,817	(21,149)
Ordinary dividends paid	9	–	–	–	–	–	–	(5,878)	(5,878)
Purchase of shares for cancellation		(300)	300	–	(5,844)	–	–	–	(5,844)
At 31 August 2008		**6,869**	**2,011**	**7,404**	**34,963**	**1,596**	**76,486**	**6,775**	**136,104**

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

The notes on pages 27 to 38 form an integral part of these accounts.

Balance Sheet

	Note	At 31 August 2008 £'000	At 31 August 2007 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	126,483	166,572
		126,483	166,572
Current assets			
Debtors	12	2,537	1,491
Cash at bank and short-term deposits		7,588	1,357
		10,125	2,848
Current liabilities			
Creditors – amounts falling due within one year	13	(504)	(445)
Net current assets		9,621	2,403
Net assets		136,104	168,975
Capital and reserves			
Called up share capital	15	6,869	7,169
Capital redemption reserve	16	2,011	1,711
Share premium account	17	7,404	7,404
Share purchase reserve	18	34,963	40,807
Warrant exercise reserve	19	1,596	1,596
Capital reserve	20	76,486	104,452
Revenue reserve	21	6,775	5,836
Equity shareholders' funds		136,104	168,975
Net asset value per ordinary share	22	198.15p	235.71p

The accounts were approved by the Board of Directors on 13 November 2008 and signed on its behalf by:

Sir Paul Judge
Chairman

The notes on pages 27 to 38 form an integral part of these accounts.

Cash Flow Statement

	Note	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Operating activities			
Dividends and interest received from investments		**7,233**	6,752
Interest received on deposits		**179**	240
Investment management fee paid		**(1,037)**	(1,390)
Performance fee received		**172**	163
Administrative expenses paid		**(265)**	(176)
Net cash inflow from operating activities	**23**	**6,282**	5,589
Servicing of finance			
Bank overdraft interest paid		**(3)**	(7)
Net cash outflow from servicing of finance		**(3)**	(7)
Taxation			
Overseas tax paid		**–**	(6)
Tax reclaim received		**4**	2
Total tax received/(paid)		**4**	(4)
Investment activities			
Acquisition of investments		**(48,752)**	(72,267)
Disposal of investments		**60,422**	71,382
Net cash inflow/(outflow) from investment activities		**11,670**	(885)
Equity dividends paid		**(5,878)**	(5,188)
Net cash inflow/(outflow) before financing		**12,075**	(495)
Financing			
Purchase of shares for cancellation		**(5,844)**	(2,162)
Net cash outflow from financing		**(5,844)**	(2,162)
Net cash inflow/(outflow)		**6,231**	(2,657)

Reconciliation of net cash flow to movement in net funds

	For the year ended 31 August 2008	For the year ended 31 August 2007
Net cash inflow/(outflow)	**6,231**	(2,657)
Net funds at 1 September	**1,357**	4,014
Net funds at 31 August	**7,588**	1,357

The notes on pages 27 to 38 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 31 August 2008, are unchanged from 2007, and are set out below.

a – Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies" issued in January 2003 and revised in December 2005 by the Association of Investment Companies (AIC).

The Company has adopted FRS 29: 'Financial Instruments: disclosures' for the first time in these accounts. FRS 29 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in note 26 on pages 36 to 38.

b – Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the income Statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

c – Income

Dividends receivable from equity shares are taken to revenue on an ex-dividend basis, except where in the opinion of the Directors, the dividend is capital in nature in which case it is taken to capital. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital reserve.

Interest receivable from bank deposits and other income is recognised on an accruals basis.

d – Expenses and interest payable

All expenses, including the investment management fee and interest payable are accounted for on an accruals basis.

The investment management fee and finance costs are apportioned equally between revenue and capital. Performance fee rebates and charges are allocated entirely to capital as they are primarily attributable to the capital performance of the Company's investments.

All other expenses are charged through revenue except those expenses incidental to the acquisition or disposal of investments which are charged to capital. This allocation is in accordance with the Board's expected long term split of returns in the form of capital and income profits respectively.

e – Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value is assumed to be the bid value of investments at the close of business on the relevant date.

Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

f – Foreign exchange

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling at the date of such transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, and the resulting gains or losses are taken to capital.

g – Taxation

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply to the period when the asset is realised of the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required by section 842 of the Income and Corporation Taxes Act 1988 to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

h – Dividends payable

Under FRS 21 final dividends should not be accrued in the accounts unless they have been approved by shareholders before the Balance Sheet date. Interim dividends should not be accrued in the accounts unless they have been paid.

Notes to the Accounts

i – Capital Reserve
The following are accounted for in this reserve:
- gains and losses on the realisation of Investments;
- increases and decreases in the valuation of investments held at the year end;
- other capital charges and credits charged to this account in accordance with the above policies.

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

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

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

2. (Losses)/gains on investments held at fair value

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Net (loss)/gain on disposal of investments held at fair value	**(5,178)**	14,533
Unrealised depreciation of investments arising during the year	**(23,241)**	(4,128)
	(28,419)	10,405

3. Income

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Income from investments:		
UK franked dividend income	**6,858**	6,467
UK unfranked dividend income	**–**	39
	6,858	6,506
Interest on deposits	**203**	224
	7,061	6,730
Allocated to capital:		
UK special dividend income	**349**	428
	7,410	7,158

Notes to the Accounts

4. Investment management fee

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Management fee		
– charged to revenue	**566**	590
– charged to capital	**566**	590
– irrecoverable VAT on management fee	**–**	206
	1,132	1,386
Backdated VAT recoverable (see note 25)		
– revenue	**(550)**	–
– capital	**(550)**	–
	(1,100)	–

Following agreement by HM Revenue & Customs (HMRC) in November 2007, management fees invoiced after this date have not incurred a VAT charge.

The bases for calculating the investment management fee and the performance fee are set out in the Report of the Directors on page 13.

5. Performance fee rebate

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Performance fee		
– rebate to capital	**(120)**	(146)
– irrecoverable VAT on performance fee	**–**	(26)
	(120)	(172)

6. Administrative expenses

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Allocated to revenue:		
General expenses	**128**	103
Directors' fees	**83**	75
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**19**	20
	230	198

Notes to the Accounts

7. Interest payable

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Bank overdraft interest payable	2	7
	2	7

8. Taxation

(a) Analysis of charge in the year:

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Irrecoverable overseas tax	(4)	4
Total current taxation (note 8 (b))	(4)	4

(b) Factors affecting tax charge for the year

Approved investment trust companies are exempt from tax on capital gains within the Company.

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

	For the year ended 31 August 2008			For the year ended 31 August 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before tax	6,813	(27,966)	(21,153)	5,832	10,312	16,144
Net return on ordinary activities multiplied by standard rate of:						
corporation tax in the UK of 30% (2007: 30%)	1,192	(4,894)	(3,702)	1,750	3,094	4,844
corporation tax in the UK of 28%* (2007: 30%)	795	(3,263)	(2,468)	–	–	–
Effects of:						
UK Franked dividends**	(2,000)	(102)	(2,102)	(1,940)	(128)	(2,068)
Capital returns on investments**	–	8,289	8,289	–	(3,122)	(3,122)
Management and performance fees capitalised	–	–	–	–	156	156
Expenses not deductible for tax purposes	1	–	1	5	–	5
Utilisation of excess management expenses	–	(30)	(30)	–	–	–
Expenses not utilised in the year	12	–	12	185	–	185
Irrecoverable overseas tax	(4)	–	(4)	4	–	4
Current tax charge for the year (note 8(a))	(4)	–	(4)	4	–	4

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

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

(c) Provision for deferred tax

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

(d) Factors that may affect future tax charges

The Company has deferred tax assets in respect of unutilised management expenses of £2,920,000 (2007: £3,145,000) and eligible unrelieved foreign tax of £6,000 (2007: £6,000) which have not been recognised as it is not certain that the Company will have sufficient profits in the future to utilise these amounts.

Notes to the Accounts

9. Dividends

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Amounts recognised as distributions in the period:		
Fourth interim dividend of prior year of 3.60p (2006: 2.70p)	**2,581**	1,963
First interim dividend of 1.60p (2007: 1.50p)	**1,099**	1,075
Second interim dividend of 1.60p (2007: 1.50p)	**1,099**	1,075
Third interim dividend of 1.60p (2007: 1.50p)	**1,099**	1,075
Total dividends of 8.40p (2007: 7.20p)	**5,878**	5,188

The first interim dividend of 1.60 pence per share (2007: 1.50 pence per share) was paid on 68,688,343 (2007: 71,687,343) ordinary shares in issue.

The second interim dividend of 1.60 pence per share (2007: 1.50 pence per share) was paid on 68,688,343 (2007: 71,687,343) ordinary shares in issue.

The third interim dividend of 1.60 pence per share (2007: 1.50 pence per share) was paid on 68,688,343 (2007: 71,687,343) ordinary shares in issue.

The fourth interim dividend of prior year of 3.60 pence per share (2007: 2.70 pence per share) was paid on 71,687,343 (2007: 72,687,343) ordinary shares in issue.

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

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
First interim dividend of 1.60p (2007: 1.50p)	**1,099**	1,075
Second interim dividend of 1.60p (2007: 1.50p)	**1,099**	1,075
Third interim dividend of 1.60p (2007: 1.50p)	**1,099**	1,075
Fourth interim dividend of 3.90p (2007: 3.60p)	**2,679**	2,581
Total dividends of 8.70p (2007: 8.10p)	**5,976**	5,806

The first interim dividend of 1.60 pence per share (2007: 1.50 pence per share) was paid on 68,688,343 (2007: 71,687,343) ordinary shares in issue.

The second interim dividend of 1.60 pence per share (2007: 1.50 pence per share) was paid on 68,688,343 (2007: 71,687,343) ordinary shares in issue.

The third interim dividend of 1.60 pence per share (2007: 1.50 pence per share) was paid on 68,688,343 (2007: 71,687,343) ordinary shares in issue.

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

Notes to the Accounts

10. Return (Loss) per ordinary share

	For the year ended 31 August 2008	For the year ended 31 August 2007
Revenue (£'000)	**6,817**	5,828
Capital (£'000)	**(27,966)**	10,312
Total (£'000)	**(21,149)**	16,140
Weighted average number of shares	**69,343,862**	71,935,288
Revenue	**9.83p**	8.10p
Capital	**(40.33)p**	14.34p
Total	**(30.50)p**	22.44p

11. Investments held at fair value through profit or loss

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	**149,678**	134,192
Acquisitions at cost	**48,752**	71,493
Proceeds of disposals	**(60,422)**	(70,540)
Net (loss)/gain realised on disposals	**(5,178)**	14,533
Book cost at 31 August	**132,830**	149,678
Unrealised (depreciation)/appreciation of investments	**(6,347)**	16,894
Valuation of investments at 31 August	**126,483**	166,572

All investments are listed on a recognised stock exchange.

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

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
On acquisitions	**283**	446
On disposals	**378**	99
	661	545

Notes to the Accounts

12. Debtors

	At 31 August 2008 £'000	At 31 August 2007 £'000
Amounts receivable within one year:		
Accrued income	**1,305**	1,307
Prepaid expenses	**132**	184
VAT recoverable (note 25)	**1,100**	–
	2,537	1,491

13. Creditors

	At 31 August 2008 £'000	At 31 August 2007 £'000
Amounts payable within one year:		
Accrued expenses	**504**	445
	504	445

14. Contingent Liabilities

The Company had no contingent liabilities at the balance sheet date (2007: £nil).

15. Called up share capital

	At 31 August 2008 £'000	At 31 August 2007 £'000
Authorised: 312,500,000 ordinary shares of 10p each	**31,250**	31,250
Allotted, Called up and Fully paid:		
Opening balance of 71,687,343 ordinary shares (2007: 72,687,343) of 10p each	**7,169**	7,269
Transfer to capital redemption reserve on purchase of 2,999,000 (2007: 1,000,000) shares for cancellation (note 16)	**(300)**	(100)
68,688,343 ordinary shares (2007: 71,687,343) of 10p each	**6,869**	7,169

16. Capital redemption reserve

	At 31 August 2008 £'000	At 31 August 2007 £'000
Balance brought forward	**1,711**	1,611
Transfer from share capital (note 15)	**300**	100
Balance carried forward	**2,011**	1,711

Notes to the Accounts

17. Share premium account

	At 31 August 2008 £'000	At 31 August 2007 £'000
Balance brought forward and carried forward	**7,404**	7,404

18. Share purchase reserve

	At 31 August 2008 £'000	At 31 August 2007 £'000
Balance brought forward	**40,807**	42,979
Purchase of 2,999,000 (2007: 1,000,000) ordinary shares for cancellation	**(5,844)**	(2,172)
Balance carried forward	**34,963**	40,807

19. Warrant exercise reserve

	At 31 August 2008 £'000	At 31 August 2007 £'000
Balance brought forward and carried forward	**1,596**	1,596

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

20. Capital reserve

	Realised £'000	Unrealised £'000	Total £'000
Balance brought forward at 31 August 2007	**87,558**	**16,894**	**104,452**
Transfer of brought forward unrealised reserve*	**16,894**	**(16,894)**	**–**
(Losses)/gains on investments held at fair value	**(28,419)**	**–**	**(28,419)**
Investment income taken to capital	**349**	**–**	**349**
Performance fee rebate	**120**	**–**	**120**
Investment management fee	**(16)**	**–**	**(16)**
Balance carried forward at 31 August 2008	**76,486**	**–**	**76,486**

*Under a technical release issued by the ICAEW Tech 01/08 "Distributable Profits – Implications of Recent Accounting Changes", the definition of realised profits as originally defined in Tech 7/03 for Investment Companies has been amended to the extent that under fair value accounting, any mark to market gains and losses at the balance sheet date will be carried to realised rather than unrealised reserves, provided that the gains and losses recognised are deemed to be readily realisable to cash. Accordingly, the brought forward unrealised reserve balance has been transferred to the realised reserve, with subsequent increases and decreases in the valuation of investments at the year-end being included within Capital reserve – realised, rather than Capital reserve – unrealised.

Notes to the Accounts

21. Revenue reserve

	At 31 August 2008 £'000	At 31 August 2007 £'000
Balance brought forward	**5,836**	5,196
Dividends paid	**(5,878)**	(5,188)
Net revenue return for the year	**6,817**	5,828
Balance carried forward	**6,775**	5,836

22. Net asset value per ordinary share

	At 31 August 2008 £'000	At 31 August 2007 £'000
Net asset value per ordinary share	**198.15p**	235.71p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £136,104,000 (2007: £168,975,000) and 68,688,343 (2007: 71,687,343) ordinary shares in issue at the year-end.

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

	For the year ended 31 August 2008 £'000	For the year ended 31 August 2007 £'000
Net return before finance costs and taxation	**(21,151)**	16,151
Losses/(gains) on investments held at fair value	**28,419**	(10,405)
Decrease/(increase) in accrued income	**2**	(166)
Increase in prepayments	**(1,048)**	(11)
Increase in accrued expenses excluding interest	**60**	20
Net cash inflow from operating activities	**6,282**	5,589

24. Related party transactions

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

Details of the management arrangements for these services are given in the Report of the Directors on page 13. The total management fee payable under this agreement to Schroders in respect of the year ended 31 August 2008 was £1,132,000 (2007: £1,386,000), of which £441,000 (2007: £347,000) was outstanding at the year end.

In addition to the above services, Schroders also provided investment trust dealing services. The total cost to the Company for this service, payable to Equiniti Limited, for the year ended 31 August 2008 was £3,000 (2007: £3,000).

With effect from 1 September 2000, an annual performance fee was introduced. The fee is symmetrical in nature, so that the Manager will be rewarded for out-performance but penalised for under-performance. Details of the performance fee arrangements are given in the Report of the Directors on page 13. The total performance fee rebate under this agreement payable by Schroders in respect of the year ended 31 August 2008 was £120,000 (2007: £172,000 rebate paid by Schroders).

Notes to the Accounts

25. Contingent asset

In June 2007 the European Court of Justice (ECJ) ruled that investment trusts are exempt from VAT on management fees. HM Revenue & Customs (HMRC) have accepted the ruling.

The Manager has submitted a claim to HMRC in respect of periods from April 2001 to October 2007 which fall within the scope of the ECJ ruling and during which VAT was collected from the Company by the Manager. The Company expects to recover VAT of at least £1,100,000 (excluding any simple interest) paid on Management fees for the period April 2001 to October 2007. As a consequence and as a result of the initial audit undertaken by HMRC of the Company's records, an amount of £1,100,000 has been recognised in these accounts.

There are two further periods, 1994-96 and 1996-2001, for which further recovery may be achieved but this remains uncertain, and no recognition has been made in these accounts.

26. Financial Instruments

Risk management policies and procedures

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

Consistent with that objective, the Company's financial instruments largely comprise UK equity investments. In addition, the Company holds cash and short term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of potential revenue profits available for dividend. The Company does not enter into derivative contracts.

As an investment trust, the Company invests in securities for the long term. Accordingly, it is the Company's policy that no short term trading in investments or other financial instruments shall be undertaken. The main risk arising from the Company's financial instruments is market price risk. The Board reviews and agrees policy for managing this risk, as summarised below. This policy has remained substantially unchanged throughout the current and preceding year.

1. Market Risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – price risk, interest rate risk and currency risk. The Company's investment manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

a. Price Risk

The Company's exposure to other price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on page 8. Investments are valued in accordance with the Company's accounting policies as stated in note 1. Uncertainty arises as a result of future changes in the market prices of the Company's equity investments.

Management of the risk

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and comparable investment trusts. The Company does not generally hedge against the effect of changes in the underlying prices of the investments, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board.

Other price risks exposure

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

	31 August 2008 £'000	31 August 2007 £'000
Non-current asset investments at fair value through profit or loss	**126,483**	166,572

Concentration of exposure to price risk

Although there is a concentration of exposure to the UK, it should be noted that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Notes to the Accounts

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	31 August 2008		31 August 2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	(21)	21	(27)	27
Effect on capital return	12,628	(12,628)	16,630	(16,630)
Effect on total return and on net assets	12,607	(12,607)	16,603	(16,603)
Change in net asset value	9.2%	(9.2%)	9.8%	(9.8%)

b. Interest Rate Risk

Although the majority of the Company's financial assets are equity shares, which pay dividends, not interest, the Company will be affected by interest rate changes as interest is earned on any cash balances and paid on any overdrawn balances and is based at a margin over LIBOR. Given the interest rate risk exposure noted below, the impact of any interest rate change is not considered to be significant and as such, no sensitivity analysis has been provided. Interest rate changes will also have an impact on the valuation of equities, although this forms part of price risk, which has already been considered separately, above.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

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

	31 August 2008 £'000	31 August 2007 £'000
Financial Assets:		
Cash at bank	7,588	1,357
	7,588	1,357

The above year-end amounts may not be representative of the exposure to interest rates in the year ahead since the level of cash held during the year will be affected by the strategy being followed in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any particular time. During the year the level of financial assets exposed to interest obligations fluctuated between £10,000 and £11,473,000. At the year end, there were no financial liabilities exposed to interest rates (2007: £nil).

c. Currency Risk

The Company is not subject to a material level of currency risk since, with very occasional exceptions, all of its investments are denominated in sterling.

2. Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

Management of the risk

The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of Schroder Investment Management Limited. These arrangements were in place throughout the current and prior year.

Notes to the Accounts

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

	31 August 2008 £'000	31 August 2007 £'000
Accrued income	**1,305**	1,307
Cash at bank and on deposit	**7,588**	1,357
	8,893	2,664

During the year the deposits were with banks that had ratings of A or higher.

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

3. Liquidity Risk
Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

Management of the risk
The Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

Liquidity risk exposure
A summary of the Company's financial liabilities is provided below.

4. Fair Values of Financial Assets and Financial Liabilities
The Company's financial instruments are stated at their fair values at the year-end. The fair value of shares and securities is based on last traded market prices.

5. Summary of Financial Assets and Financial Liabilities by Category
The carrying amounts of the Company's financial assets and financial liabilities as recognised at the balance sheet date of the reporting periods under review are categorised as follows:

Financial Assets	31 August 2008 £'000	31 August 2007 £'000
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**126,483**	166,572
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable and accrued income)	**2,405**	1,307
Cash at bank and short-term deposits	**7,588**	1,357
	9,993	2,664

Financial Liabilities	31 August 2008 £'000	31 August 2007 £'000
Measured at amortised cost		
Creditors: amounts falling due within one year		
Accruals	**504**	445
	504	445

6. Capital Management Policies and Procedures
The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective, set out on the inside front cover.

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

(i) the planned level of gearing;

(ii) the need to buy back or issue equity shares; and

(iii) the determination of dividend payments.

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

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of section 842 Income and Corporation Taxes Act 1988 and the Companies Act respectively.

These provisions are unchanged since the previous year and the Company has complied with them.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder Income Growth Fund plc will be held at 3.30 p.m. on Thursday, 11 December 2008 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 will be proposed as Ordinary Resolutions and resolutions 11 to 13 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2008.
2. To approve the Directors' Remuneration Report for the year ended 31 August 2008.
3. To elect Mr David Causer as a Director of the Company.
4. To re-elect Mr Ian Barby as a Director of the Company.
5. To re-elect Sir Paul Judge as a Director of the Company.
6. To re-elect Mr Peregrine Banbury as a Director of the Company.
7. To re-elect Mr Keith Niven as a Director of the Company.
8. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.
9. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
   "That the aggregate limit of all fees payable to Directors, as set out in Article 98 of the Company's Articles of Association, be increased to £125,000 per annum".
10. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:
    "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £343,441 (representing 5% of the share capital in issue on 13 November 2008); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
11. To consider and, if thought fit, to pass, the following resolution as a special resolution:
    "That, subject to the passing of Resolution 10 set out above, the Directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (including any shares held in treasury) (as defined in Section 94 of the Act) pursuant to the authority given by Resolution 10 above and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £343,441 (representing 5% of the aggregate nominal amount of the share capital in issue on 13 November 2008); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:
    "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Act, to make market purchases (within the meaning of section 163(3) 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 13 November 2008;
    (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 (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 prior to such time; and
    (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."
13. To consider and, if thought fit, to pass, the following resolution as a special resolution:
    "That the document presented to the meeting and signed by the Chairman for the purposes of identification be and is hereby adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 3008494
13 November 2008

Explanatory Notes including Principal Changes to the Company's Articles of Association

1. Copies of the proposed new Articles of Association detailing changes to the existing Articles of Association are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the Annual General Meeting for at least 15 minutes prior to, and during, the Meeting.

   The principal changes to the Articles of Association are as follows:

   Articles which duplicate statutory provisions

   Provisions in the Current Articles (as defined in the Chairman's Statement) which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles (as defined in the Chairman's Statement). This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

   Form of resolution

   The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

   The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

   Convening extraordinary and annual general meetings

   The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

   Votes of members

   The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The new Articles give the directors discretion, when calculating the time limits, to exclude weekend and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

   Age of directors on appointment

   The Current Articles contain a provision stating that where a general meeting is convened at which, to the knowledge of the board, a director is to be proposed for appointment or reappointment who is at the date of the meeting 70 or more, the board shall give notice of his age in the notice convening the meeting or in a document accompanying the notice. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

   Conflicts of interest

   The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another investment trust (or other company) or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

   There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

   It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

   Notice of board meetings

   Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

   Records to be kept

   The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

   Distribution of assets otherwise than in cash

   The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

   General

   Generally the opportunity has been taken to bring clearer language into the New Articles.

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

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0871 384 2451, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   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 6GT, 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.

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

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

4. 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 9 December 2008, 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 9 December 2008 shall be disregarded in determining the right of any person to attend and vote at the meeting.

5. 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 A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (IDRA19) by the latest time for receipt of proxy appointments.

6. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

7. The biographies of the Directors offering themselves for re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 31 August 2008. David Causer's biography can be found in the Chairman's Statement on page 5.

8. As at 13 November 2008, 68,688,343 ordinary shares of 10 pence were in issue (no shares were held in treasury). Accordingly, the total number of voting rights of the Company as at 13 November 2008 is 68,688,343.

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 13 November 2008, the Company had 68,688,343 ordinary shares of 10p each in issue (no shares were held in treasury). The Company's assets are managed and it is administered by Schroders.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Company's Annual General Meeting in 2010 and thereafter at five yearly intervals.

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

The Company releases its Net Asset Value on both a cum and ex income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on Schroders' 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 PO Box 28448, Finance House, Orchard Brae, Edinburgh, Scotland EH4 1WQ. The helpline telephone number of Equiniti Registrars is 0871 384 2451. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Equiniti maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers.

Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Visit www.shareview.co.uk for more details.

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

Five year Dividend History

	Net dividend paid per share					Payment
	2004	2005	2006	2007	2008	date
1st Interim	1.30p	1.34p	1.40p	1.50p	1.60p	31 January
2nd Interim	1.30p	1.34p	1.40p	1.50p	1.60p	30 April
3rd Interim	1.30p	1.34p	1.40p	1.50p	1.60p	31 July
4th Interim	2.35p	2.50p	2.70p	3.60p	3.90p	31 October
Special	–	0.25p	–	–	–	31 October
Total dividends for the year	6.25p	6.77p	6.90p	8.10p	8.70p	

www.schroderincomegrowthfund.com

Schroders