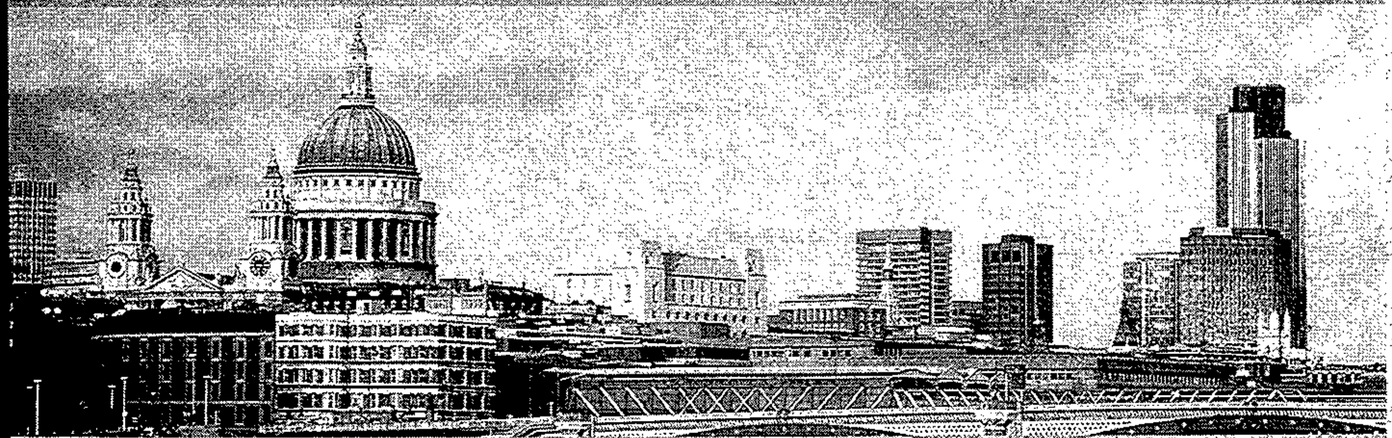
3008494

SCHRODER INCOME GROWTH FUND plc



Report and Accounts
31 August 1996

Schroders

INVESTMENT OBJECTIVES

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

CONTENTS

AI TC

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 and Alfred McAlpine PLC. He was previously Chairman of The London American Growth Trust plc, 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 a 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. He is a Director of Exeter Preferred Capital Investment Trust PLC and of the Securities Institute.

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 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. He is a former ministerial adviser at the Cabinet Office, Director General of the Conservative Party, Chairman of Premier Brands Limited, and Planning Director of Cadbury Schweppes PLC.

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.

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

ADVISERS

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

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

SOLICITORS
Slaughter and May
35 Basinghall Street,
London EC2V 5DB

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

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

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

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

ABOUT YOUR COMPANY

THE COMPANY

Schroder Income Growth Fund plc is an investment trust listed on the London Stock Exchange. It is one of a number of investment trusts managed and administered by Schroder Investment Management Limited, the fund management subsidiary of Schroders plc, the international merchant and investment banking group.

The Company was launched in March 1995 and has ordinary shares and warrants in issue. The warrants give the right to subscribe for one ordinary share at a price of 100p, on 31 December, or on the next business day in London if 31 December is not a business day, in any of the years from 1997 to 2003 inclusive.

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 the year 2005 and thereafter at five yearly intervals.

ANALYSIS OF REGISTER OF SHAREHOLDERS

At 23 October 1996	Shares	Warrants
% of issued shares and warrants held by:		
Private individuals	5.07	13.34
Banks and nominee companies*	93.77	82.76
Pension funds	0.10	0.11
Other institutions	1.06	3.79
	100.00%	100.00%
Total number of holders	1,039	948

*Some of the nominee company holdings include a large number of private individuals. The nominee companies for the Schroder Investment Trust Dealing Service and the Schroder Personal Equity Plan contain interests of private individuals in the Company as follows:

As at 23 October 1996	Schroder Investment Trust Dealing Service	Schroder Personal Equity Plan
Total number of shareholders	147	10,053
Shares held	610,675 (0.77%)	60,494,008 (76.4%)

ABOUT YOUR COMPANY continued

INFORMATION FOR SHAREHOLDERS

The Company's shares and warrants are listed on the London Stock Exchange. The prices of the shares and warrants are quoted daily in the Financial Times. The Daily Telegraph and The Times quote the price of the shares.

Real time share information is available on the FT Cityline by dialling:

0891 43 5024 for the Ordinary Shares

0891 43 5025 for the Warrants

Calls are charged at 45p per minute for off peak times and 50p per minute at all other times.

A factsheet containing information including the diversification of the portfolio and the Company's ten largest investments is published quarterly and is available to Shareholders on request from the Secretary of the Company.

SCHRODER INVESTMENT TRUST DEALING SERVICE

The Schroder Investment Trust Dealing Service provides a convenient and cost effective means of investing in the ordinary shares of the Company. The Service offers investors:

- a regular investment option from a minimum of £50 per month
- a lump sum investment option from a minimum of £1,000
- daily dealing
- competitive charges
- the option to reinvest income.

Other Schroder Investment Trusts which are available through this service are: Schroder AsiaPacific Fund plc, Schroder Emerging Countries Fund plc, Schroder Japan Growth Fund plc, Schroder Korea Fund plc, Schroder Split Fund plc, Schroder UK Growth Fund plc and Schroder Ventures International Investment Trust plc.

SCHRODER PERSONAL EQUITY PLAN

The Schroder PEP offers investors:

- lump sum investments in the ordinary shares of the Company from a minimum of £3,000 rising in multiples of £1,000 to a maximum of £6,000 in each tax year
- competitive charges
- the option to reinvest income.

If you would like further information about the Schroder Investment Trust Dealing Service or the Schroder PEP, please contact the Secretary of the Company at Senator House, 85 Queen Victoria Street, London EC4V 4EJ or call Schroder ClientLine on freephone 0800 526 535.

CAPITAL GAINS TAX INFORMATION

Under present legislation the annual capital gains of private individuals in excess of £6,300 are assessed for capital gains tax at the same rate as their marginal rate of income tax for the fiscal year, i.e. 20 per cent., 24 per cent. or 40 per cent. Investment trust companies are able to switch investments without liability for capital gains tax. This, together with the advantages of professional management and spread of risk, makes investment trusts a valuable investment medium.

For the benefit of those shareholders and warrantholders who acquired their holdings in the Offer for Subscription, acquisition costs of the shares and warrants for capital gains tax purposes based upon initial dealings on 24 April 1995 are as follows:

Each ordinary share of 10p each	94.78p
Each warrant to subscribe for one ordinary share	26.10p

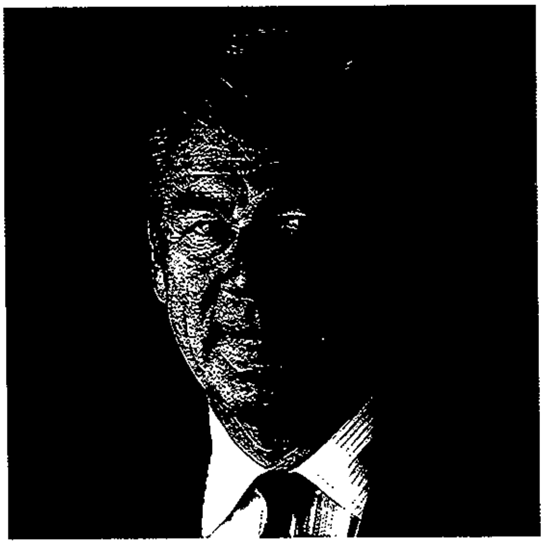
ASSOCIATION OF INVESTMENT TRUST COMPANIES

The Company is a member of the Association of Investment Trust Companies, which produces monthly publications of detailed information on the majority of investment trusts. Copies of these publications can be obtained by subscription on application to the Association of Investment Trust Companies, Durrant House, 8-13 Chiswell Street, London EC1Y 4YY.

The aims of the Association are to protect and promote the interests of member companies and their shareholders by:

- taking specific action to safeguard and to improve the fiscal and regulatory regime for member companies and their shareholders
- improving investor awareness of investment trusts through education, publicity and the provision of reliable statistical and other information
- encouraging commitment to good practice and high professional standards in the industry.

CHAIRMAN'S STATEMENT



I am pleased to report that the Schroder Income Growth Fund plc has built upon the successful first few months since launch in March 1995 with a further strong return in the twelve months to 31 August 1996. In my last annual report I pointed to the prospect of steady dividend growth against a backdrop of low inflation as providing a fundamentally sound support for the market and these factors have indeed been central to the favourable return achieved in the last year. The international background has also been benign; low interest rates and steady economic growth have meant that bond markets have either reversed the weakness seen in early calendar 1996, or stabilised at yield levels that are not threatening to equities. In particular, the US equity market has continued to lead most others upwards to new record levels, despite a sharp correction in June and July.

A more detailed commentary on the stockmarket background and the investment strategy pursued by the Company is contained in the Investment Manager's Review.

RESULTS FOR THE PERIOD AND DIVIDEND

The net asset value has risen from 106.95p at 31 August 1995 to 119.08p at 31 August 1996, an increase of 11.3 per cent. The Company's shares have also risen to reflect this and continue to trade at close to net asset value.

The revenue return per share of the Company in this, its first full financial year, was 5.27p reflecting strong growth in the level of real dividends in the UK. Against this background, your Directors have therefore decided to declare a total dividend for the year of 4.35p per share.

OUTLOOK

The steady improvement in the outlook for UK company profits' growth and a combination of lower interest rates and subdued inflationary pressures have been the main drivers of the UK stockmarket over the last year. Whilst in some respects the outlook is for more of the same some likelihood must clearly be attached to the risk that interest rate expectations might deteriorate if economic growth proves to be excessively strong and inflation starts to pick up. The next twelve months may see more modest returns, therefore, and higher volatility than the recent past. Downside risk is probably limited, however, by the fact that substantial cash levels are presently held by UK institutional investors, and a modest increase in interest rates over the next twelve months is already discounted by investors.

On balance, the healthy financial position and attractive growth prospects of the major UK quoted companies suggest that a positive medium and longer term view of the investment outlook remains appropriate.

STATEMENT OF RECOMMENDED PRACTICE

In January 1996 a Statement of Recommended Practice (SORP) was published by the Association of Investment Trust Companies, proposing a number of changes in accounting practice for investment trusts. One of the most important of these relates to the treatment of management expenses and interest. Up to now the investment management fee has been charged entirely to capital and interest has been charged to revenue. The SORP states that the investment management fee and the interest charges on long-term borrowing should be apportioned between revenue and capital in the same proportion.

After consultation with the Company's auditors, the Board has decided that for the financial year beginning 1 September 1996 and for future years it will apportion both the investment management fee and interest in the ratio of 50:50 between revenue and capital, reflecting the fact that the Company's investment policy is to achieve both rising income and capital growth.

John Hignett
Chairman

INVESTMENT MANAGER'S REVIEW

PERFORMANCE

Over the twelve months to 31 August 1996 the net assets of the Company increased by 11.3 per cent. This is broadly in line with the rise of 11.4 per cent. achieved by the FT-SE Actuaries-All Share ("All-Share") Index over the same period, and pleasingly better than the 6.9 per cent. gain in the FT-SE Actuaries-350 Higher Yield ("Higher Yield") Index. This latter index is a more appropriate benchmark for the Company given that the portfolio is targeted to yield some 25-30 per cent. more than the All-Share Index.

MARKET BACKGROUND

The economic environment over the twelve months to 31 August 1996 was generally benign for the UK equity market as a slowdown in manufacturing output growth kept inflationary pressures subdued and allowed short term interest rates to fall. The market rise was assisted by an ample supply of liquidity from a combination of healthy dividend growth, share buybacks, special dividends and a high level of corporate take-over activity. Finally, the international environment was supportive, with interest rates falling in Europe and staying low in Japan and the US.

A correction in May, June and early July was prompted by concerns about the possibility of excessive economic growth and building inflationary pressures, particularly in the US economy. However, these concerns have since receded, and equities have rallied to new record highs in many major markets, driven by falling bond yields and a more optimistic view of the outlook for company profit's growth.

Within the UK market there have been some divergent sector performances over the period under review. Some, such as the outperformance of the Services group and underperformance of General Industrials have been clearly related to the economic scene with consumer cyclical sectors benefiting from an upturn in consumer spending, whilst destocking has taken its toll on numerous manufacturing companies. Other sector relative movements have been related to more company specific factors. The most notable of these is perhaps the sharp underperformance of Gas Distribution (–33.1 per cent. relative), reflecting the sharp fall of British Gas shares over the period in response to a harsh regulatory review and concerns over the cost of take-or-pay contracts for North Sea Gas. However, all the Utilities sectors underperformed in the year, reflecting both regulatory and political concerns in the run up to the General Election. The Tobacco sector was another poor performer (–23.4 per cent. relative) reflecting US litigation worries towards BAT. The best performing major sector group, perhaps surprisingly given a climate of modest economic growth and subdued inflation, was the Mineral Extraction group (+11.0 per cent. relative), reflecting strength in the Oil, Integrated (+13.9 per cent. relative) and the Oil, Exploration & Production (+17.1 per cent. relative) sectors on the back of a stronger oil price.

The relatively poor performance of the Higher Yield Index over this period, which underperformed the All-Share Index by 4.4 per cent., is largely a function of these sector relative moves, in particular the sharp underperformance of Utilities and cyclical industrial stocks, which are heavily represented in the High Yield Index.

INVESTMENT STRATEGY

Despite the disappointing relative performance of higher yielding stocks in general, the Company was able to perform in line with the All-Share Index whilst at the same time providing an above average yield. Key aspects of the investment strategy that have contributed to this have been the overweight position in Leisure & Hotels and only a neutral position in Utilities overall notwithstanding their high and superficially attractive yields. Both of these positions are still in force today.

The main change to strategy over the twelve months to end August has been to reduce exposure to Consumer Goods companies in favour of increased exposure to General Industrials and Mineral Extraction, where corporate profits should benefit more significantly from the faster growth that we anticipate over the next twelve months. In particular, the rather prolonged phase of manufacturing destocking is now virtually over in the UK and order books and output are beginning to grow. Furthermore, gradual economic recovery in Continental Europe and Japan should assist export growth prospects and provide some support to the prices of commodities and basic raw materials. New holdings acquired in the last year reflecting these themes include BP, Arjo Wiggins Appleton, Cookson and Allied Textiles. The other main area of emphasis in the portfolio is Financials, and in particular the Property sector. This reflects our expectation that direct property values will move ahead as a result of both growth in rental values, now that tenant demand is growing, and a likely fall in valuation yields. Accordingly, British Land (Convertible), Fiscal Properties and James Smith Estates have all been acquired as new holdings in the year.

The portfolio is overweight in medium and smaller sized companies and underweight in large stocks. This feature did not have any significant bearing on performance during the last financial year but going forward a period of faster economic growth is expected to produce outperformance from smaller and medium sized companies. Finally, although less than 5 per cent. of the portfolio is represented by convertible stocks, the overall portfolio yield represents roughly a 30 per cent. premium to the market. Considerable emphasis is given to the likely outlook for growth of dividends from the stocks held rather than simply the current yields. Consequently, the portfolio is expected to participate fully in the relatively strong real growth of income from dividends likely over the foreseeable future.

OUTLOOK

Recent new record high levels for several major equity markets and some recovery in bond markets suggests that sentiment is now improving after a period of caution over the last nine months. It is also encouraging that, UK company profits growth looks set to remain strong for the next year. On the inflation and interest rate front, however, the best news may already have been seen and 1997 is likely to prove more testing for markets if economic growth proves to be excessively strong and inflationary pressures start to build. This applies to the UK and US economies which are both now growing close to trend. Politics could also, of course,

INVESTMENT MANAGER'S REVIEW
continued

be a source of some volatility in both these markets. On the positive side, markets have already factored in some degree of monetary tightening over the next twelve months and the likely outcome of elections is also probably largely discounted. More importantly, perhaps, the longer term outlook for equities remains attractive with healthy economic growth in prospect against a backdrop of only modest worldwide inflation.

Schroder Investment Management Limited
5 November 1996

TWENTY LARGEST INVESTMENTS

at 31 August 1996

Company and Activity	Value of Holdings £'000	Percentage of Shareholders' Funds
Shell Transport & Trading International oil exploration, production, refining and marketing company.	5,586	5.93
Scottish Power The leading generator and distributor of electricity in Scotland.	4,127	4.38
B.A.T. Industries International manufacturer of cigarettes and provider of personal financial services.	3,465	3.68
Airtours Vertically integrated tour operating company with major exposure to the UK and Scandinavian holiday markets.	3,411	3.62
Enterprise Oil An oil exploration company particularly in the North Sea.	3,373	3.58
British Telecommunications The leading UK telephone service supplier.	3,004	3.19
Lucas Industries Manufacturer of advanced technology systems, products and services to the world's automotive and aerospace markets.	2,928	3.11
Williams Holdings Manufacturer of consumer building products and fire protection equipment.	2,846	3.02
Barclays Retail, commercial and investment banking.	2,727	2.89
Courtaulds Chemical manufacturer mainly in coatings and sealants, polymers and fibres.	2,538	2.69
Glaxo Wellcome The world's largest developer and manufacturer of ethical pharmaceuticals.	2,525	2.68
Imperial Chemical Industries International manufacturer of paints, materials, explosives and industrial chemicals.	2,425	2.57
British Petroleum International oil exploration, production, refining and marketing company.	2,172	2.31
Prudential Corp Insurance and reinsurance in the UK and overseas.	2,160	2.29
Ladbroke Group International operator of Hotels and betting and gaming activities.	2,085	2.21
British Steel Leading manufacturer of steel products used in the construction, automotive engineering and metal goods industries.	1,990	2.11
Morgan Crucible Specialist engineering and industrial materials company.	1,983	2.11
National Westminster Bank Retail, commercial and investment banking.	1,888	2.00
United News & Media Broadly based international publisher, exhibitions and media group.	1,834	1.95
M L Holdings Manufacturer of electronic, electrical and mechanical systems for the aerospace, defence and marine industries, and the distribution of electrical and electronic components.	1,751	1.86
Total	54,818	58.18

REPORT OF THE DIRECTORS

Your Directors submit their Report and the Accounts of the Company for the year ended 31 August 1996.

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 last accounting period for which the Company has been treated as approved by the Inland Revenue is the period to 31 August 1995 and the Company has subsequently directed 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 taxation purposes.

A review of the Company's business and its likely future development is given in the Chairman's Statement on page 6 and the Investment Manager's Review on page 8.

REVENUE AND EARNINGS

The gross revenue of the Company for the period was £5,065,000. After deducting taxation and administrative expenses the amount available for distribution to the Shareholders was £4,168,000, equivalent to a revenue return of 5.27p per share.

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 revenue reserve to facilitate a consistent dividend policy.

For the year from 1 September 1995 to 31 August 1996, the Directors have declared total dividends of 4.35p net per share. During the year under review, the Company benefited from the receipt of a special dividend from Southern Electric and also the receipt of three dividends from several companies, where normally it would expect to receive only two.

The dividends have absorbed £3,442,000 leaving a balance of £726,000 to be transferred to the revenue reserve.

POLICY FOR PAYMENT OF CREDITORS

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle accounts in accordance with them.

ISSUES OF NEW SHARES

At the 1995 Annual General Meeting the Directors were given the power to allot new ordinary shares for cash. The Directors wish to renew these powers at the forthcoming Annual General Meeting, for which notice is given on page 31.

If new ordinary shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered first to existing holders of ordinary shares. This entitlement is known as a "pre-emption right". In certain circumstances it is beneficial for the Directors to allot shares for cash other than pro rata to existing shareholders and the Companies Act 1985 provides for shareholders to give such power to the Directors by waiving their pre-emption rights. Therefore, a special resolution will be proposed at the Annual General Meeting 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 £395,650 (equivalent to 3,956,500 ordinary shares of 10p and 5 per cent. of the Company's existing issued ordinary share capital at 31 August 1996), as if Section 89(1) of the Companies Act 1985 did not apply. This authority will lapse unless renewed at the Company's Annual General Meeting in 1997.

No new shares have been issued to date. However, the Directors contemplate that they will use this authority, subject to it being renewed, to issue new shares, in the appropriate circumstances, to meet the reinvestment requirements of participants in the Schroder Personal Equity Plan and the Schroder Investment Trust Dealing Service. The Directors will only issue new shares for such purposes if they believe it continues to be advantageous to existing shareholders and, only then, at a sufficient premium to net asset value.

CREST

CREST is the new computerised system for settling the sale and purchase of shares, which is being developed by the Bank of England. It is expected to reduce settlement risk and improve the overall competitiveness and efficiency for the UK market, bringing it into line with the settlement systems currently used in other markets. On 5 November 1996 the Directors resolved, in accordance with the Uncertificated Securities Regulations 1995, that title to the ordinary shares in issue or to be issued, may be transferred by means of CREST or any other relevant system. The resolution will enable shareholders to dematerialise their ordinary shares from 10 February 1997. The Directors do not have such powers in respect of the Warrants and, therefore, Warrantholders' approval is being sought to amend the Terms and Conditions of the Warrants. A Notice of an Extraordinary General Meeting of Warrantholders to be convened for 3.30 p.m. (or so soon thereafter as the Annual General Meeting convened for the same date shall have concluded or adjourned) on Tuesday, 17 December 1996 to consider the necessary Extraordinary Resolution, has been forwarded to Warrantholders.

Further information may be found in the leaflet "CREST — what it means for you", which is enclosed with these accounts.

REPORT OF THE DIRECTORS continued

DIRECTORS

The Directors of the Company and their beneficial and family interests in the Company's share capital during the year to 31 August 1996 are given below:

	At 31 August 1995		At 31 August 1996	
	Ordinary Shares of 10p	Warrants	Ordinary Shares of 10p	Warrants
J M Hignett	24,394	4,800	25,122	4,800
N G C P Banbury	1,000	200	1,000	200
R E Hills	12,200	2,400	6,282	1,200
Sir Paul Judge	1,000	200	1,000	200
K M Niven	6,100	1,200	6,282	1,200

There has been no change in the above holdings since the end of the period. In accordance with the Company's Articles of Association, Mr Banbury and Mr Niven will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 year, 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 October 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 October 1996, 60,494,008 Ordinary Shares, representing 76.4 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 value of the Company's assets (net of current liabilities other than short term borrowings) at the end of the relevant quarter.

The Investment Manager is regulated by 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.

AUDITORS

On 1 February 1996, our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name.

Deloitte & Touche have expressed their willingness to remain in office and resolutions to re-appoint them and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board
Schroder Investment Management Limited
Secretary

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

Registered Number: 3008494
20 November 1996

CORPORATE GOVERNANCE

The Company has fully complied throughout the period with the provisions of the Code of Best Practice ("the Code") issued by the Cadbury Committee on the Financial Aspects of Corporate Governance which are currently in force.

The Board has an Audit Committee and a Management Engagement Committee both of which have specific terms of reference and comprise all the independent non-executive Directors. The Audit Committee meets at least once a year with the Company's auditors and its function is to ensure that the highest standards of integrity, financial reporting and internal control are maintained. The Management Engagement Committee meets annually and its function is to review the terms of the Company's management agreement with Schroder Investment Management Limited to ensure it is competitive and reasonable for the shareholders. The Management Engagement Committee takes the place of the Remuneration Committee suggested by the Code, which would not be appropriate as the Company has no executive Directors.

The Board acknowledges that it is responsible for the Company's system of internal financial controls and confirms that it has reviewed their overall effectiveness.

The Board meets on a quarterly basis where it discusses income forecasts and expense analyses, and makes all major decisions concerning the Company.

The Directors are responsible for the Company's system of internal financial controls which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to provide reasonable but not absolute assurance against material misstatement or loss.

Since custody of assets and all administrative services are provided to the Company by Schroder Investment Management Limited, the Company's system of internal financial controls mainly comprises monitoring the services provided by Schroder Investment Management Limited, including the operating controls established by them to ensure that they meet the Company's business objectives.

The key elements designed to provide effective internal financial controls are as follows:

Financial Reporting — Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, transaction analysis and performance comparisons.

Management Systems — The Manager's system of Internal Financial Controls includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by Schroders' Internal Audit Department.

Investment Strategy — Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board keeps under review the effectiveness of the Company's system of internal financial controls by monitoring the operation of the key operating controls of the Secretary and its associates as follows:

- the Board, through the Audit and Management Engagement Committees, reviews the terms of the secretarial agreement and receives regular reports from Schroders' Internal Audit Department;
- the Directors review the self-certification provided by the Secretary on their compliance with documented controls;
- the Directors review the report on the custodian's internal controls and their operation, which are reported on by the custodian's auditors. The last report was for the period 1 January 1995 to 31 December 1995. The company's Auditors have reported to the Board on corporate governance matters specified for their review and their report is set out on page 18.

After making enquiries the Directors consider the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

CORPORATE GOVERNANCE continued

REPORT OF THE AUDITORS TO SCHRODER INCOME GROWTH FUND plc ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts, we have reviewed the Directors' statement on pages 16 and 17 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on either the effectiveness of the Company's corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' statement on internal financial controls and going concern on pages 16 and 17, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such a statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company and examination of relevant documents, in our opinion the Directors' statement on pages 16 and 17 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
20 November 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the 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 laws.

The Directors are satisfied that the Company has adequate resources to continue in business and accordingly that the accounts should be drawn up on a going concern basis. 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.

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 and other irregularities.

The Directors believe that they have complied with these responsibilities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF SCHRODER INCOME GROWTH FUND plc

We have audited the accounts on pages 20 to 28, which have been prepared under the accounting policies set out on page 23.

Respective responsibilities of directors and auditors

As described above the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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. It also includes an assessment of the significant estimates and judgements, 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 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.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 August 1996 and of its net surplus of revenue from 1 September 1995 to 31 August 1996 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche Deloitte & Touche.
Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
20 November 1996

STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)

		for the year ended 31 August 1996			for the period from 5 January 1995 to 31 August 1995		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Realised gains on sales		—	8,753	8,753	—	1,447	1,447
Unrealised gains		—	985	985	—	7,678	7,678
Gains on investments		—	9,738	9,738	—	9,125	9,125
Income	1c	5,065	—	5,065	2,635	—	2,635
Management fees		—	(864)	(864)	—	(380)	(380)
Other expenses	2	(113)	—	(113)	(84)	—	(84)
Net return before finance costs and taxation		4,952	8,874	13,826	2,551	8,745	11,296
Interest payable	3	(11)	—	(11)	—	—	—
Net return on ordinary activities before taxation		4,941	8,874	13,815	2,551	8,745	11,296
Tax on ordinary activities	4	(773)	—	(773)	(459)	—	(459)
Return on ordinary activities after tax for the period attributable to equity shareholders		4,168	8,874	13,042	2,092	8,745	10,837
Dividends							
Final dividend of 2.25p per share		—	—	—	(1,780)	—	(1,780)
First interim dividend of 1.0p per share paid 31 January 1996		(791)	—	(791)	—	—	—
Second interim dividend of 1.0p per share paid 30 April 1996		(791)	—	(791)	—	—	—
Third interim dividend of 1.0p per share paid 31 July 1996		(791)	—	(791)	—	—	—
Fourth interim dividend of 1.35p per share payable 31 October 1996		(1,069)	—	(1,069)	—	—	—
Transfer to reserves (after aggregate dividends proposed of £3,442,000; 1995 – £1,780,000)		726	8,874	9,600	312	8,745	9,057
Return per ordinary share	5	5.27	11.21	16.48	2.64	11.05	13.69
Dividends for the period per share		4.35	—	4.35	2.25	—	2.25

The revenue column of this statement is the profit and loss account of the Company.

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

The notes on pages 23 to 28 form an integral part of these accounts.

BALANCE SHEET

at 31 August

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Investments			
Listed investments	6	**94,368**	83,788
CURRENT ASSETS			
Debtors	7	**3,227**	5,677
Short-term deposits		**66**	1,250
Cash at bank		**3**	34
		3,296	6,961
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	**3,438**	6,112
NET CURRENT (LIABILITIES)/ASSETS		**(142)**	849
TOTAL ASSETS LESS CURRENT LIABILITIES		**94,226**	84,637
CREDITORS: amounts falling due after more than one year	9	**—**	11
NET ASSETS		**94,226**	84,626
CAPITAL AND RESERVES			
Called up share capital	11	**7,913**	7,913
Share premium account	12	**63,711**	63,711
Warrant reserve	13	**3,945**	3,945
Capital reserve	14	**17,619**	8,745
Revenue reserve	15	**1,038**	312
EQUITY SHAREHOLDERS' FUNDS	16	**94,226**	84,626

		1996	1995
Net Asset Value per share			
Undiluted		**119.08p**	106.95p
Diluted		**115.90p**	105.79p

The Accounts were approved by the Board of Directors on 20 November 1996 and signed on behalf of the Board by:

J M Hignett

K M Niven

Directors

The notes on pages 23 to 28 form an integral part of these accounts.

CASH FLOW STATEMENT

	Notes	for the year ended 31 August 1996 £'000	£'000	for the period 5 January 1995 to 31 August 1995 £'000	£'000
OPERATING ACTIVITIES					
Cash received from investments		**4,658**		1,900	
Interest received		**106**		195	
Administrative expenses		**(134)**		(23)	
Investment management fee		**(840)**		(180)	
Net cash inflow from operating activities	17		**3,790**		1,892
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends paid		**(4,153)**		—	
Interest paid		**(10)**		—	
Outflow from returns on investments and servicing of finance			**(4,163)**		—
TAXATION					
UK tax paid			**(899)**		(460)
INVESTING ACTIVITIES					
Purchase of investments	18	**(57,624)**		(81,589)	
Sale of investments	19	**56,381**		5,872	
Net cash outflow from investing activities			**(1,243)**		(75,717)
Net cash outflow before financing			**(2,515)**		(74,285)
FINANCING					
Proceeds of share issue		—		79,130	
Costs of share issue		—		(3,561)	
Overdraft facility		**1,300**		—	
Net cash inflow from financing			**1,300**		75,569
NET CASH (OUTFLOW)/INFLOW			**(1,215)**		1,284
(Decrease)/Increase in cash and equivalents	20		**(1,215)**		1,284

The notes on pages 23 to 28 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 Deferred taxation is provided to take account of short-term timing differences expected to reverse in the foreseeable future.

e Investment management fee
The investment management fee is charged to the capital reserve.

2 ADMINISTRATIVE EXPENSES

	For the year ended 31 August 1996 £'000	For the period 5 January 1995 to 31 August 1995 £'000
General expenses	**62**	50
Directors' emoluments	**43**	28
Auditors' remuneration:		
— audit	**8**	6
— non-audit	**—**	—
	113	84

As set out in note 1(e) all of the investment management fee — £864,354 (1995: £379,567) — has been charged to the capital reserve (see note 14) and has not been included within the revenue account.

Directors' emoluments
The emoluments of the Chairman, who was also the highest paid Director, were £11,500.

The following table shows the number of Directors, including the Chairman, receiving emoluments in the bands stated:

£Nil — £5,000	**—**	4
£5,001—£10,000	**4**	1
£10,001—£15,000	**1**	—

3 INTEREST PAYABLE

	For the year ended 31 August 1996 £'000	For the period 5 January 1995 to 31 August 1995 £'000
Overdraft facility	**11**	—
	11	—

NOTES TO THE ACCOUNTS continued

4 TAXATION

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

	For the year ended 31 August 1996 £'000	For the period 5 January 1995 to 31 August 1995 £'000
Taxation attributable to franked investment income	**903**	460
Irrecoverable ACT	**—**	41
Deferred tax	**(11)**	11
Write-back of ACT previously written-off	**(35)**	—
Tax on franked investment income recoverable	**(84)**	(53)
	773	459

Corporation tax is calculated at 33 per cent.

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).

5 RETURN PER ORDINARY SHARE

	For the year ended 31 August 1996			For the period 5 January 1995 31 August 1995		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return per ordinary share (in pence)	**5.27**	**11.21**	**16.48**	2.64	11.05	13.69

The revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £4,168,000 (1995: £2,092,000), and on 79,130,000 (1995: 79,130,000) ordinary shares being the number of ordinary shares in issue during the year.

The capital return per ordinary share is based on the net capital gains for the period of £8,874,000 (1995: £8,745,000), and on 79,130,000 (1995: 79,130,000) ordinary shares being the number of ordinary shares in issue during the year.

6 INVESTMENTS

	1996 £'000	1995 £'000
Cost at the beginning of the period	**76,110**	—
Additions at cost	**54,400**	85,608
Disposals at cost	**(44,805)**	(9,498)
Cost at 31 August	**85,705**	76,110
Net unrealised surplus on investments (see note 14)	**8,663**	7,678
Market value at 31 August	**94,368**	83,788

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 equity shares under listed investments is £89,827,827 (1995: £83,788,359).

7 DEBTORS

	1996 £'000	1995 £'000
Amounts due within one year:		
Sales for future settlement	**2,250**	5,073
Dividends and interest receivable	**841**	540
Tax refund on franked investment income	**127**	53
Prepayment of expenses	**9**	11
	3,227	5,677

8 CREDITORS

	1996 £'000	1995 £'000
Amounts falling due within one year:		
Overdraft facility	**1,300**	—
Proposed dividend	**1,069**	1,780
Purchases for future settlement	**795**	4,019
Creditors and accrued charges	**274**	272
Taxation	**—**	41
	3,438	6,112

9 DEFERRED TAX

	1996 £'000	1995 £'000
At the beginning of the period	**11**	—
Transferred (from)/to revenue account	**(11)**	11
At 31 August	**—**	11

Deferred tax comprises corporation tax at 33 per cent. on accrued income and other short-term timing differences. There are no unprovided deferred tax balances.

10 CONTINGENT LIABILITIES

The company had no contingent liabilities at the balance sheet date (1995: £46,820 in respect of partly paid investments).

11 SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised:		
312,500,000 shares of £0.10 each	**31,250**	31,250
Allotted, Called Up and Fully Paid:		
Closing balance of 79,130,000 shares of £0.10 each	**7,913**	7,913

There were 15,826,000 warrants remaining in issue at 31 August 1996. Each warrant entitles the holder to subscribe for one ordinary share of 10p at a price of £1.00, on 31 December, or on the next business day in London if 31 December is not a business day, in any of the years from 1997 to 2003 inclusive.

NOTES TO THE ACCOUNTS continued

12 SHARE PREMIUM ACCOUNT

	1996 £'000	1995 £'000
At the beginning of the period	63,711	—
Proceeds of share issue	—	74,999
Less: Costs of issue	—	(3,375)
	63,711	71,624
Less: Nominal value of shares issued	—	(7,913)
Share premium account at 31 August	63,711	63,711

13 WARRANT RESERVE

	1996 £'000	1995 £'000
At the beginning of the period	3,945	—
Proceeds of share issue	—	4,131
Less: Costs of issue	—	(186)
Warrant reserve at 31 August	3,945	3,945

14 CAPITAL RESERVE

	1996 £'000	1995 £'000
Realised surplus on investments at the beginning of the period	1,067	—
Realised surplus on investments sold	8,753	1,447
Investment management fee	(864)	(380)
	8,956	1,067
Unrealised surplus on investments at the beginning of the period	7,678	—
Increase in net unrealised surplus on investments	985	7,678
	8,663	7,678
Capital reserve at 31 August	17,619	8,745

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

The unrealised surplus on investments is the difference between the market value of the investments held on 31 August 1996 and their original cost.

15 REVENUE RESERVES

	1996 £'000	1995 £'000
At the beginning of the period	312	—
Transfer from revenue account	726	312
Revenue reserve at 31 August	1,038	312

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Net surplus of revenue for distribution	**4,168**	2,092
Dividends	**(3,442)**	(1,780)
	726	312
Non-distributable capital surplus	**8,874**	8,745
Proceeds of share and warrant issue	**—**	79,130
Less: Costs of share and warrant issue	**—**	(3,561)
	—	75,569
Net addition to shareholders' funds	**9,600**	84,626
Equity shareholders' funds at the beginning of the period	**84,626**	—
Equity shareholders' funds at 31 August	**94,226**	84,626

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	For the year ended 31 August 1996 £'000	For the period 5 January 1995 to 31 August 1995 £'000
Net revenue before interest payable and taxation	**4,952**	2,551
Investment management fee	**(864)**	(380)
Movements in accrued income	**(301)**	(540)
Movements in debtors	**2**	(11)
Movements in creditors	**1**	272
Net cash inflow from operating activities	**3,790**	1,892

18 ANALYSIS OF PAYMENTS FOR INVESTMENTS ACQUIRED

	1996 £'000	1995 £'000
Brokers' payables accrued at the beginning of the period	**4,019**	—
Acquisitions at cost	**54,400**	85,608
Less: Brokers' payables accrued at 31 August	**(795)**	(4,019)
	57,624	81,589

19 ANALYSIS OF RECEIPTS FROM DISPOSALS OF INVESTMENTS

	1996 £'000	1995 £'000
Brokers' receivables accrued at the beginning of the period	**5,073**	—
Disposals at cost	**44,805**	9,498
Realised gain on disposals	**8,753**	1,447
Less: Brokers' receivables accrued at 31 August	**(2,250)**	(5,073)
	56,381	5,872

NOTES TO THE ACCOUNTS continued

20 ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	Balance at 31 August 1996 £'000	Balance at 31 August 1995 £'000	Change in Year £'000
Short term deposits	**66**	1,250	**(1,184)**
Cash at bank	**3**	34	**(31)**
	69	1,284	**(1,215)**

LIST OF INVESTMENTS

Company	Industrial Classification	Value of Holding £'000	% of Share-holders' Funds
Mineral Extraction			
British Petroleum	Oil, integrated	2,172	
Enterprise Oil	Oil exploration and production	3,373	
RTZ Corp	Extractive industries	1,334	
Shell Transport & Trading	Oil, integrated	5,586	
		12,465	13.23
General Industrials			
Allied Textiles	Textiles and apparel	577	
Arjo Wiggins Appleton	Paper, packaging and printing	832	
British Steel	Engineering	1,990	
Bryant Group	Building and construction	1,240	
Clayhithe Group 9.5% Sb CULS 2000/2001	Electronic and electrical equipment	1,230	
Cookson Group 7% Cnv Bd 2/11/04	Diversified industrial	1,607	
Courtaulds	Chemicals	2,538	
Delta	Electronic and electrical equipment	1,169	
Fii Group	Textiles and apparel	324	
Imperial Chemical Industries	Chemicals	2,425	
Lambert Howarth	Textiles and apparel	577	
Lucas Industries	Engineering, vehicles	2,928	
M L Holdings	Engineering	1,751	
Morgan Crucible	Engineering	1,983	
Tomkins	Diversified industrials	1,700	
Williams Holdings	Diversified industrials	2,846	
		25,717	27.29
Consumer Goods			
B.A.T. Industries	Tobacco	3,465	
Glaxo Wellcome	Pharmaceuticals	2,525	
Grand Metropolitan	Alcoholic beverages	1,659	
Guinness	Alcoholic beverages	1,292	
Hillsdown Holdings	Food producers	1,098	
Northern Foods	Food producers	1,015	
		11,054	11.73
Services			
Airtours	Leisure and hotels	3,411	
Boots	General retailer	935	
Burndene Investments	Distributors	1,049	
Inchcape	Distributors	744	
Inspirations 7.7% (Net) Cnv Pref 20p	Leisure and hotels	1,239	
Ladbroke Group	Leisure and hotels	2,085	
Shanks & McEwan	Support services	989	
Tesco	Retailers, food	1,061	
United News & Media	Media	1,834	
Whitbread Plc	Breweries, pubs and restaurants	934	
Vaux Group	Breweries, pubs and restaurants	1,122	
		15,403	16.35

LIST OF INVESTMENTS continued

Company	Industrial Classification	Value of Holdings £'000	% of Share-holders' Funds
Utilities			
British Gas	Gas distribution	1,605	
British Telecommunications	Telecommunications	3,004	
Calor Group	Gas distribution	442	
Scottish Power	Electricity	4,127	
Southern Electricity	Electricity	436	
Yorkshire Electricity	Electricity	769	
		10,383	11.02
Financials			
Barclays	Retail banks	2,727	
Bilton	Property	1,661	
British Land Co 6% Irr Cnv Bd	Property	1,023	
Commercial Union	Insurance	739	
General Accident	Insurance	1,083	
Henderson Administration Group	Other financial	1,452	
Lloyds TSB	Retail banks	1,268	
London Merchant Securities	Property	1,259	
Fiscal Properties	Property	993	
James Smith Estates	Property	665	
National Westminster Bank	Retail banks	1,888	
Prudential Corp	Life assurance	2,160	
Royal Bank of Scotland	Retail banks	974	
Slough Estates	Property	1,232	
		19,124	20.30
Investment Trusts			
Gartmore Shared Equity Trust		222	
		222	0.23
TOTAL INVESTMENT PORTFOLIO		94,368	100.15
Other liabilities		(142)	(0.15)
EQUITY SHAREHOLDERS' FUNDS		94,226	100.00

NOTICE AND AGENDA

NOTICE is hereby given that the Annual General Meeting of Schroder Income Growth Fund plc will be held at 3.00 p.m. on Tuesday, 17 December 1996 at 33 Gutter Lane, London EC2V 8AS, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 7 will be proposed as Ordinary Resolutions and resolution 8 will be proposed as a Special Resolution:—

1. That the Report of the Directors and the Accounts be adopted.

2. That no Final Dividend be declared.

3. That Mr Peregrine Banbury be re-elected as a Director of the Company.

4. That Mr Keith Niven be re-elected as a Director of the Company.

5. That Deloitte & Touche be re-appointed as Auditors of the Company.

6. That the Board be authorised to agree the Auditors' remuneration.

7. That the Directors be and they 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 £395,650 (representing 5 per cent. of the aggregate nominal amount of the share capital in issue on 31 August 1996) provided that this authority shall expire on the date of the next Annual General Meeting of the Company, but so that this authority shall allow the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry.

8. That, subject to the passing of resolution 7 set out above, the Directors be and they are hereby empowered, pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said resolution 6 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 £395,650 (representing 5 per cent. of the aggregate nominal amount of the share capital in issue on 31 August 1996); and provided that this power shall expire on the date 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.

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

By Order of the Board
Schroder Investment Management Limited
Secretary

20 November 1996

NOTICE AND AGENDA continued

NOTES

1 A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and on a poll to vote in his or her stead. A proxy need not be a member of the Company. Forms appointing proxies must be lodged with the Company's Registrar not less than 48 hours before the time appointed for the Meeting. The completion and return of a form of proxy will not preclude a member entitled to attend and vote in person at the Meeting from doing so if he or she wishes.

2 In accordance with the requirements of the Companies Act 1985, 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, Senator House, 85 Queen Victoria Street, London EC4V 4EJ, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and by any person attending the Annual General Meeting, during the continuance of the Meeting. None of the Directors has a contract of service with the Company.

FPC Greenaway S105434

Schroder Investment Management

Schroder Investment Management Limited is the investment management arm of Schroders plc, the international financial services organisation. Worldwide, the Group manages assets exceeding £83 billion in value.

Schroders has been involved in investment management since 1922, and today is one of the largest and most international of investment managers, providing investment management services, and research and marketing functions from offices located in twenty-one countries, with Schroder Investment Management in London as the centre of this network.

Original, independent research into long term economic and corporate fundamentals is conducted through a dedicated team of over 90 analysts and economists worldwide. Schroder Investment Management Limited has offices in London and in Amsterdam, Bangkok, Bermuda, Boston, Buenos Aires, Copenhagen, Frankfurt, Hong Kong, Jakarta, Kuala Lumpur, Los Angeles, Luxembourg, Milan, New York, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto and Zurich.

The range of investment portfolios managed by Schroder Investment Management Limited and its subsidiaries includes:—

UK pension funds
International pension funds
Local authority superannuation funds
Charities
Private clients
Investment trusts
Unit trusts
ERISA funds
Captive insurance companies
Common investment funds for charities
Specialist equity and bond funds
Cash and reserve funds
Currency funds
Emerging market funds

Schroder Investment Management Limited
is Regulated by IMRO