SCHRODER INCOME GROWTH FUND plc
(Registered Number: 3008494)

UNAUDITED

INTERIM ACCOUNTS

31 AUGUST 1997

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22 October 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.

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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
33 Gutter Lane
London EC2V 8AS

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 year ended 31 August 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 1996 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 the revenue account and the capital account.

The gross revenue of the Company for the period was £5,923,000 (1996: £5,065,000). After deducting taxation and administrative expenses the amount available for distribution to Shareholders was £4,403,000 (1996: £3,736,000) equivalent to a return on revenue of 5.56p per ordinary share (1996: 4.72p).

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 year ended 31 August 1997, the Directors have declared ordinary dividends totalling 4.60p (1996: 4.35p) net per ordinary share, and a special dividend of 0.40p (1996: nil) net per ordinary share.

Shareholders should note that the special dividend is attributable to special dividends received during the period, in particular from BT and London Merchant Securities. The total dividend payment for the year should not be taken as indicative of the level of future dividends.

The dividends have absorbed £3,957,000 (1996: £3,442,000) resulting in a transfer to the revenue reserve of £446,000 (1996: £294,000).

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 15 September 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 9 October 1997, 63,308,823 ordinary shares, representing 80.00 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 31 August 1997 are given below:

	At 31 August 1997		At 31 August 1996	
	Ordinary Shares of 10p	Warrants	Ordinary Shares of 10p	Warrants
J M Hignett	**26,046**	**4,800**	25,122	4,800
N G C P Banbury	**1,000**	**200**	1,000	200
R E Hills	**6,513**	**1,200**	6,282	1,200
Sir Paul Judge	**1,000**	**200**	1,000	200
K M Niven	**6,513**	**1,200**	6,282	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
33 Gutter Lane
London EC2V 8AS
Registered Number: 3008494

By order of the Board
Schroder Investment Management Limited
Secretary
22 October 1997

UNAUDITED STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)

		for the year ended 31 August 1997			for the year ended 31 August 1996 *		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains on sales		-	9,277	9,277	-	8,753	8,753
Unrealised gains		-	6,764	6,764	-	985	985
Gains on investments		-	**16,041**	**16,041**	-	9,738	9,738
Franked investment income	1c						
Ordinary dividends		**4,465**	-	**4,465**	4,295	-	4,295
Special dividends		**608**	-	**608**	219	-	219
Other investment income	1c						
Ordinary dividends		**365**	-	**365**	260	-	260
Special dividends		**187**	-	**187**	-	-	-
Convertible bonds	1c	**188**	-	**188**	196	-	196
Other income	1c	**110**	-	**110**	95	-	95
Gross revenue		**5,923**	**16,041**	**21,964**	5,065	9,738	14,803
Investment management fee	2	**(489)**	**(489)**	**(978)**	(432)	(432)	(864)
Other expenses	3	**(122)**	-	**(122)**	(113)	-	(113)
Net return on ordinary activities before finance cost and taxation		**5,312**	**15,552**	**20,864**	4,520	9,306	13,826
Interest payable	4	-	-	-	(11)	-	(11)
Net return of revenue on ordinary activities before taxation		**5,312**	**15,552**	**20,864**	4,509	9,306	13,815
Taxation	5	**(909)**	-	**(909)**	(773)	-	(773)
Net return of revenue on ordinary activities after tax attributable to equity shareholders		**4,403**	**15,552**	**19,955**	3,736	9,306	13,042
Dividends							
First interim dividend of 1.05p per ordinary share paid 31 January 1997		**(831)**	-	**(831)**	(791)	-	(791)
Second interim dividend of 1.05p per ordinary share paid 30 April 1997		**(831)**	-	**(831)**	(791)	-	(791)
Third interim dividend of 1.05p per ordinary share paid 31 July 1997		**(831)**	-	**(831)**	(791)	-	(791)
Fourth interim dividend of 1.45p per ordinary share payable 31 October 1997		**(1,147)**	-	**(1,147)**	(1,069)	-	(1,069)
Special dividend of 0.40p per ordinary share payable 31 October 1997		**(317)**	-	**(317)**	-	-	-
Transfer to reserves (after aggregate dividends proposed of £3,957,000; 1996 - £3,442,000)		**446**	**15,552**	**15,998**	294	9,306	9,600
Return per ordinary share	6	**5.56p**	**19.65p**	**25.21p**	4.72p	11.76p	16.48p
Dividends for the period per share		**5.00p**	-	**5.00p**	4.35p	-	4.35p

* The comparative figures have been restated as discussed in note 1d.

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	at 31 August 1997 £'000	at 31 August 1996 * £'000
FIXED ASSETS			
Investments			
Listed investments	7	**108,797**	94,368
CURRENT ASSETS			
Debtors	8	**1,166**	3,227
Short-term deposits		**2,020**	66
Cash at bank		**4**	3
		3,190	3,296
CURRENT LIABILITIES			
Creditors : amounts falling due within one year	9	**1,763**	3,438
NET CURRENT ASSETS / (LIABILITIES)		**1,427**	(142)
TOTAL ASSETS LESS CURRENT LIABILITIES		**110,224**	94,226
Creditors: amounts falling due after more than one year	10	**-**	-
NET ASSETS		**110,224**	94,226
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	**33,604**	18,052
Revenue reserve	16	**1,051**	605
EQUITY SHAREHOLDERS' FUNDS	17	**110,224**	94,226
Net asset value per share:	18		
Undiluted		**139.29p**	119.08p
Diluted		**132.75p**	115.90p

* The comparative figures have been restated as discussed in note 1d.

The Accounts were approved by the Board of Directors on 22 October 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 and the Statement of Recommended Practice "Financial Statements for Investment Trust Companies".

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 Investment management fee
Following the introduction of the Statement of Recommended Practice (SORP) for Investment Trust Companies, for accounting periods commencing after 1 January 1996, the Board resolved that the investment management fee should be apportioned equally between the revenue account and the capital reserve from 1 September 1996. Previously the investment management fee was charged entirely to the capital reserve. 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 the previous year.

e Statement of Recommended Practice
Following the Board's adoption of the SORP, the revenue account is now incorporated within the Statement of Total Return.

2 INVESTMENT MANAGEMENT FEE

	For the year ended 31 August 1997 £'000	For the year ended 31 August 1996 * £'000
Investment management fee		
-charged to revenue	**489**	432
-charged to capital (see note 15)	**489**	432
	978	864

* The comparative figures have been restated as discussed in note 1d.

NOTES TO THE ACCOUNTS continued

3 OTHER EXPENSES

	For the year ended 31 August 1997 £'000	For the year ended 31 August 1996 £'000
General expenses	**71**	62
Directors' fees	**43**	43
Auditor's Remuneration		
- audit	**8**	8
- non-audit	**-**	-
	122	113

4 INTEREST PAYABLE

	For the year ended 31 August 1997 £'000	For the year ended 31 August 1996 £'000
Overdraft facility	**-**	11
	-	11

5 TAXATION

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

	For the year ended 31 August 1997 £'000	For the year ended 31 August 1996 £'000
Taxation on franked investment income	**1,017**	903
Tax on franked income recoverable	**(108)**	(84)
Deferred tax (see note 10)	**-**	(11)
Write-back of ACT previously written-off	**-**	(35)
	909	773

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 year ended 31 August 1997			For the year ended 31 August 1996 *		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return per ordinary share (in pence)	**5.56**	**19.65**	**25.21**	4.72	11.76	16.48

* The comparative figures have been restated as discussed in note 1d.

The revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £4,403,000 (1996: £3,736,000), and on 79,130,000 (1996: 79,130,000) ordinary shares being the number of ordinary shares in issue during the period.

The capital return per ordinary share is based on the net capital gains for the period of £15,552,000 (1996: £9,306,000), and on 79,130,000 (1996: 79,130,000) ordinary shares being the number of ordinary shares in issue during the period.

7 INVESTMENTS

	1997	1996
	£'000	£'000
Cost at the beginning of the period	**85,705**	76,110
Additions at cost	**48,730**	54,400
Disposals at cost	**(41,065)**	(44,805)
Cost at 31 August	**93,370**	85,705
Net unrealised surplus on investments (see note 15)	**15,427**	8,663
Market value at 31 August	**108,797**	94,368

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 £101,696,010 (1996: £89,827,827). The value placed on the convertibles included under listed investments is £7,101,278 (1996: £4,540,078).

8 DEBTORS

	1997	1996
	£'000	£'000
Amounts falling due within one year:		
Dividends and interest receivable	**1,013**	841
Tax recoverable on franked investment income	**144**	127
Prepayment of expenses	**9**	9
Sales for future settlement	**-**	2,250
	1,166	3,227

NOTES TO THE ACCOUNTS continued

9 CREDITORS

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Proposed dividend	**1,464**	1,069
Creditors and accrued charges	**299**	274
Overdraft facility	-	1,300
Purchases for future settlement	-	795
	1,763	3,438

10 DEFERRED TAX

	1997 £'000	1996 £'000
At the beginning of the period	-	11
Transferred to Revenue Account	-	(11)
At 31 August	-	-

Deferred taxation comprises corporation tax at 31 per cent on accrued income and other short-term timing differences. There are no unprovided deferred tax balances.

11 CONTINGENT LIABILITIES

The Company had no contingent liabilities at the balance sheet date.

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 31 August 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 31 August	**63,711**	63,711

14 WARRANT RESERVE

	1997 £'000	1996 £'000
Warrant reserve at 31 August	**3,945**	**3,945**

15 CAPITAL RESERVE

	1997 £'000	1996 * £'000
Realised surplus on investments at the beginning of the period	**9,389**	1,068
Realised surplus on investments sold	**9,277**	8,753
Investment management fee (see note 2)	**(489)**	(432)
	18,177	9,389
Net unrealised surplus on investments at the beginning of the period	**8,663**	7,678
Increase in net unrealised surplus on investments	**6,764**	985
	15,427	8,663
Capital reserve at 31 August	**33,604**	18,052

* The comparative figures have been restated as discussed in note 1d.

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 31 August 1997 and their original cost.

16 REVENUE RESERVE

	1997 £'000	1996 * £'000
At the beginning of the period	**605**	311
Transfer from revenue account	**446**	294
Revenue reserve at 31 August	**1,051**	605

* The comparative figures have been restated as discussed in note 1d.

NOTES TO THE ACCOUNTS continued

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the year ended 31 August 1997 £'000	For the year ended 31 August 1996 * £'000
Net return after finance costs and taxation	**4,403**	3,736
Dividends	**(3,957)**	(3,442)
	446	294
Non-distributable capital surplus	**15,552**	9,306
Net addition to shareholders' funds	**15,998**	9,600
Shareholders' funds at the beginning of the period	**94,226**	84,626
Shareholders' funds at 31 August	**110,224**	94,226

* The comparative figures have been restated as discussed in note 1d.

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.