SCHRODER INCOME GROWTH FUND plc
(Registered Number: 3008494)

UNAUDITED

INTERIM ACCOUNTS

28 FEBRUARY 1997

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24 April 1997

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

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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. 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.

* 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 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 Vice-Chairman of Crawley & Horsham NHS Trust.

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

REPORT OF THE DIRECTORS

The Directors submit their report and the unaudited interim accounts of the Company for the six months ended 28 February 1997.

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 the purposes of taxation.

REVENUE AND EARNINGS

Following the introduction of the Statement of Recommended Practice by the Association of Investment Trust Companies, for accounting periods beginning after 1 January 1996, the Board has decided that in future the investment management fee and finance costs should be charged equally to both the revenue account and the capital account.

The gross revenue of the Company for the period was £1,753,000 (1996: £1,869,000). After deducting taxation and administrative expenses the amount available for distribution to Shareholders was £1,149,000 (1996: £1,299,000) equivalent to a return on revenue of 1.45p per share (1996: 1.64p).

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 months ended 28 February 1997, the Directors have declared a dividend totalling 2.10p (1996: 2.00p) net per share.

The dividends have absorbed £1,662,000 (1996: £1,582,000) resulting in a transfer from the revenue reserve of £513,000 (1996: £283,000).

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.

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).

REPORT OF THE DIRECTORS continued

SUBSTANTIAL SHARE INTERESTS

At 22 April 1997, 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 22 April 1997, 61,404,893 ordinary shares, representing 77.60 per cent. of the issued share capital, were held by investors in the Schroder Personal Equity Plan.

DIRECTORS

The Directors of the Company and their beneficial and family interests in the Company's share capital during the period to 28 February 1997 are given below:

	At 28 February 1997		At 29 February 1996	
	Ordinary Shares of 10p	Warrants	Ordinary Shares of 10p	Warrants
J M Hignett	**25,638**	**4,800**	24,394	4,800
N G C P Banbury	**1,000**	**200**	1,000	200
R E Hills	**6,411**	**1,200**	12,200	2,400
Sir Paul Judge	**1,000**	**200**	1,000	200
K M Niven	**6,411**	**1,200**	6,100	1,200

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

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.

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.

Registered Office:
Senator House
85 Queen Victoria Street
London EC4V 4EJ
Registered Number : 3008494

By order of the Board
Schroder Investment Management Limited
Secretary
24 April 1997

UNAUDITED STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)

	Notes	for the six months ended 28 February 1997 Revenue £'000	Capital £'000	Total £'000	for the six months ended 29 February 1996* Revenue £'000	Capital £'000	Total £'000
Realised gains on sales		-	4,857	4,857	-	6,150	6,150
Unrealised gains		-	4,605	4,605	-	1,566	1,566
Gains on investments		-	9,462	9,462	-	7,716	7,716
Dividend income	1c	1,626	-	1,626	1,773	-	1,773
Convertible bonds	1c	85	-	85	37	-	37
Other income	1c	42	-	42	59	-	59
Management fees	2	(232)	(232)	(464)	(211)	(211)	(422)
Other expenses	3	(54)	-	(54)	(54)	-	(54)
Net surplus of revenue from ordinary activities before finance cost and taxation		1,467	9,230	10,697	1,604	7,505	9,109
Interest paid	4	(1)	-	(1)	-	-	-
Net surplus of revenue from ordinary activities before taxation		1,466	9,230	10,696	1,604	7,505	9,109
Taxation	5	(317)	-	(317)	(305)	-	(305)
Net surplus of revenue from ordinary activities after taxation available for shareholders		1,149	9,230	10,379	1,299	7,505	8,804
Dividends							
First interim dividend of 1.05p per share paid 31 January 1997		(831)	-	(831)	(791)	-	(791)
First interim dividend of 1.05p per share payable 30 April 1997		(831)	-	(831)	(791)	-	(791)
Transfer (from) / to reserves (after aggregate dividends proposed of £1,662,000; 1996 - £1,582,000)		(513)	9,230	8,717	(283)	7,505	7,222
Return per ordinary share	6	1.45p	11.66p	13.11p	1.64p	9.48p	11.12p
Dividends for the period per share		2.10p	-	2.10p	2.00p	-	2.00p

* The comparative figures have been restated as discussed in note 2.

The revenue column of this statement is the revenue account of the Company. All revenue and capital items in the above statement derive from continuing activities. No operations were acquired or discontinued during the year.

The notes on pages 8 to 13 form an integral part of these accounts.

UNAUDITED BALANCE SHEET

	Notes	as at 28 February 1997 £'000	as at 29 February 1996 * £'000
FIXED ASSETS			
Investments			
Listed investments	7	**100,458**	90,552
CURRENT ASSETS			
Debtors	8	**4,318**	2,059
Short-term deposits		**1,778**	2,785
Cash at bank		**(2)**	5
		6,094	4,849
CURRENT LIABILITIES			
Creditors : amounts falling due within one year	9	**3,609**	3,553
NET CURRENT ASSETS		**2,485**	1,296
TOTAL ASSETS LESS CURRENT LIABILITIES		**102,943**	91,848
Creditors: amounts falling due after more than one year	10	-	-
NET ASSETS		**102,943**	91,848
CAPITAL AND RESERVES			
Called up share capital	12	**7,913**	7,913
Share premium account	13	**63,711**	63,711
Warrant reserve	14	**3,945**	3,945
Capital reserve	15	**27,282**	16,250
Revenue reserve	16	**92**	29
EQUITY SHAREHOLDERS' FUNDS	17	**102,943**	91,848
Net asset value per share:	18		
Undiluted		**130.09p**	116.07p
Diluted		**125.08p**	113.39p

* The comparative figures have been restated as discussed in note 2.

The Accounts were approved by the Board of Directors on 20 March 1997 and signed on behalf of the Board by:

K M Niven
Director

The notes on pages 8 to 13 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 equally to both the revenue account and the capital reserve.

2 INVESTMENT MANAGEMENT FEE

	For the six months ended 28 February 1997 £'000	For the six months ended 29 February 1996 £'000
Investment management fee	**232**	211
	232	211

Following the introduction of the Statement of Recommended Practice for the Financial Statements of Investment Trust Companies, for accounting periods beginning after 1 January 1996, the Board has decided that the investment management fee should be apportioned equally between the revenue account and the capital reserve from 1 September 1996. To take account of this change in accounting policy, the comparative figures have been restated to reflect the position of the Company as if that policy had been in place previously. The sum charged to the capital reserve (see note 15) in the current period is £232,443 and has not been included within the revenue account. The sums previously charged to the capital reserve were : 29 February 1996: £422,000: 31 August 1996: £864,354.

NOTES TO THE ACCOUNTS continued

3 OTHER EXPENSES

	For the six months ended 28 February 1997 £'000	For the six months ended 29 February 1996 £'000
General expenses	29	28
Directors' fees	22	22
Auditor's Remuneration		
- audit	3	4
- non-audit	-	-
	54	54

4 INTEREST PAYABLE

	For the six months ended 28 February 1997 £'000	For the six months ended 29 February 1996 £'000
Overdraft facility	1	-
	1	-

5 TAXATION

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

	For the six months ended 28 February 1997 £'000	For the six months ended 29 February 1996 £'000
Taxation attributable to franked investment income	317	351
Deferred tax (see note 10)	-	(11)
Write-back of ACT previously written-off	-	(41)
ACT paid	-	6
	317	305

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).

NOTES TO THE ACCOUNTS continued

6 RETURN PER ORDINARY SHARE

	For the six months ended 28 February 1997			For the six months ended 29 February 1996		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return per ordinary share (in pence)	**1.45**	**11.66**	**13.11**	1.64	9.48	11.12

The revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £1,149,000 (1996: £1,299,000), and on 79,130,000 (1996: 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 £9,230,000 (1996: £7,505,000), and on 79,130,000 (1996: 79,130,000) ordinary shares being the number of ordinary shares in issue during the year.

7 INVESTMENTS

	1997	1996
	£'000	£'000
Cost at 1 August	**85,705**	76,110
Additions at cost	**21,130**	31,788
Disposals at cost	**(19,646)**	(26,590)
Cost at 28 February	**87,189**	81,308
Net unrealised surplus on investments (see note 15)	**13,269**	9,244
Market value at 28 February	**100,458**	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 £94,181,922 (1996: £87,180,195). The value placed on the convertibles included under listed investments is £6,275,983 (1996: £3,371,800).

8 DEBTORS

	1997	1996
	£'000	£'000
Amounts falling due within one year:		
Sales for future settlement	**3,863**	1,723
Dividends and interest receivable	**307**	283
Tax recoverable on franked investment income	**141**	46
Prepayment of expenses	**7**	7
	4,318	2,059

NOTES TO THE ACCOUNTS continued

9 CREDITORS

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Purchases for future settlement	**2,504**	2,507
Proposed dividend	**831**	791
Creditors and accrued charges	**274**	255
	3,609	3,553

10 DEFERRED TAX

	1997 £'000	1996 £'000
At 1 August	-	11
Transferred to Revenue Account	-	(11)
At 28 February	-	-

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

11 CONTINGENT LIABILITIES

The Company had no contingent liabilities.

12 SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised:		
312,500,000 shares of £0.10 each	**31,250**	31,250
Allotted, Called Up and Fully Paid:		
79,130,000 shares of £0.10 each	**7,913**	7,913

There were 15,826,000 Warrants in issue at 28 February 1997. 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

13 SHARE PREMIUM ACCOUNT

	1997 £'000	1996 £'000
Share premium account at 28 February	**63,711**	63,711

14 WARRANT RESERVE

	1997 £'000	1996 £'000
Warrant reserve at 28 February	**3,945**	**3,945**

15 CAPITAL RESERVE

	1997 £'000	1996 £'000
Realised surplus on investments at 1 August	**9,388**	1,067
Realised surplus on investments sold	**4,857**	6,150
Investment management fee	**(232)**	(211)
	14,013	7,006
Net unrealised surplus on investments at 1 August	**8,663**	7,678
Increase in net unrealised surplus on investments	**4,606**	1,566
	13,269	9,244
Capital reserve at 28 February	**27,282**	16,250

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

The unrealised surplus on investments is the difference between the market value of the investments held on 28 February 1997 and their original cost.

16 REVENUE RESERVE

	1997 £'000	1996 £'000
At 1 August	**605**	312
Transfer from revenue account	**(513)**	(283)
Revenue reserve at 28 February	**92**	29

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the six months ended 28 February 1997 £'000	For the six months ended 29 February 1996 £'000
Net return after finance costs and taxation	**1,149**	1,299
Dividends	**(1,662)**	(1,582)
	(513)	(283)
Non-distributable capital surplus	**9,230**	7,505
Net addition to shareholders' funds	**8,717**	7,222
Shareholders' funds at 1 August	**94,226**	84,626
Shareholders' funds at 28 February	**102,943**	91,848

18 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.