SCHRODER INCOME GROWTH FUND plc
(Registered Number: 3008494)

UNAUDITED

INTERIM ACCOUNTS

29 February 1996

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29 April 1996

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.

CONTENTS

	Page
Directors	2
Advisers	3
Directors' Report	4
Revenue Account	6
Balance Sheet	7
Notes to the Accounts	8

The Company is a member of the Association of Investment Trust Companies

DIRECTORS

John Hignett (Chairman) *
is a non-executive Director of TI Group plc, Sedgwick Group plc, Alfred McAlpine PLC, The London American Growth Trust plc, where he is Chairman, and The Emerging World Trust Fund Limited. He was previously a Director of Glaxo Holdings plc and, before that, of Lazard Brothers & Co. Limited. He is a former Director-General of the Takeover Panel.

Peregrine Banbury *
is head of Asset Management at Coutts & Co. Limited. He has an extensive investment 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. He is a Director of Exeter Preferred Capital Investment Trust PLC and of the Securities Institute.

* Member of the Audit Committee and the Management Engagement Committee.

Roger Hills
is a Director and member of the Executive Committee of Schroder Investment Management Limited. His specific responsibility within Schroders is as Chairman of Schroder Personal Investment Management Limited. His other directorships include Schroder Unit Trusts Limited and Schroders (C.I.) Limited.

Sir Paul Judge *
is a ministerial adviser at the Cabinet Office. He was previously planning Director of Cadbury Schweppes PLC. He is a Director of WPP Group plc and is Chairman of the Advisory Board of Cambridge University Institute of Management Studies and a Trustee of the Cambridge Foundation.

Keith Niven
is Chairman of Schroder Unit Trusts Limited and a Director and member of the Executive Committee of Schroder Investment Management Limited. He is a non-executive director of Schroder UK Growth Fund plc and Crawley & Horsham Health Service Trust.

ADVISERS

INVESTMENT MANAGER
Schroder Investment Management Limited
33 Gutter Lane
London EC2V 8AS

REGISTRARS
Bank of Scotland
Registrar Department
Apex House
9 Haddington Place
Edinburgh EH7 4AL

BANKERS
J. Henry Schroder & Co. Limited
120 Cheapside
London EC2V 6DS

SOLICITORS
Slaughter and May
35 Basinghall Street
London EC2V 5DB

SECRETARY AND REGISTERED OFFICE
Schroder Investment Management Limited
Senator House
85 Queen Victoria Street
London EC4V 4EJ

AUDITORS
Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

STOCKBROKERS
Merrill Lynch International Limited
20 Farringdon Road
London EC1M 3NH

DIRECTORS REPORT

The Directors submit their report and the unaudited accounts of the Company for the six months ended 29 February 1996. The Company was incorporated in the United Kingdom on 5 January 1995 and commenced trading in March 1995.

COMPANY'S BUSINESS

The Company carries on business as an investment trust and it is an investment company within the meaning of the Companies Act 1985. 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). The Company intends to conduct its affairs so as to enable it to continue to qualify for such approval which is granted retrospectively for each accounting period. The Company is not a close company for the purposes of taxation.

REVENUE AND EARNINGS

The gross revenue of the Company for the period was £1,869,000. After deducting taxation and administrative expenses the amount available for distribution to the Shareholders was £1,510,000 equivalent to earnings of 1.91p per share.

DIVIDEND POLICY

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

For the six month period from 1 September 1995 to 29 February 1996, the Directors have declared dividends totalling 2.00p net per share. This has absorbed £1,582,000 leaving a balance of £72,000 to be transferred from the revenue reserve.

DIRECTORS

The Directors of the Company and their beneficial and family interests in the Company's share capital during the period to 29 February 1996 are given below:

	Ordinary Shares of 10p	Warrants
J M Hignett	24,394	4,800
N G C P Banbury	1,000	200
R E Hills	12,200	2,400
Sir Paul Judge	1,000	200
K M Niven	6,100	1,200

There has been no change in the above holdings since the end of the period.

DIRECTORS REPORT continued

None of the directors has a contract of service with the Company. No director has any material interest in any other contract which is significant to the Company's business. Both Mr Hills and Mr Niven are Directors of Schroder Investment Management Limited, the Investment Manager, which receives fees from the Company in accordance with the management agreement referred to below.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the period, the Company has maintained cover for its directors and officers, under a directors' and officers' liability insurance policy as permitted by Section 310 of the Companies Act 1985 (as amended).

SUBSTANTIAL SHARE INTERESTS

At 23 April 1996, the Company had not been notified of any interests in excess of 3 per cent. of the issued share capital. The Directors are aware, however, that at 23 April 1996, 59,448,223 ordinary shares, representing 75.13 per cent. of the issued share capital, were held by investors in the Schroder Personal Equity Plan.

INVESTMENT MANAGER

The Investment Manager, Schroder Investment Management Limited, provides investment management, secretarial and custodial services to the Company. The investment management agreement is for an initial three-year period from 7 February 1995 and is terminable, thereafter, by either party on not less than one year's notice. The Investment Manager is entitled to a fee at an annual rate of 0.8 per cent. payable quarterly in arrears and calculated by reference to the Company's assets (net of current liabilities other than short term borrowings) at the end of the relevant quarter.

The Investment Manager is a member of the Investment Management Regulatory Organisation Limited ("IMRO"), one of the United Kingdom's self-regulatory organisations for the purposes of the Financial Services Act 1986.

Registered Office:
Senator House
85 Queen Victoria Street
London EC4V 4EJ

By order of the Board
Schroder Investment Management Limited
Secretary

Registered Number : 3008494
29 April 1996

UNAUDITED REVENUE ACCOUNT

for the period 1 September 1995 to 29 February 1996

	Notes	£'000
Income from listed investments	1	
Franked investment income		1,706
Other investment income		67
Income from Bonds		38
Other income receivable		
Deposit interest		45
Underwriting commission		13
Total revenue		1,869
Administrative expenses	2	54
Net surplus of revenue from ordinary activities before taxation		1,815
Taxation	3	305
Net surplus of revenue from ordinary activities after taxation available for shareholders		1,510
Dividend of 1.00p per share paid 31 January 1996		791
Dividend of 1.00p per share payable 30 April 1996		791
		1,582
Net surplus of revenue from ordinary activities after taxation transferred to the revenue reserve		(72)
Earnings per share	4	1.91p
Dividends for the period per share		2.00p

All items dealt with in arriving at the net revenue for the period ended 29 February 1996 relate to continuing activities.

There is no difference between the net revenue for the period and the surplus of revenue for the period stated above and their historical cost equivalents.

The notes on pages 8 to 12 form an integral part of these Accounts.

UNAUDITED BALANCE SHEET

as at 29 February 1996

	Notes	£'000
FIXED ASSETS		
Investments		
Listed investments	1 & 5	90,552
CURRENT ASSETS		
Debtors	6	2,059
Short-term deposits		2,785
Cash at bank		5
		4,849
CURRENT LIABILITIES		
Creditors : amounts falling due within one year	7	3,553
NET CURRENT ASSETS		1,296
TOTAL ASSETS LESS CURRENT LIABILITIES		91,848
Creditors: amounts falling due after more than one year	8	0
NET ASSETS		91,848
CAPITAL AND RESERVES		
Called up share capital	10	7,913
Share premium account	11	63,711
Warrant Reserve	12	3,945
Capital reserve	13	16,039
Revenue reserve	14	240
EQUITY SHAREHOLDERS' FUNDS	15	91,848
Net asset value per share:	16	
Undiluted		116.07p
Diluted		113.39p

The Accounts were approved by the Board of Directors on 29 April 1996 and signed on behalf of the Board by:

K M Niven
Director

The notes on pages 8 to 12 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below:

(a) These accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of investments, and in accordance with applicable accounting standards in the United Kingdom.

(b) Investments
Listed investments are stated at market value. Realised and unrealised gains and losses on investments are included in the capital reserve.

(c) Income recognition
Dividends received from investments are credited by reference to their ex-dividend date. Other income is recognised on an accruals basis.

(d) Enhanced scrip dividends
The cash alternative to enhanced scrip dividends has been recognised in the revenue account. The balance of the enhanced scrip dividends is treated as stock dividends and has not been recognised in the revenue account and has been taken into the portfolio of investments at nil cost and revalued to market value at the balance sheet date.

(e) Deferred taxation is provided to take account of short-term timing differences expected to reverse in the foreseeable future.

(f) Investment management fee
The investment management fee is charged to the capital reserve

(g) There are no comparative figures as these are the first interim accounts prepared for the Company.

2 ADMINISTRATIVE EXPENSES

	£,000
General expenses	28
Directors' fees	22
Auditor's Remuneration	4
	54

As set out in note 1(f), all of the investment management fee (£421,615) has been charged to the capital reserve (see note 13) and has not been included within the revenue account.

NOTES TO THE ACCOUNTS continued

3 TAXATION

The charge for taxation on the net surplus of revenue for the period is made up as follows:

	£'000
Taxation attributable to franked investment income	351
Write-back of ACT previously written-off	(41)
Deferred tax (see note 8)	(11)
ACT paid	6
	305

No provision has been made for taxation on realised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 842 of the Income and Corporation Taxes Act 1988 (as amended).

4 EARNINGS PER SHARE

The calculation of the earnings per share is based on 79,130,000 ordinary shares and on earnings of £1,593,000.

5 INVESTMENTS

	£'000
Cost at 1 September 1995	76,110
Additions at cost	31,788
Disposals at cost	(26,590)
Cost at 29 February 1996	81,308
Net unrealised surplus on investments	9,244
Market value at 29 February 1996	90,552

The investments are valued on the basis set out in note 1(b) and are listed on the London Stock Exchange. The value placed on the equity shares included under listed investments is £87,180,195.

6 DEBTORS

	£'000
Amounts falling due within one year:	
Sales for future settlement	1,723
Dividends and interest receivable	283
Tax recoverable on franked investment income	46
Prepayment of expenses	7
	2,059

NOTES TO THE ACCOUNTS continued

7 CREDITORS

	£'000
Amounts falling due within one year:	
Purchases for future settlement	2,507
Dividend payable 30 April 1996	791
Creditors and accrued charges	255
	3,553

8 DEFERRED TAX

	£'000
At 1 September 1995	11
Transferred to Revenue Account	(11)
At 29 February 1996	0

Deferred taxation comprises corporation tax at 33 per cent on accrued income and other short-term timing differences.

9 CONTINGENT LIABILITIES

The Company had no contingent liabilities at the balance date.

10 SHARE CAPITAL

	£'000
Authorised:	
312,500,000 shares of £0.10 each	31,250
Allotted, Called Up and Fully Paid:	
79,130,000 shares of £0.10 each	7,913

The authorised share capital of the Company on incorporation was £50,000 divided into 500,000 ordinary shares of 10p each. On incorporation two ordinary shares were issued nil paid. On 11 January 1995 the authorised share capital of the Company was increased from £50,000 to £31,250,000 by the creation of 312,000,000 ordinary shares of 10p each.

NOTES TO THE ACCOUNTS continued

On 9 March 1995 the Company raised a total of £79,130,000 by way of offer for subscription and 79,130,000 ordinary shares of 10p each were issued at an issue price of £1.00 per share.

There were 15,826,000 Warrants in issue at 29 February 1996. Each Warrant entitles the holder to subscribe for one ordinary share of 10p at a price of £1.00 on 31 December in any of the years from 1997 to 2003 inclusive.

11 SHARE PREMIUM ACCOUNT

	£'000
Share premium account at 29 February 1996	63,711

12 WARRANT RESERVE

	£'000
Warrant reserve at 29 February 1996	3,945

13 CAPITAL RESERVE

	£'000
Realised surplus on investments at 1 September 1995	1,067
Net profit on investments sold	6,150
Net unrealised surplus on investments	9,244
Investment management fee	(422)
Capital reserve at 29 February 1996	16,039

The net profit on investments sold represents the difference between the net proceeds of sale and the original cost of the investments sold.

The net unrealised surplus on investments is the difference between the market value of the investments held on 29 February 1996 and their original cost.

NOTES TO THE ACCOUNTS continued

14 REVENUE RESERVE

	£'000
At 1 September 1995	312
Transfer from revenue account	(72)
Revenue reserve at 29 February 1996	240

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£'000
Net surplus of revenue for distribution	1,510
Dividends	(1,582)
	(72)
Non-distributable capital surplus	7,294
Net addition to shareholders' funds	7,222
Shareholders' funds at 1 September 1995	84,626
Shareholders' funds at 29 February 1996	91,848

16 NET ASSET VALUE PER SHARE

Calculation of the undiluted net asset value per share is based on 79,130,000 ordinary shares in issue. The diluted net asset value per share is based on 94,956,000 ordinary shares, assuming the exercise of 15,826,000 warrants at 100 pence per share.