SCHRODER INCOME GROWTH FUND plc

(Registered Number: 3008494)

UNAUDITED

INTERIM ACCOUNTS

31 August 1998

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20 September 1998

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, and Sedgwick Group plc. He was previously Chairman of The London American Growth Trust plc, a Director of Alfred McAlpine plc, 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.

ADVISERS

INVESTMENT MANAGER
Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

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
31 Gresham Street
London EC2V 7QA

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 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 year 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 £5,791,000 (1997: £5,923,000). After deducting taxation and administrative expenses the amount available for distribution to Shareholders was £4,320,000 (1997: £4,403,000) equivalent to a return on revenue of 5.39p per ordinary share (1997: 5.56p).

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 1998, the Directors have declared dividends totalling 5.15p (1997: 5.00p) net per ordinary share.

The dividends have absorbed £4,133,000 (1997: £3,957,000) resulting in a transfer to the revenue reserve of £187,000 (1997: transfer to the revenue reserve of £446,000).

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 22 September 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 22 September 1998, 63,425,187 ordinary shares, representing 78.7 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 year to 31 August 1998 are given below:

	At 31 August 1998		At 31 August 1997	
	Ordinary Shares of 10p	**Warrants**	Ordinary Shares of 10p	Warrants
J M Hignett	**27,002**	**4,800**	26,046	4,800
N G C P Banbury	**1,000**	**200**	1,000	200
R E Hills	**-**	**-**	6,513	1,200
Sir Paul Judge	**1,000**	**200**	1,000	200
K M Niven	**6,752**	**1,200**	6,513	1,200

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

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 at the date of this report, no such notice has been given. During the year ended 31 August 1998 the Investment Manager was 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. With effect from 1 September 1998 the Investment Manager is entitled to a fee at a rate of 0.75 per cent on assets up to and including £75 million, 0.7 per cent on the next £50 million and 0.65 per cent on assets in excess of £125 million.

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:
31 Gresham Street
London EC2V 7QA
Registered Number: 3008494

By order of the Board
Schroder Investment Management Limited
Secretary
13 October 1998

UNAUDITED STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)

		For the year ended 31 August 1998			For the year ended 31 August 1997		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Realised gains on sales of investments		-	14,353	14,353	-	9,277	9,277
Unrealised (losses)/gains on investments		-	(10,366)	(10,366)	-	6,764	6,764
Premia paid on purchase of warrants for cancellation		-	(189)	(189)	-	-	-
Franked investment income	1c						
Ordinary dividends		4,119	-	4,119	4,465	-	4,465
Special dividends		-	-	-	608	-	608
Other investment income	1c						
Ordinary dividends		1,342	-	1,342	365	-	365
Special dividends		-	-	-	187	-	187
Convertible bond interest	1c	110	-	110	188	-	188
Other income	1c	220	-	220	110	-	110
Investment management fee	2	(580)	(580)	(1,160)	(489)	(489)	(978)
Administrative expenses	3	(134)	-	(134)	(122)	-	(122)
Net return on ordinary activities before taxation		5,077	3,218	8,295	5,312	15,552	20,864
Taxation on ordinary activities	4	(757)	-	(757)	(909)	-	(909)
Net return on ordinary activities after taxation attributable to equity shareholders		4,320	3,218	7,538	4,403	15,552	19,955
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 paid 30 April 1998		(886)	-	(886)	(831)	-	(831)
Third interim dividend of 1.10p (1997:1.05p) per ordinary share paid 31 July 1998		(886)	-	(886)	(831)	-	(831)
Fourth interim didvidend of 1.55p (1997:1.45p) per ordinary share payable 31 October 1998		(1,249)	-	(1,249)	(1,147)	-	(1,147)
Special foreign income dividend: 0.30p (1997:special dividend of 0.40p per share)		(242)	-	(242)	(317)	-	(317)
Transfer to reserves		187	3,218	3,405	446	15,552	15,998
Return per ordinary share	5	5.39p	4.02p	9.41p	5.56p	19.65p	25.21p
Dividends for the year per share		5.15p	-	5.15p	5.00p	-	5.00p

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 1998 £'000	at 31 August 1997 £'000
FIXED ASSETS			
Investments			
Listed investments	6	**114,527**	108,797
CURRENT ASSETS			
Debtors	7	**947**	1,166
Short-term deposits		**1,206**	2,020
Cash at bank		**17**	4
		2,170	3,190
CURRENT LIABILITIES			
Creditors : amounts falling due within one year	8	**1,798**	1,763
NET CURRENT ASSETS		**372**	1,427
NET ASSETS		**114,899**	110,224
CAPITAL AND RESERVES			
Called up share capital	10	**8,055**	7,913
Share premium account	11	**65,347**	63,711
Warrant reserve	12	**3,437**	3,945
Capital reserve	13	**36,822**	33,604
Revenue reserve	14	**1,238**	1,051
EQUITY SHAREHOLDERS' FUNDS	15	**114,899**	110,224
Net asset value per share:	16		
Undiluted		**142.64p**	139.29p
Diluted		**136.41p**	132.75p

The Accounts were approved by the Board of Directors on 13 October 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 Basis of accounting

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 of 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

The investment management fee is apportioned equally between the revenue account and the capital reserve

2 INVESTMENT MANAGEMENT FEE

	For the year ended 31 August 1998 £'000	For the year ended 31 August 1997 £'000
Investment management fee		
-charged to revenue	**580**	489
-charged to capital (see note 13)	**580**	489
	1,160	978

3 ADMINISTRATIVE EXPENSES

	For the year ended 31 August 1998 £'000	For the year ended 31 August 1997 £'000
General expenses	**83**	71
Directors' emoluments	**43**	43
Auditors' Remuneration		
- audit	**8**	8
- non-audit	**-**	-
	134	122

NOTES TO THE ACCOUNTS continued

4 TAXATION

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

	For the year ended 31 August 1998 £'000	For the year ended 31 August 1997 £'000
Taxation on franked investment income	**757**	1,017
Taxation on franked investment income recoverable	**-**	(108)
	757	909

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 1998			For year ended 31 August 1997		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return per ordinary share (in pence)	**5.39**	**4.02**	**9.41**	5.56	19.65	25.21

The revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £4,320,000 (1997: £4,403,000), and on 80,077,381 (1997: 79,130,000) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The capital return per ordinary share is based on the net capital gains for the year of £3,218,000 (1997: £15,552,000), and on 80,077,381 (1997: 79,130,000) ordinary shares being the weighted average number of ordinary shares in issue during the year.

NOTES TO THE ACCOUNTS continued

6 INVESTMENTS

	1998	1997
	£'000	£'000
Cost at the beginning of the year	**93,370**	85,705
Additions at cost	**54,628**	48,730
Disposals at cost	**(38,532)**	(41,065)
Cost at 31 August	**109,466**	93,370
Net unrealised surplus on investments (see note 13)	**5,061**	15,427
Market value at 31 August	**114,527**	108,797

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 £109,273,777 (1997: £101,696,010).

7 DEBTORS

	1998	1997
	£'000	£'000
Amounts falling due within one year:		
Dividends and interest receivable	**798**	1,013
Tax recoverable on franked investment income	**140**	144
Prepayment of expenses	**9**	9
	947	1,166

8 CREDITORS

	1998	1997
	£'000	£'000
Amounts falling due within one year:		
Proposed dividend	**1,491**	1,464
Creditors and accrued charges	**307**	299
	1,798	1,763

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 (1997: 79,130,000) 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 615,000 warrants for cancellation, there were 13,787,979 warrants in issue as at 31 August 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 year	**63,711**	63,711
Proceeds from warrants exercised during the year	**1,423**	-
Transfer from warrant reserve	**355**	-
Less: Nominal value of shares issued	**(142)**	-
Share premium account at 31 August	**65,347**	63,711

12 WARRANT RESERVE

	1998 £'000	1997 £'000
Warrant reserve at the beginning of the year	**3,945**	3,945
Transfer to share premium account on conversion of warrants	**(355)**	-
Purchase of 615,000 warrants for cancellation	**(153)**	-
Warrant reserve at 31 August	**3,437**	3,945

NOTES TO THE ACCOUNTS continued

13 CAPITAL RESERVE

	1998 £'000	1997 £'000
Realised surplus on investments at the beginning of the year	**18,177**	9,389
Realised surplus on investments sold	**14,353**	9,277
Investment management fee (see note 2)	**(580)**	(489)
Premia paid on purchase of warrants for cancellation	**(189)**	-
	31,761	18,177
Net unrealised surplus on investments at the beginning of the year	**15,427**	8,663
(Decrease)/Increase in net unrealised surplus on investments	**(10,366)**	6,764
	5,061	15,427
Capital reserve at 31 August	**36,822**	33,604

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 1998 and their original cost.

14 REVENUE RESERVE

	1998 £'000	1997 £'000
At the beginning of the year	**1,051**	605
Transfer to revenue account	**187**	446
Revenue reserve at 31 August	**1,238**	1,051

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the year ended 31 August 1998 £'000	For the year ended 31 August 1997 £'000
Net surplus of revenue for distribution	**4,320**	4,403
Dividends	**(4,133)**	(3,957)
	187	446
Non-distributable capital surplus	**3,218**	15,552
Proceeds from conversion of warrants during the year	**1,423**	-
Net cost of purchase of warrants for cancellation	**(153)**	-
Net addition to shareholders' funds	**4,675**	15,998
Shareholders' funds at the beginning of the year	**110,224**	94,226
Shareholders' funds at 31 August 1998	**114,899**	110,224

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 94,491,000 ordinary shares, assuming the exercise of 13,787,979 warrants at 100 pence per share.