SCHRODER INCOME GROWTH FUND plc
(Registered Number: 3008494)

UNAUDITED

INTERIM ACCOUNTS

28 February 1998

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26 March 1998

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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

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 Chairman of the Advisory Board of Cambridge University Institute of Management Studies and a Trustee of the Cambridge Foundation. He is a former Director of WPP Group plc, ministerial adviser at the Cabinet Office, Director General of the Conservative Party, 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.

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 six months ended 28 February 1998.

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 1997 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

The gross revenue of the Company for the period was £1,889,000 (1997: £1,753,000). After deducting taxation and administrative expenses the amount available for distribution to Shareholders was £1,231,000 (1997: £1,149,000) equivalent to a return on revenue of 1.55p per ordinary share (1997: 1.45p).

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 1998, the Directors have declared ordinary dividends totalling 2.20p (1997: 2.10p) net per ordinary share.

The dividends have absorbed £1,756,000 (1997: £1,662,000) resulting in a transfer from the revenue reserve of £525,000 (1997: £513,000).

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).

SUBSTANTIAL SHARE INTERESTS

At 12 March 1998, 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 12 March 1998, 65,324,869 ordinary shares, representing 81.1 per cent. of the issued share capital, were held by investors in the Schroder Personal Equity Plan.

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 period to 28 February 1998 are given below:

	At 28 February 1998		At 28 February 1997	
	Ordinary Shares of 10p	Warrants	Ordinary Shares of 10p	Warrants
J M Hignett	**26,622**	**4,800**	25,638	4,800
N G C P Banbury	**1,000**	**200**	1,000	200
R E Hills	**Nil**	**Nil**	6,411	1,200
Sir Paul Judge	**1,000**	**200**	1,000	200
K M Niven	**6,657**	**1,200**	6,411	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 was 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. As the date of this report, no such notice has been received. 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:
33 Gutter Lane
London EC2V 8AS
Registered Number: 3008494

By order of the Board
Schroder Investment Management Limited
Secretary
26 March 1998

UNAUDITED STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)

		For the six months ended 28 February 1998			for the six months ended 28 February 1997		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains on sales of investments		-	6,882	6,882	-	4,857	4,857
Unrealised gains on investments		-	11,978	11,978	-	4,605	4,605
Premium paid on purchase of warrants for cancellation		-	(20)	(20)	-	-	-
Franked investment income	1c						
Ordinary dividends		1,440	-	1,440	1,587	-	1,587
Special dividends		-	-	-	-	-	-
Other investment income	1c						
Ordinary dividends		340	-	340	39	-	39
Special dividends		-	-	-	-	-	-
Convertible bond interest	1c	29	-	29	85	-	85
Other income	1c	80	-	80	42	-	42
Investment management fee	2	(286)	(286)	(572)	(232)	(232)	(464)
Administrative expenses	3	(69)	-	(69)	(55)	-	(55)
Net return ordinary activities before taxation		1,534	18,554	20,088	1,466	9,230	10,696
Taxation	4	(303)	-	(303)	(317)	-	(317)
Net return on ordinary activities after tax attributable to equity shareholders		1,231	18,554	19,785	1,149	9,230	10,379
Dividends							
First interim dividend of 1.10p (1997:1.05p) per ordinary share paid 31 January 1998		(870)	-	(870)	(831)	-	(831)
Second interim dividend of 1.10p (1997:1.05p) per ordinary share payable 30 April 1998		(886)	-	(886)	(831)	-	(831)
Transfer (from)/to reserves (after aggregate dividends paid and proposed of £1,756,000; 1997 - £1,662,000)		(525)	18,554	18,029	(513)	9,230	8,717
Return per ordinary share	5	1.55p	23.31p	24.86p	1.45p	11.66p	13.11p
Dividends for the period per share		2.20p	-	2.20p	2.10p	-	2.10p

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 28 February 1998 £'000	at 28 February 1997 £'000
FIXED ASSETS			
Investments			
Listed investments	6	**128,808**	100,458
CURRENT ASSETS			
Debtors	7	**341**	4,318
Short-term deposits		**2,399**	1,778
Cash at bank		**5**	-
		2,745	6,096
CURRENT LIABILITIES			
Creditors : amounts falling due within one year	8	**1,902**	3,611
NET CURRENT ASSETS		**843**	**2,485**
NET ASSETS		**129,651**	102,943
CAPITAL AND RESERVES			
Called up share capital	10	**8,055**	7,913
Share premium account	11	**65,347**	63,711
Warrant reserve	12	**3,565**	3,945
Capital reserve	13	**52,158**	27,282
Revenue reserve	14	**526**	92
EQUITY SHAREHOLDERS' FUNDS	15	**129,651**	102,943
Net asset value per share:	16		
Undiluted		**160.95p**	130.09p
Diluted		**151.76p**	125.08p

The Accounts were approved by the Board of Directors on 26 March 1998 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.

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 six months ended 28 February 1998 £'000	For the six months ended 28 February 1997 £'000
Investment management fee		
-charged to revenue	**286**	232
-charged to capital (see note 13)	**286**	232
	572	464

NOTES TO THE ACCOUNTS continued

3 ADMINISTRATIVE EXPENSES

	For the six months ended 28 February 1998 £'000	For the six months ended 28 February 1997 £'000
General expenses	**43**	30
Directors' emoluments	**22**	22
Auditors' Remuneration		
- audit	**4**	3
- non-audit	**-**	-
	69	55

4 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 1998 £'000	For the six months ended 28 February 1997 £'000
Irrecoverable ACT	**40**	-
Taxation on franked investment income	**263**	317
	303	317

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 six months ended 28 February 1998			For the six months ended 28 February 1997		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return per ordinary share (in pence)	**1.55**	**23.31**	**24.86**	1.45	11.66	13.11

The revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £1,231,000 (1997: £1,149,000), and on 79,596,435 (1997: 79,130,000) ordinary shares being the weighted average 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 £18,554,000 (1997: £9,230,000), and on 79,596,435 (1997: 79,130,000) ordinary shares being the weighted average number of ordinary shares in issue during the period.

NOTES TO THE ACCOUNTS continued

6 INVESTMENTS

	1998 £'000	1997 £'000
Cost at the beginning of the period	**93,370**	85,705
Additions at cost	**26,424**	21,130
Disposals at cost	**(18,391)**	(19,646)
Cost at 28 February	**101,403**	87,189
Net unrealised surplus on investments (see note 13)	**27,405**	13,269
Market value at 28 February	**128,808**	100,458

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 £122,551,995 (1997: £94,181,922). The value placed on the convertibles included under listed investments is £6,256,229 (1997: £6,275,983).

7 DEBTORS

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Sales for future settlement	**-**	3,863
Dividends and interest receivable	**189**	307
Tax recoverable on franked investment income	**150**	141
Prepayment of expenses	**2**	7
	341	4,318

8 CREDITORS

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Purchases for future settlement	**635**	2,504
Proposed dividend	**886**	831
Creditors and accrued charges	**341**	274
Taxation	**40**	-
Bank overdraft	**-**	2
	1,902	3,611

9 CONTINGENT LIABILITIES

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

NOTES TO THE ACCOUNTS continued

10 SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised:		
312,500,000 shares of 10p each	**31,250**	31,250

	1998 £'000	1997 £'000
Allotted, Called Up and Fully Paid:		
79,130,000 ordinary shares of 10p each	**7,913**	7,913
1,423,021 ordinary shares issued on exercise of warrants	**142**	-
80,553,021 shares of 10p each	**8,055**	7,913

As a result of 1,423,021 warrants being exercised during the year, and the purchase of a further 100,000 warrants for cancellation, there were 14,302,979 warrants in issue as at 28 February 1998. 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 1998 to 2003 inclusive.

11 SHARE PREMIUM ACCOUNT

	1998 £'000	1997 £'000
Share premium account at the beginning of the period	**63,711**	63,711
Premium on conversion of 1,423,021 warrants	**1,636**	-
Share premium account at 28 February	**65,347**	63,711

12 WARRANT RESERVE

	1998 £'000	1997 £'000
Warrant reserve at the beginning of the period	**3,945**	3,945
Conversion of 1,423,021 warrants	**(355)**	-
Purchase of 100,000 warrants for cancellation	**(25)**	-
Warrant reserve at 28 February	**3,565**	3,945

NOTES TO THE ACCOUNTS continued

13 CAPITAL RESERVE

	1998 £'000	1997 £'000
Realised surplus on investments at the beginning of the period	**18,177**	9,388
Realised surplus on investments sold	**6,882**	4,857
Investment management fee (see note 2)	**(286)**	(232)
Premium on purchase of warrants for cancellation	**(20)**	-
	24,753	14,013
Net unrealised surplus on investments at the beginning of the period	**15,427**	8,663
Increase in net unrealised surplus on investments	**11,978**	4,606
	27,405	13,269
Capital reserve at 28 February	**52,158**	27,282

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 1998 and their original cost.

14 REVENUE RESERVE

	1998 £'000	1997 £'000
At the beginning of the period	**1,051**	605
Transfer from revenue account	**(525)**	(513)
Revenue reserve at 28 February	**526**	92

NOTES TO THE ACCOUNTS continued

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the six months ended 28 February 1998 £'000	For the six months ended 28 February 1997 £'000
Net return after finance costs and taxation	**1,231**	1,149
Dividends	**(1,756)**	(1,662)
	(525)	(513)
Non-distributable capital surplus	**18,554**	9,230
Proceeds from conversion of warrants during the year	**1,423**	-
Net cost of purchase of warrants for cancellation	**(25)**	-
Net addition to shareholders' funds	**19,427**	8,717
Shareholders' funds at the beginning of the period	**110,224**	94,226
Shareholders' funds at 28 February	**129,651**	102,943

16 NET ASSET VALUE PER SHARE

Calculation of the undiluted net asset value per share is based on 80,553,021 ordinary shares in issue. The diluted net asset value per share is based on 94,856,000 ordinary shares, assuming the exercise of 14,302,979 warrants at 100 pence per share.