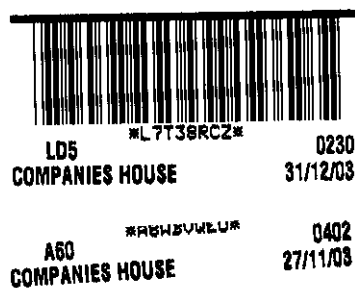

**SCHRODER
INCOME
GROWTH
FUND plc**

**Report and Accounts
31 August 2003**

Company Number 3008494



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Financial Calendar

31 January	First interim dividend payable
March	Interim Results announced
	Second interim dividend announced
30 April	Second interim dividend payable
June	Third interim dividend announced
31 July	Third interim dividend payable
31 August	Company's year end
September	Fourth interim dividend announced
October	Preliminary Results announced
31 October	Fourth interim dividend payable
November	Annual Report and Accounts published
December	Annual General Meeting
December	First interim dividend announced

Directors

John Hignett*† (Aged 69) (Chairman)

was appointed as a Director of the Company on 11 January 1995. He was previously a non-executive Director of Smiths Group plc, Sedgwick Group plc, 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 and was previously Deputy Chairman of TI Group plc.

Peregrine Banbury*† (Aged 55)

was appointed as a Director of the Company on 11 January 1995 and is a Client Group Head, 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.

Peter Readman*† (Aged 56)

was appointed as a Director of the Company on 15 December 1999. He is a partner of Abercromby & Company and a director of a number of other companies, including Keystone Investment Trust plc, Martin Currie European Investment Trust plc and Pantheon International Participations plc.

Sir Paul Judge*† (Aged 54)

was appointed as a Director of the Company on 11 January 1995 and is Chairman of The Royal Society of Arts and a trustee of the Cambridge Foundation. Formerly he has been a Director of WPP Group plc, 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† (Aged 55)

was appointed as a Director of the Company on 5 January 1995. He is a non-executive Director of Schroder UK Growth Fund plc and Impax Environmental Markets plc. Mr Niven is also a trustee for the Charities Aid Foundation ("CAF"), Chairman of CAF's Investment Advisory Committee and an investment advisor to the Rolls-Royce Pension Fund. He was previously a Vice Chairman of Schroder Investment Management Limited and Chairman of Schroder Unit Trusts Limited.

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

† Member of the Nomination Committee.

Mr Hignett is Chairman of the Audit, Management Engagement and Nomination Committees.

Advisers

Investment Manager

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Registrar

Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ

Secretary and Registered Office

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Auditors

Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Bankers

Schroder & Co. Limited
31 Gresham Street
London EC2V 7QA

ING Bank N.V.
60 London Wall
London EC2M 5TQ

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Stockbrokers

Teather and Greenwood
Beaufort House
15 St Botolph Street
London EC3A 7QR

Financial Highlights

	31 August 2003	31 August 2002	Change %
Diluted net asset value per share	154.14p	145.24p	6.1
Share price	156.75p	147.00p	6.6
Warrant price	55.50p	46.25p	20.0
Share price premium	1.7%	1.2%	
FTSE All-Share Index	2064.74	2046.21	0.9
Shareholders' funds (£'000)	114,246	105,192	8.6
Shares in issue ('000)	71,429	69,974	
Dividends per share	6.00p	5.85p	2.6
Total expense ratio*	1.05%	0.91%	

* Calculated in accordance with AITC guidance (excluding performance fees and finance costs but after allowing for tax relief on expenses) and expressed as a percentage of average monthly net assets.

Total Return to 31 August 2003

	Share price total return* %	NAV total return* %	FTSE All-Share total return* %
1 year	11.16	9.93	4.64
2 years	12.52	(2.68)	(14.92)
3 years	29.12	(0.17)	(29.61)
4 years	25.04	6.52	(21.45)
5 years	43.22	29.84	(2.99)
6 years	43.47	37.03	6.70
7 years	75.38	65.70	31.32
8 years	88.56	93.14	53.5
Since inception	117.12	116.28	82.2

* Source: Schroders/Fundamental Data. Assumes reinvestment of dividends.

Long Term Record

As at 31 August	Shareholders' funds £' 000	Diluted NAV	Undiluted NAV	Share price	Warrant price	Share price premium/(discount) %
2003	114,246	154.1p	159.9p	156.8p	55.5p	1.7
2002	105,192	145.2p	150.3p	147.0p	46.3p	1.2
2001	121,093	165.8p	174.7p	151.0p	52.0p	(8.9)
2000	122,598	164.4p	174.9p	136.8p	42.0p	(16.8)
1999	136,927	159.8p	168.7p	147.3p	50.0p	(7.8)
1998	114,899	136.4p	142.6p	133.5p	38.0p	(2.1)
1997	110,224	132.8p	139.3p	138.0p	34.0p	3.9
1996	94,226	115.9p	119.1p	117.0p	18.5p	0.9
1995	84,626	107.0p	108.3p	114.0p	29.0p	6.5

Long Term Record

For the period ended 31 August	Share price total return	NAV total return	FTSE All-Share total return	Earnings	Net dividends	Cost of running trust† £' 000
2003	11.16%	9.93%	4.64%	6.15p	6.00p	1,161
2002	1.22%	(11.47)%	(18.70)%	5.67p	5.85p	1,143
2001	14.75%	2.58%	(17.27)%	6.04p	5.70p	1,200
2000	(3.16)%	6.70%	11.60%	5.41p	5.40p	1,144
1999	14.54%	21.90%	23.49%	6.38p	5.40p*	1,249
1998	0.18%	5.54%	9.99%	5.39p	5.15p**	1,294
1997	22.24%	20.92%	23.08%	5.56p	5.00p***	1,100
1996	7.51%	16.56%	16.93%	4.72p	4.35p	977
1995 ****	15.15%	11.99%	18.69%	2.64p	2.25p	464

* Includes special dividend of 0.3p

** Includes special foreign income dividend of 0.3p

*** Includes special dividend of 0.4p

**** for the period from 5 January 1995 to 31 August 1995

† Operating expenses, excluding finance costs

Company Summary

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 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 2003.

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.

Price Information

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 prices of the shares are quoted daily in the The Daily Telegraph and The Times.

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

0906 003 5024 for the Ordinary Shares

0906 003 5025 for the Warrants

Calls are charged at 60p per minute at all times.

Share price information, subject to a twenty minute delay, is also available on the internet at:

The site also contains other information on the Company including a factsheet containing, inter alia, information about the diversification of the portfolio and the Company's ten largest investments. The factsheet is published quarterly and is also available to Shareholders on request from the Secretary of the Company.

The Company releases its net asset value to the London Stock Exchange on a weekly basis.

Analysis of Registers of Shareholders and Warrantholders

At 31 August 2003	Shares	Warrants
% of issued shares and warrants held by:	%	%
Private individuals	5.76	10.75
Banks/nominees (excluding Schroder PEP/ISA/Dealing Service)	28.78	39.76
Schroder PEP/ISA/Dealing Service participants	65.15	46.55
Other institutions	0.31	2.94
	100.00	100.00
Total number of registered holders	1,955	514

Company Summary continued**Five Year Dividend History**

	Net Dividend Paid per Share					Payment Date
	1999	2000	2001	2002	2003	
1st Interim	1.13p	1.16p	1.22p	1.25p	1.27p	31 January
2nd Interim	1.13p	1.16p	1.22p	1.25p	1.27p	30 April
3rd Interim	1.13p	1.16p	1.22p	1.25p	1.27p	31 July
4th Interim	1.71p	1.92p	2.04p	2.10p	2.19p	31 October
Special dividend	0.30p	–	–	–	–	31 October
Total dividends for the year	5.40p	5.40p	5.70p	5.85p	6.00p	

Capital Gains Tax Information

For the benefit of those shareholders and warrant holders 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

For the 2003/2004 tax year the annual capital gains (after adjusting for indexation and taper relief) of private individuals in excess of £7,900 (2002/2003: £7,700) are assessed for capital gains tax.

Capital gains on shares disposed of by individuals may be eligible for taper relief. The taper reduces the amount of a chargeable gain according to how long the asset has been held for periods after 5 April 1998. Where shares were acquired before 6 April 1998, the gain will also be reduced by indexation allowance for the period up to April 1998, but not thereafter.

Shareholder Information

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 investment trusts which are available through this service are Schroder AsiaPacific Fund plc, Schroder Japan Growth Fund plc, Schroder Split Investment Fund plc, Schroder Split ZDP plc, Schroder UK Growth Fund plc, Schroder UK Mid and Small Cap Fund plc, Schroder Ventures International Investment Trust plc and International Biotechnology Trust plc.

Individual Savings Account – Schroder Maxi ISA Plan

Schroders are providing a non CAT standard investment trust ISA, which includes Schroder Income Growth Fund plc. The investment trust ISA is designed as a maxi account, made up entirely of a stocks and shares component; a cash or insurance component is not offered.

The Schroder ISA offers investors:

- lump sum investments in the ordinary shares of the Company from a minimum of £1,000 to a maximum of £7,000 in the current tax year
- a regular investment option from a minimum of £50 per month
- competitive charges
- the option to reinvest income
- the option to include other trusts.

If you would like further information about the Schroder Investment Trust Dealing Service or the Schroder Maxi ISA, please contact the Secretary of the Company at 31 Gresham Street, London EC2V 7QA or call Schroder Investor Services on freephone 0800 718 777.

Registrar Services

Communications with share and warrant holders are mailed to the address held on the relevant register. Any notifications and enquiries relating to registered share and warrant holdings, including a change of address or other amendment should be directed to Lloyds TSB Registrars Scotland at PO Box 28448, Finance House, Orchard Brae, Edinburgh EH4 1WQ. The telephone number of Lloyds TSB Registrars is 0870 601 5366.

Lloyds TSB Registrars Scotland maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding.

Visit www.shareview.co.uk for more details.

Chairman's Statement

Results for the year and dividends

During the year ended 31 August 2003 the Company produced a revenue return of 6.15 pence per share compared with a return of 5.67 pence per share for the prior year, an increase of 8.5 per cent.

However, the Company received three extraordinary payments during this period amounting to about 0.26 pence per share, thus the underlying level of earnings was 5.89 pence per share. With this in mind, but taking into account the strength of the Company's revenue reserves and its primary investment objective, the Board declared total dividends of 6.00 pence per share for the year ended 31 August 2003. This represents an increase of 2.6 per cent. over the 5.85 pence per share paid in respect of the year ended 31 August 2002. Whilst this increase is marginally less than the current rate of inflation of 2.8 per cent., the Company has consistently provided shareholders with real increases in dividends over all other time periods since inception.

Investment Performance

The Company out-performed its benchmark during the year ended 31 August 2003, producing a net asset value total return of 9.9 per cent. compared with the total return of 4.6 per cent. for the FTSE All-Share Index.

Share Price Performance

During the year the Company's share price traded within a relatively narrow range, between a premium of 4 per cent. and a discount of 3 per cent., to its net asset value. It began the year on a premium of 1.2 per cent. and ended on a premium of 1.7 per cent.

The share price total return for the year, calculated by reference to the movement in the share price together with dividend payments made by the Company, was a positive return of 11.2 per cent.

Performance

	As at 31 August 2003	As at 31 August 2002
Diluted net asset value per share	154.1p	145.2p
Middle market share price	156.8p	147.0p
Share price premium	1.7%	1.2%

Gearing Facility

At the beginning of the year, the Company had in place a revolving credit facility of £12m with ING Bank. However, there were no drawdowns under this facility and it has now been cancelled.

Share and Warrant Purchases

No shares or warrants were purchased for cancellation during the year, as good performance compared with both peer group companies and the market, helped to ensure that investor demand for shares and warrants remained relatively strong.

Chairman's Statement continued

Nevertheless the share buy back facility is one of a number of tools that may be used to enhance shareholder value, although shares will only be purchased in appropriate circumstances. To provide maximum flexibility, a resolution to renew the share buy back authority is included in the Notice of the Annual General Meeting.

Final Warrant Exercise Date on 31 December 2003

A Circular to warrant holders will be distributed with the Annual Report and Accounts to remind them of the final opportunity to exercise their warrants. The final date on which warrants may be exercised is 31 December 2003.

Annual General Meeting

The Company's ninth Annual General Meeting will be held at 3.00 p.m. on Wednesday 10th December 2003. As in previous years, the meeting will include a presentation by the Investment Manager on the Company's investment strategy and market prospects.

Outlook

Stock markets around the world have recovered strongly in the last few months as investors have grown more confident that a global economic recovery, led and supported by the US, is now underway. However the Board remains cautious about the robustness of any such recovery, particularly in the US, and the extent to which markets may have become over-optimistic about the future prospects for earnings and dividend growth.

Nevertheless, whatever the short-term outlook for the stock market, your Board believes that, given the breadth and quality of its investment portfolio, the Company is well positioned to benefit from its portfolio of companies with low valuations, good market positions and comparatively strong balance sheets.



John Hignett

Chairman

20 October 2003

Investment Manager's Review

Market Background and Investment Review

In the first half of the year, the market fell sharply as fears grew that the world economy may be entering a period of deflation and perhaps depression. These fears were exacerbated by the prospect of a prolonged war in the Middle East. However, the apparent resolution of the war led to a sharp rally as equity markets began to discount a recovery in the US economy in particular. The attitude to risk has also changed substantially. Having been extremely shy of risk during the middle of the year, investors are now actively looking to take risk. The magnitude of change in investor psychology over the year has been quite dramatic.

The Company's approach to investing has been relatively straightforward throughout this rollercoaster ride. We have concentrated on companies that are out of favour with the market and trade on relatively low valuations.

Outlook

The consensus view, and that discounted by the market, is for an economic recovery along classic lines. However, we believe that the recovery in global growth will be weaker than in the past. For example, consumer purchases of durable goods have risen to a record share of real GDP thus eliminating the growth potential coming from pent up demand. The risks to the stockmarket have increased as its current valuation and feeling of optimism cannot cope with much bad news on the speed and extent of the economic recovery.

Schroder Investment Management Limited

20 October 2003

Twenty Largest Investments

At 31 August 2003

Company and Activity	Value of Holdings £'000	Percentage of Shareholders' Funds
HSBC International financial services group.	4,610	4.04
BP Integrated oil company.	4,388	3.84
Tomkins Diverse industrial conglomerate.	3,941	3.45
GlaxoSmithkline Global pharmaceutical company.	3,681	3.22
ICAP Supplier of wholesale financial dealing services.	3,213	2.81
HBOS UK financial services group.	3,085	2.70
Boots UK's leading high street chemist.	2,975	2.60
Brit Insurance Insurance company primarily operating within Lloyd's of London.	2,942	2.58
Safeway UK food retailer.	2,835	2.48
Royal Bank of Scotland UK financial services group with significant US operations.	2,748	2.41
Shell Transport & Trading Integrated oil company.	2,577	2.26
Tesco The UK's leading domestic food retailer with Eastern European and Far Eastern interests.	2,454	2.15
Smith (James) Estates Property investment company.	2,443	2.14
Royal & Sun Alliance International insurance company.	2,142	1.87
Anglo American Diversified mining company.	2,129	1.86
Lloyds TSB Group UK financial services group.	2,075	1.82
BAE Systems Europe's largest defence contractor.	2,001	1.75
RAC Owner of the RAC motoring services brand.	1,972	1.73
Burndene Manufacturer of caravan holiday homes.	1,968	1.72
Allied Domecq World's second largest spirits company with substantial wine interests.	1,958	1.71
Total	56,137	49.14

Report of the Directors

Your Directors submit their Report and the Accounts of the Company for the year ended 31 August 2003.

Company's Business

The Company carries on business as an investment trust, and it is an investment company within the meaning of Section 266 of the Companies Act 1985 (as amended). 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 purpose 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 as meeting the qualifying criteria for investment trust status is the year ended 31 August 2002 and the Company has subsequently conducted its affairs so as to enable it to continue to qualify for such approval.

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 pages 8 and 9 and the Investment Manager's Review on page 10.

Revenue and Earnings

The net revenue return after taxation for the year was £4,343,000 (2002: £3,956,000) equivalent to earnings of 6.15p (2002: 5.67p) per ordinary share.

Dividends and Dividend Policy

The Directors of the Company intend to continue 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 ended 31 August 2003, the Directors have declared total ordinary dividend payments of 6.00p per share (2002: 5.85p per share).

The dividends have absorbed £4,261,000 meaning that a balance of £82,000 has been transferred to the revenue reserve.

Net Asset Value

Over the year under review the diluted net asset value per share of the Company rose to 154.14p per share from 145.24p per share.

There were 7,660,360 warrants in issue at 31 August 2003, each warrant entitling the holder to subscribe for one ordinary share of 10p at a price of £1.00 on 31 December 2003.

Report of the Directors continued**Policy for Payment of Creditors**

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no trade creditors as at 31 August 2003.

Purchase of Shares for Cancellation

During the year to 31 August 2003, the Company did not purchase ordinary shares for cancellation.

The Directors wish to renew the authority to purchase shares for cancellation given to them at the Annual General Meeting held on 13 December 2002. A resolution authorising the Directors to purchase up to 14.99 per cent. of the share capital in issue at 10 November 2003 will therefore be proposed at the forthcoming Annual General Meeting for which notice is given on pages 37 and 38.

The authority will lapse at the conclusion of the Company's Annual General Meeting in 2004 unless renewed earlier.

Purchases of Warrants

During the year to 31 August 2003, the Company did not purchase warrants for cancellation. The Directors intend to continue to identify opportunities to make further purchases of warrants, in circumstances where purchases may enhance the diluted net asset value per share and reduce potential future earnings dilution.

Issues of New Shares

At the 2002 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.

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 £357,143 (equivalent to 3,571,435 ordinary shares of 10p and 5 per cent. of the Company's existing issued ordinary share capital at 10 November 2003), 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 2004.

Under this authority, the Directors have issued 958,101 ordinary shares since the last AGM on 13 December 2002. The Directors contemplate that they might continue to 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, the Schroder Investment Trust Dealing Service and the Schroder Maxi ISA. 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.

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 2003 are given below:

	At 31 August 2003		At 31 August 2002	
	Ordinary Shares	Warrants	Ordinary Shares	Warrants
J M Hignett	42,268	4,788	40,924	4,800
N G C P Banbury	1,000	200	1,000	200
Sir Paul Judge	1,000	200	1,000	200
K M Niven	69,066	1,197	32,665	1,200
J P A Readman	Nil	Nil	Nil	Nil

Between the end of the financial year and 10 November 2003, Mr Hignett increased his interest in the Company's share capital to 42,698 shares and Mr Niven increased his interest to 69,516 shares. During the same period Mr Hignett disposed of 12 warrants and Mr Niven disposed of 3 warrants.

In accordance with the Company's Articles of Association, Sir Paul Judge and Mr Hignett will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

None of the Directors have a contract of service with the Company. No Director has any material interest in any other contract that is significant to the Company's business.

Directors' Remuneration Report

New legislation requires the Company to produce a yearly report on Directors' remuneration and the Company's remuneration policy, and to put an annual resolution to shareholders for the approval of that report. The Remuneration Report prepared in accordance with the Directors' Remuneration Report Regulations 2002 can be found on page 16. Therefore, the notice of the Annual General Meeting on pages 37 and 38 contains an ordinary resolution (No. 2) to approve the Remuneration Report for the year. It should be noted that the result of this resolution is advisory only.

Substantial Share Interests

At 10 November 2003 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 10 November 2003 45,302,889 ordinary shares, representing 63.4 per cent. of the issued share capital, were held by investors in the Schroder Personal Equity Plan and Schroder Maxi ISA.

Investment Manager

The Directors consider the continuing appointment of the Investment Manager on the terms of the existing investment management agreement to be in the best interests of the Company and shareholders as a whole. Schroders provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objective.

The Investment Manager, Schroder Investment Management Limited, provides investment management, accounting, secretarial and custodial services to the Company. The agreement can

Report of the Directors continued

be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. At the date of this report no such notice had been given. During the year ended 31 August 2003, the Investment Manager was entitled to a fee at a rate of 10 per cent. of the net revenue return for the year after taxation plus 0.375 per cent. on assets up to and including £75 million, 0.35 per cent. on the next £50 million and 0.325 per cent. on assets in excess of £125 million.

With effect from 1 September 2000, an annual performance fee was introduced. The fee is symmetrical in nature, so that the Manager will be rewarded for out-performance but penalised for under-performance. The performance fee (or rebate) is based on the Company's net asset value total return compared with the total return on the FTSE All-Share Index over rolling three-year periods and is subject to a cap of 25 per cent. of the asset-based management fee (plus VAT) for the year then ended. The performance fee is based on three-year rolling periods and is calculated and paid annually. The fee in respect of any period will be calculated as 5 per cent. of the value (based on opening net assets for the relevant period) of the outperformance/ (underperformance) of the Company's Net Asset Value over the return on the FTSE All-Share Index, with performance measured in terms of total return.

For the year to 31 August 2003, a total performance fee of £96,000 plus VAT is payable under the terms of the management agreement.

The Investment Manager is authorised and regulated by the Financial Services Authority (FSA).

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).

Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

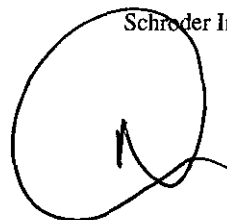
Annual General Meeting

The Annual General Meeting will be held at 3.00 p.m. on Wednesday, 10 December 2003. The Notice of Meeting is set out on pages 37 and 38.

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 3008494
12 November 2003

By Order of the Board
Schroder Investment Management Limited
Secretary



Directors' Remuneration Report for the year ended 31 August 2003

As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the Management Engagement Committee and the Board.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £80,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. During the year ended 31 August 2003, the Chairman received a fee of £15,000 and the other members of the Board received fees of £10,000 per annum. Following the annual review, Directors' fees have been increased with effect from 1 September 2003, and the Chairman receives fees at the rate of £16,500 per annum and other Directors receive £12,000 per annum.

No element of the Directors' remuneration is performance related.

No Director has a service contract with the Company.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

A graph showing the Company's Share Price total return compared with its benchmark Index, the FTSE All-Share Total Return Index, over the last 5 years is shown below.

Remuneration for Qualifying Services

Director	For the year ended 31 August 2003 Fees for services to the Company £	For the year ended 31 August 2002 Fees for services to the Company £
J M Hignett	15,000	15,000
N G C P Banbury	10,000	10,000
Sir Paul Judge	10,000	10,000
K M Niven	10,000	10,000
J P A Readman	10,000	10,000
Totals	55,000	55,000

The information in the above table has been audited (see the Independent Auditor's Report on pages 22 and 23).

The amounts paid by the Company to the Directors were for services as non-executive directors.

By order of the Board
Schroder Investment Management Limited
Secretary
12 November 2003

Corporate Governance

The Company is committed to high standards of corporate governance. The UK Listing Authority requires all listed Companies to disclose how they have applied the principles of, and complied with, the provisions of the Combined Code contained in the Listing Rules (the "Combined Code"). This Statement, together with the Statement of Directors' Responsibilities on page 21, indicates how the Company has applied the principles of good governance of the Combined Code and its requirements on Internal Control.

Application of Code Principles

The Board

The Board currently consists of five non-executive Directors, the majority of whom are independent of the Company's Investment Manager (see page 2).

The Board meets at least four times a year. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board has contractually delegated to Schroder Investment Management Limited the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation in so far as they relate to the affairs of the Company, and each contract is monitored on an annual basis by the Management Engagement Committee.

The Investment Manager also ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the Directors to seek clarification on specific issues or to probe matters of concern.

When a Director is appointed he or she receives an induction, which is provided by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. The Board receives and considers reports regularly from the Investment Manager and ad hoc reports and information are supplied to the Board as required. In addition, Directors may attend ad hoc seminars covering the latest developments across the investment trust industry.

Board Committees

The Company has established a Nomination Committee as a result of the recommendations of the Combined Code, to make recommendations on the appointment of new Directors. A formal procedure for the appointment of new Directors is contained in the terms of reference of the Committee. The Committee meets as necessary to make recommendations to the Board on the filling of Board vacancies. The Committee consists of all the Directors of the Company. In making its recommendations, the Committee is required to ensure that the composition of the Board is appropriately balanced in expertise and ability.

Corporate Governance continued

In accordance with the Association of Investment Trust Companies ("AITC") recommendation, a *Management Engagement Committee with defined terms of reference and duties* was established in 1996, which consists of all the independent directors, to review and discuss the terms of the management contract with the Investment Manager. An annual review of the management contract is carried out.

There is also an Audit Committee consisting of all the independent directors with defined terms of reference and duties. The function of the Audit Committee is to ensure that the Company maintains the highest standards of integrity and financial reporting. It also meets with representatives of the Investment Manager and the Company Secretary and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

All Directors are appointed for an initial term covering the period from the date of their appointment until the first Annual General Meeting thereafter, at which they are required to stand for election, in accordance with the existing Articles of Association. Thereafter Directors retire by rotation at least every three years.

Relations with Shareholders

The Board believes that the Annual General Meeting provides an effective forum for private investors to communicate with the Board, and encourages participation. The Annual General Meeting is attended by the full Board of Directors and the Investment Manager makes a presentation. There is an opportunity for individual shareholders to question the Chairman of the Board, Audit and Management Engagement Committees at the Annual General Meeting. The Company announced the level of votes cast by proxy on resolutions proposed at last year's Annual General Meeting, and intends to announce the votes cast by proxy in a similar manner at future General Meetings.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year end and holding the earliest possible Annual General Meeting is valuable. The Notice of Meeting on pages 37 and 38 sets out the business of the meeting.

Exercise of Voting Powers

The Company has approved a voting policy in respect of its investments which, in summary, is based on the governance recommendations of the Combined Code with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns.

Accountability and Audit

The Directors' statement of responsibilities in respect of the financial statements is on page 21 and a statement of going concern is set out below.

The independent auditors' report can be found on pages 22 and 23.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in

Corporate Governance continued

operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal Control

The Combined Code requires the Board to review the effectiveness of internal controls. The Board has undertaken a full review of all the aspects covered by the Turnbull guidance under which the Board is responsible for the Company's system of internal control and for reviewing its effectiveness.

The Board has approved a detailed risk map that identifies significant strategic, investment-related, operational and service provider risks and adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis.

The Board has contractually delegated responsibility for the management of the investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services. The Board believes that the key risks identified and the implementation of an on-going system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. The on-going risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The Company does not have an internal audit function as it does not employ staff and delegates to third parties most of its operations. The Board will continue to monitor its framework of internal control and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In so doing the Board will review from time to time whether a function equivalent to an internal audit is needed.

Statement of Compliance

The Board has conducted an annual review of the effectiveness of the system of internal control covering all controls including financial, operational and compliance controls and risk management. This assessment took into account issues arising from the reports reviewed by the Board during the year together with any additional information necessary to enable the Board to take account of all significant aspects of internal control.

Corporate Governance continued

Except as explained below, the Company has complied throughout the year with the best practice provisions in Section 1 of the Combined Code:

- The Board considers the Chairman to be the main point of contact to whom concerns from whatever source or of whatever nature may be conveyed. In the event that a shareholder does not wish to raise a concern with him, the Board is of the view that such a shareholder should be free to contact any of its other non-executive members and it has decided that it is not appropriate to nominate a single senior independent Director.

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 as at the end of the financial year and of the profit or loss of the Company for that period and are in accordance with applicable laws and regulations.

The Directors are satisfied that the Company has adequate resources to continue in business and accordingly that the accounts should be drawn up on the 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 financial statements and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, other irregularities and non-compliance with laws and regulations.

The financial statements are published on the www.schroders.co.uk website, which is a website maintained by Schroder Investments Limited. The maintenance and integrity of the website is the responsibility of Schroder Investments Limited. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The Directors believe that they have complied with these responsibilities.

Report of the Independent Auditors

To the Members of Schroder Income Growth Fund plc

We have audited the financial statements of Schroder Income Growth Fund plc for the year ended 31 August 2003 which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Report of the Independent Auditors continued

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, 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 financial statements and the part of the directors' remuneration report described as having been audited 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 financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 August 2003 and of its net return for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP



Chartered Accountants and Registered Auditors

London

12 November 2003

Statement of Total Return

	Notes	For the year ended 31 August 2003			For the year ended 31 August 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	–	7,586	7,586	–	(15,326)	(15,326)
Premium on purchase of warrants for cancellation		–	–	–	–	(300)	(300)
Income	2	5,027	–	5,027	4,622	–	4,622
Investment management fee	3	(477)	(477)	(954)	(483)	(483)	(966)
Performance fee	19	–	(113)	(113)	–	(123)	(123)
Administrative expenses	4	(207)	–	(207)	(177)	–	(177)
Net return before finance costs and taxation		4,343	6,996	11,339	3,962	(16,232)	(12,270)
Interest payable and similar charges	6	–	–	–	(6)	(6)	(12)
Return on ordinary activities before taxation		4,343	6,996	11,339	3,956	(16,238)	(12,282)
Tax on ordinary activities	7	–	–	–	–	–	–
Return on ordinary activities after tax for the year attributable to equity shareholders		4,343	6,996	11,339	3,956	(16,238)	(12,282)
Dividends:							
1st interim dividend of 1.27p per share paid 31 January 2003 (2002: 1.25p)		(895)	–	(895)	(866)	–	(866)
2nd interim dividend of 1.27p per share paid 30 April 2003 (2002: 1.25p)		(899)	–	(899)	(875)	–	(875)
3rd interim dividend of 1.27p per share paid 31 July 2003 (2002: 1.25p)		(903)	–	(903)	(875)	–	(875)
4th interim dividend of 2.19p per share payable 31 October 2003 (2002: 2.10p)		(1,564)	–	(1,564)	(1,469)	–	(1,469)
Transfer to/(from) reserves		82	6,996	7,078	(129)	(16,238)	(16,367)
Return per ordinary share	8	6.15p	9.90p	16.05p	5.67p	(23.29)p	(17.62)p
Return per ordinary share – diluted	8	5.96p	9.59p	15.55p	5.45p	(22.35)p	(16.90)p
Dividends for the year per ordinary share		6.00p	–	6.00p	5.85p	–	5.85p

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.

No operations were acquired or discontinued in the year.

The notes on pages 27 to 33 form an integral part of these accounts.

Balance Sheet

At 31 August

	Notes	2003 £'000	2002 £'000
Fixed Assets			
Investments			
Listed investments	9	110,740	100,647
Current Assets			
Debtors	10	727	648
Cash at bank and short-term deposits		4,780	5,770
		5,507	6,418
Current Liabilities			
Creditors: amounts falling due within one year	11	2,001	1,873
Net current assets		3,506	4,545
Net Assets		114,246	105,192
Capital and Reserves			
Called up share capital	13	7,143	6,998
Capital redemption reserve	14	1,223	1,223
Share premium account	15	2,779	948
Share purchase reserve	16	50,225	50,225
Warrant reserve	17	1,909	1,963
Warrant exercise reserve	18	316	262
Capital reserves	19	48,243	41,247
Revenue reserve	20	2,408	2,326
Equity Shareholders' Funds	21	114,246	105,192
Net Asset Value per share			
Undiluted	22	159.94p	150.33p
Diluted	22	154.14p	145.24p

The Accounts were approved by the Board of Directors on 12 November 2003 and signed on behalf of the Board by:

J M Hignett
K M Niven
Directors



The notes on pages 27 to 33 form an integral part of these accounts.

Cash Flow Statement

		For the year ended 31 August 2003		For the year ended 31 August 2002	
	Notes	£'000	£'000	£'000	£'000
Operating Activities					
Income received from investments		4,761		4,584	
Interest received		166		183	
Other income		29		-	
Administrative expenses		(205)		(207)	
Performance fee		(123)		(131)	
Investment management fee		(921)		(1,042)	
Net cash inflow from operating activities	23		3,707		3,387
Returns on investments and servicing of finance					
Interest paid		-		(14)	
Net cash outflow from returns on investments and servicing of finance		-			(14)
Taxation					
UK tax recovered		-		50	
Total tax recovered		-			50
Financial Investment					
Purchase of investments		(12,066)		(14,737)	
Sale of investments		9,559		20,166	
Net cash (outflow)/inflow from financial investment			(2,507)		5,429
Equity dividends paid			(4,166)		(4,030)
Net cash (outflow)/inflow before financing			(2,966)		4,822
Financing					
Issue of shares		1,761		-	
Capital expenses paid		(1)		(4)	
Proceeds from warrants exercised		216		667	
Purchase of warrants for cancellation		-		(501)	
Net cash inflow from financing			1,976		162
Net cash (outflow)/inflow			(990)		4,984

Reconciliation of net cash (outflow)/inflow to movement in net funds

	For the year ended 31 August 2003		For the year ended 31 August 2002	
	£'000	£'000	£'000	£'000
Net cash (outflow)/inflow	(990)		4,984	
Net funds brought forward	5,770		786	
Net funds carried forward	4,780		5,770	

The notes on pages 27 to 33 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" ("SORP").
- b Investments** Listed investments are stated at mid-market value. Realised and unrealised gains and losses on investments are included in the realised and unrealised capital reserves respectively.
- c Income recognition** Dividends received from investments are credited by reference to their ex-dividend date. Other income is recognised on an accruals basis. UK dividends are accounted for net of any tax credit. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserve.
- d Investment management fee, performance fee and finance costs** The investment management fee and finance costs on borrowings for investment purposes are apportioned equally between the revenue account and the capital reserve. Performance fees are charged wholly to the capital reserve.
- e Taxation** Deferred tax is provided in accordance with FRS 19 on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are recoverable.

2 Income

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
UK dividend income	4,686	4,274
Convertible bond interest	159	146
Interest receivable and similar income	182	202
	5,027	4,622

3 Investment management fee

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
Investment management fee		
– charged to revenue	406	411
– charged to capital (note 19)	406	411
– irrecoverable VAT	142	144
	954	966

The basis for calculating the management fee is set out in the Report of the Directors on page 14.

4 Administrative expenses

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
General expenses	138	110
Directors' fees	55	55
Auditors' remuneration:		
– audit	14	12
	207	177

The Company has no employees or staff costs (2002: same).

Notes to the Accounts continued

5 Directors' fees

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
John Hignett (Chairman)	15	15
Peregrine Banbury	10	10
Sir Paul Judge	10	10
Keith Niven	10	10
Peter Readman	10	10
	55	55

During the year no pension contributions were made in respect of any director.

6 Interest payable and similar charges

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
Interest on loan and other finance costs		
– charged to revenue	–	6
– charged to capital	–	6
	–	12

7 Taxation

The Company has no corporation tax liability in the year to 31 August 2003 (2002: Nil)

(a) Tax attributable to expenses charged to capital

The Company has sufficient brought forward excess management expenses available to offset against any taxable profits on the revenue account such that no relief is derived from capitalised expenses.

(b) Factors affecting tax charge for the year

Approved investment trust companies are exempt from tax on capital gains within the Company.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below:

	For the year ended 31 August 2003			For the year ended 31 August 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Factors affecting tax charge for the year						
Return/(deficit) on ordinary activities before tax	4,343	6,996	11,339	3,956	(16,238)	(12,282)
Return/(deficit) on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2002: 30%)	1,303	2,099	3,402	1,187	(4,871)	(3,684)
Tax effects of:						
UK franked dividends*	(1,406)	–	(1,406)	(1,282)	–	(1,282)
Capital returns on investments*	–	(2,276)	(2,276)	–	4,598	4,598
Management and performance fees capitalised	–	177	177	–	183	183
Premium on warrant buy-backs	–	–	–	–	90	90
Expenses not deductible for tax purposes	3	–	3	–	–	–
Revenue expenses not utilised in the year	100	–	100	95	–	95
Total current taxation	–	–	–	–	–	–

* These items are not subject to tax in investment trust companies.

Notes to the Accounts continued**7 Taxation** (continued)*(c) Provision for deferred taxation*

No provision for deferred taxation has been made in the current or prior year.

(d) Factors that may affect future tax charges

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £1,861,951 (2002: £1,584,890). The asset will be recovered if the Trust were to generate taxable profits in excess of management expenses carried forward.

8 Return per ordinary share

	For the year ended 31 August 2003			For the year ended 31 August 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share (pence)	6.15p	9.90p	16.05p	5.67p	(23.29)p	(17.62)p
Return per ordinary share – fully diluted (pence)	5.96p	9.59p	15.55p	5.45p	(22.35)p	(16.90)p

The basic revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £4,343,000 (2002: £3,956,000) and on 70,661,868 (2002: 69,722,138) ordinary shares, being the weighted average number of ordinary shares in issue in the year. The basic capital return per ordinary share is based on the net capital return for the year of £6,996,000 (2002: loss of £16,238,000) and on 70,661,868 (2002: 69,722,138) ordinary shares, being the weighted average number of ordinary shares in issue in the year.

The diluted returns per ordinary share for the year have been calculated in accordance with Financial Reporting Standard No. 14 on the assumption that the weighted average number of potentially dilutive warrants in issue throughout the year are exercised into 2,255,326 (2002: 2,920,072) ordinary shares on the first day of the financial year giving a weighted average of 72,917,194 (2002: 72,642,211) shares in issue during the year.

9 Investments

	For the year ended 31 August 2003 £'000
Opening book cost	107,694
Opening unrealised loss	(7,047)
Opening valuation	100,647
Purchases at cost	12,066
Sales proceeds	(9,559)
Realised losses for the year	(2,447)
Unrealised gains for the year	10,033
Closing valuation	110,740
Closing book cost	103,972
Closing unrealised gains	6,768
Closing valuation	110,740

The investments are valued on the basis set out in note 1b and are listed on the London Stock Exchange.

	For the year ended 31 August 2003 £'000
Gains on investments	
Realised losses based on historical cost	(6,229)
Less: amounts recognised as unrealised in previous years (note 19)	3,782
Realised losses based on carrying value at previous balance sheet date	(2,447)
Net movement in unrealised gains	10,033
Gains on investments	7,586

Notes to the Accounts continued

10 Debtors	2003	2002
	£'000	£'000
Amounts due within one year:		
Dividends and interest receivable	702	630
Prepayment of expenses	25	18
	727	648

11 Creditors	2003	2002
	£'000	£'000
Amounts falling due within one year:		
Proposed dividend	1,564	1,469
Other creditors and accrued charges	437	404
	2,001	1,873

At the beginning of the year, the Company had in place a revolving credit facility of £12 million with ING Bank. The facility was not utilised during the year and has now been cancelled.

12 Contingent liabilities

The Company had no contingent liabilities at the balance sheet date (2002: Nil).

13 Share capital	2003	2002
	£'000	£'000
Authorised:		
312,500,000 shares of £0.10 each	31,250	31,250
Allotted, Called Up and Fully Paid:		
Opening balance of 69,974,348 ordinary shares (2002: 69,307,271) of £0.10 each	6,998	6,931
Shares issued on exercise of 215,792 warrants	22	67
Issue of 1,238,566 shares for total cash consideration of £1.76 million	123	–
Closing balance of 71,428,706 ordinary shares (2002: 69,974,348) of £0.10 each	7,143	6,998

As a result of 215,792 (2002: 667,077) warrants being exercised during the year, and the purchase by the Company of no warrants for cancellation, (2002: 805,000) there were 7,660,360 (2002: 7,876,152) warrants remaining in issue at 31 August 2003. Each warrant entitles the holder to subscribe for one ordinary share of 10p nominal at a price of £1.00 on 31 December 2003, being the final exercise date for the warrants, as explained in the Chairman's Statement.

14 Capital redemption reserve	2003	2002
	£'000	£'000
Capital redemption reserve brought forward and carried forward	1,223	1,223

15 Share premium account	2003	2002
	£'000	£'000
Share premium account brought forward	948	348
Proceeds from warrants exercised	216	667
Nominal value of shares issued on exercise of warrants	(22)	(67)
Premium on issue of shares	1,637	–
Share premium account carried forward	2,779	948

Notes to the Accounts continued**16 Share purchase reserve**

	2003 £'000	2002 £'000
Share purchase reserve brought forward	50,225	50,225
Purchase of ordinary shares for cancellation	-	-
Share purchase reserve carried forward	50,225	50,225

17 Warrant reserve

	2003 £'000	2002 £'000
Warrant reserve brought forward	1,963	2,330
Transfer on conversion of warrants (note 18)	(54)	(166)
Purchase of warrants for cancellation	-	(201)
Warrant reserve carried forward	1,909	1,963

18 Warrant exercise reserve

	2003 £'000	2002 £'000
Warrant exercise reserve brought forward	262	96
Transfer on conversion of warrants (note 17)	54	166
Warrant exercise reserve carried forward	316	262

19 Capital reserve

	Realised £'000	Unrealised £'000	Total £'000
Balance brought forward	48,294	(7,047)	41,247
Transfer on disposal of investments	(3,782)	3,782	-
Increase in unrealised gains on investments	-	10,033	10,033
Realised losses on investments sold	(2,447)	-	(2,447)
Performance fee	(96)	-	(96)
Irrecoverable VAT on performance fee	(17)	-	(17)
Investment management fee	(406)	-	(406)
Irrecoverable VAT on investment management fee	(71)	-	(71)
Balance carried forward	41,475	6,768	48,243

Performance fee

The basis for calculating the performance fee is set out in the Report of the Directors on page 14. For the year ended 31 August 2003, the Manager is entitled to a performance fee of £96,000 plus VAT, which has been capped at its maximum level.

20 Revenue reserve

	2003 £'000	2002 £'000
Revenue reserve brought forward	2,326	2,455
Transfer from/(to) revenue account	82	(129)
Revenue reserve carried forward	2,408	2,326

Notes to the Accounts continued**21 Reconciliation of movements in shareholders' funds**

	2003 £'000	2002 £'000
Net revenue available for distribution	4,343	3,956
Dividends	(4,261)	(4,085)
Return/(deficit) on the revenue account	82	(129)
Non-distributable capital gain/(loss)	6,996	(16,238)
Proceeds from warrants exercised	216	667
Warrants purchased for cancellation	-	(201)
Issue of shares	1,760	-
Net movement in shareholders' funds	9,054	(15,901)
Shareholders' funds brought forward	105,192	121,093
Shareholders' funds carried forward	114,246	105,192

22 Net asset value per share

	2003 £'000	2002 £'000
Net asset value per share – undiluted	159.94p	150.33p
Net asset value per share – diluted	154.14p	145.24p
Share price	156.75p	147.00p

The undiluted net asset value per share is based on the net assets attributable to ordinary shares of £114,246,000 (2002: £105,192,000) and on 71,428,706 ordinary shares in issue at 31 August 2003 (2002: 69,974,348).

The diluted net asset value per ordinary share is calculated in accordance with the SORP. It is based on the assumption that the 7,660,360 warrants in issue at 31 August 2003 (2002: 7,876,152) were converted into ordinary shares at the exercise price of £1.00. Dilution occurs if the undiluted net asset value is greater than the warrant exercise price of £1.00.

23 Reconciliation of revenue return before finance costs and taxation to net cash inflow from operating activities

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
Revenue return before finance costs and taxation	4,343	3,962
Investment management fee charged to capital reserve	(477)	(483)
Performance fee charged to capital	(113)	(123)
Movements in accrued income	(72)	145
Movements in other debtors	(7)	(7)
Movements in other creditors	33	(107)
Net cash inflow from operating activities	3,707	3,387

Notes to the Accounts continued

24 Related party transactions

The Company has appointed Schroder Investment Management Limited ("SIM"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, administrative and custodial services. Details of the management fee arrangements for these services are given in the Directors' Report on pages 14 and 15. The total of fees payable under this agreement to SIM in respect of the year ended 31 August 2003 were £1,067,000 (2002: £1,089,000), of which £ 378,000 was outstanding at the year end (2002: £349,000). In addition to the above services, SIM also provided investment trust dealing services. The total cost to the Company for this service, payable to Lloyds TSB Registrars, for the year ended 31 August 2003 was £10,000 (2002: £14,000).

At the year end SIM had an interest in 45,581,659 ordinary shares representing 63.8 per cent. of the Company's issued share capital which are held in portfolios managed for clients under investment management agreements.

During the year banking facilities provided were by Schroder & Co Limited and also by the Company's custodian, SIM. At 31 August 2003, the balance held at Schroder & Co Limited was £3,000 (2002: £18,000). At 31 August 2003, the balance held at SIM was £4,777,000 (2002: £5,752,000).

25 Risk

The following disclosures relating to the risks faced by the Company are provided in accordance with Financial Reporting Standard 13, "Derivatives and other financial instruments: disclosures".

Financial instruments and risk profile

The Company's investment objective is to provide real growth of income, being growth of income in excess of the inflation rate, and capital growth as a consequence of the rising income. Consistent with that objective, the Company's financial instruments largely comprise UK equity investments. In addition, the Company holds cash and short-term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value. The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of revenue profits available for dividend.

The Company does not enter into derivatives contracts. As an investment trust, the Company invests in securities for the long term. Accordingly, it is the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

Currency risk

The Company does not face any direct currency risk since all its assets and liabilities are denominated in sterling.

Interest rate risk

The Company will not be materially affected by changes in prevailing interest rates since the majority of its financial assets are equity shares, which pay dividends, not interest. The effect of interest rate changes on the valuation of equities forms part of market price risk, which is considered separately below.

The Company does not have any borrowings.

Market price risk

The Company's exposure to market price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on pages 34 to 36. In accordance with the Company's accounting policies all investments are stated at mid-market value. The Company does not hedge against movements in the value of these investments, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board. At 31 August 2003, a 10 per cent. movement in the market value of the Company's investments would result in a 10 per cent. change in net asset value per share.

Credit risk

The Company's transactions in securities expose it to potential counterparty risk, although this is minimised by only entering into deals with brokers pre-approved by a credit committee of Schroder Investment Management Limited.

List of Investments

As at 31 August 2003

Company	Industrial Classifications	Value of Holdings £'000	Percentage of Shareholders' Funds
Resources			
Anglo American	Mining	2,129	
BP	Oil and Gas	4,388	
Rio Tinto	Mining	1,252	
Shell Transport & Trading	Oil and Gas	2,577	
		10,346	9.06
Basic Industries			
Amec	Construction and building materials	325	
Barratt Developments	Construction and building materials	1,557	
Carillion	Construction and building materials	271	
Hanson	Construction and building materials	635	
Novar	Construction and building materials	453	
RMC	Construction and building materials	783	
Smith (DS)	Forestry and paper	399	
Taylor Woodrow	Construction and building materials	1,589	
Wolseley	Construction and building materials	1,450	
		7,462	6.53
General Industrials			
BAE Systems 7.75% Cum. Conv. Red. Pref	Aerospace and defence	746	
BAE Systems	Aerospace and defence	2,001	
IMI	Engineering and machinery	1,365	
Kidde	Engineering and machinery	533	
Metalrax Group	Engineering and machinery	974	
Tomkins	Engineering and machinery	3,941	
Weir Group	Engineering and machinery	1,274	
		10,834	9.48
Cyclical Consumer Goods			
Chapelthorpe	Household goods and textiles	225	
Lambert Howarth	Household goods and textiles	945	
		1,170	1.02
Non-Cyclical Consumer Goods			
Allied Domecq	Beverages	1,958	
British American Tobacco	Tobacco	1,771	
GlaxoSmithkline	Pharmaceuticals	3,681	
Northern Foods	Food producers and processors	793	
Scottish & Newcastle	Beverages	470	
SAB Miller	Beverages	1,182	
		9,855	8.63

List of Investments continued

As at 31 August 2003

Company	Industrial Classifications	Value of Holdings £'000	Percentage of Shareholders' Funds
Cyclical Services			
Airtours 5.75% Sub. Conv Bonds 05/01/04	Leisure, entertainment and hotels	807	
Alpha Airports	Transport	956	
BAA	Transport	912	
Boots	General retailers	2,975	
Burndene	Leisure, entertainment and hotels	1,968	
Bunzl	Support services	1,242	
Carlton Communications	Media and photography	356	
Christian Salvesen	Transport	780	
De La Rue	Support services	746	
EMI	Media and photography	59	
Granada	Media and photography	606	
Great Universal Stores	General retailers	1,026	
Intercontinental Hotels	Leisure, entertainment and hotels	1,533	
Johnson Services	Support services	353	
Marks & Spencer	General retailers	1,232	
Mitchells & Butlers	Leisure, entertainment and hotels	790	
National Express	Transport	860	
RAC	Support services	1,972	
Rank	Leisure, entertainment and hotels	1,323	
Reed Elsevier	Media and photography	694	
Reuters	Media and photography	866	
WH Smith	General retailers	494	
		22,550	19.74
Non-Cyclical Services			
Safeway	Food and drug retailers	2,835	
Tesco	Food and drug retailers	2,454	
		5,289	4.63
Utilities			
AWG	Water	531	
National Grid	Electricity	793	
United Utilities	Water	1,316	
Viridian Group	Electricity	1,939	
		4,579	4.01

List of Investments continued

As at 31 August 2003

Company	Industrial Classifications	Value of Holdings £'000	Percentage of Shareholders' Funds
	Financials		
Alliance & Leicester	Banks	1,759	
Barclays	Banks	1,877	
Brit Insurance	Insurance	2,942	
Great Portland Estates	Real estate	701	
HBOS	Banks	3,085	
HSBC	Banks	4,610	
ICAP	Speciality and other finance	3,213	
Intermediate Capital	Speciality and other finance	1,071	
Smith (James) Estates	Real estate	2,443	
Land Securities	Real estate	1,496	
Lloyds TSB Group	Banks	2,075	
London Merchant Securities	Real estate	687	
NHP	Real estate	917	
Provident Financial	Speciality and other finance	639	
Royal Bank of Scotland	Banks	2,748	
Royal & Sun Alliance	Insurance	2,142	
Schroder Ventures International			
Inv. Tst. Plc 4.5% subordinated convertible bonds 21/05/13	Investment trusts	1,185	
Standard Chartered	Banks	857	
Tops Estates 7.5% CULS	Real estate	1,284	
Warner Estate Holdings	Real estate	1,492	
Wellington Underwriting	Insurance	1,432	
		38,655	33.83
Total Investment Portfolio		110,740	96.93
Other assets		3,506	3.07
Equity Shareholders' Funds		114,246	100.00

Notice and Agenda

Notice is hereby given that the ninth Annual General Meeting of Schroder Income Growth Fund plc will be held at 3.00 p.m. on Wednesday, 10 December 2003 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 7 will be proposed as Ordinary Resolutions and resolutions 8 and 9 will be proposed as Special Resolutions:—

1. That the Report of the Directors and the Accounts for the year ended 31 August 2003 be adopted.
2. That the Directors' Remuneration Report for the year ended 31 August 2003 be approved.
3. That Sir Paul Judge be re-elected as a Director of the Company.
4. That Mr John Hignett be re-elected as a Director of the Company.
5. That Deloitte & Touche LLP 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 £357,143 (representing 5 per cent. of the aggregate nominal amount of the share capital in issue on 10 November 2003) 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 7 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 £357,143 (representing 5 per cent. of the aggregate nominal amount of the share capital in issue on 10 November 2003); 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.

Notice and Agenda continued

9. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of Ordinary Shares of 10p each in the capital of the Company ("Shares"), provided that:
- (a) the maximum number of Shares hereby authorised to be purchased shall be 10,707,163;
 - (b) the minimum price which may be paid for a Share is 10p;
 - (c) the maximum price which may be paid for a Share is an amount equal to 105 per cent. of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased;
 - (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the lower of the undiluted or diluted Net Asset Value;
 - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
 - (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

Registered Office:
31 Gresham Street
London EC2V 7QA
13 November 2003

By Order of the Board
Schroder Investment Management Limited
Secretary

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 holder 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, 31 Gresham Street, London EC2V 7QA, 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.
- 3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered in the Register of Members of the Company at 3.00 p.m. on 8 December 2003 shall be entitled to attend and vote at the meeting in respect of the number of Shares registered in their name at the time. Changes to the Register of Members after 3.00 p.m. on 8 December 2003 shall be disregarded in determining the right of any person to attend and vote at the meeting.

SCHRODER INCOME GROWTH FUND plc
(Registered Number: 3008494)

UNAUDITED ACCOUNTS
FOR THE PERIOD TO 31 AUGUST 2003

COMPANIES HOUSE 31/12/03
A60 *ABHCDQE7* 0884
COMPANIES HOUSE 27/11/03
ED4 *EPOIGPDA* 0041
COMPANIES HOUSE 21/10/03

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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Statement of Total Return	3
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Cash Flow Statement	5
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REPORT OF THE DIRECTORS

The Directors submit their report and the unaudited accounts of the Company for the year ended 31 August 2003.

COMPANY'S BUSINESS

The Company carries on business as an investment trust and it is an investment company within the meaning of section 266 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 2002 and the Company has subsequently conducted its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

REVENUE AND EARNINGS

The net revenue return after taxation for the year was £4,343,000 (2002:£3,956,000) equivalent to a revenue return of 6.15p per ordinary share (2002:5.67p).

The Directors of the Company intend to continue 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 2003, the Directors have declared total dividends of 6.00p (2002:5.85p) net per ordinary share.

The dividends have absorbed £4,261,000 (2002: £4,085,000) resulting in a balance of £82,000 transferred to the revenue reserve.

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



By order of the Board
Schroder Investment Management Limited
Secretary
16 October 2003

Schroder Income Growth Fund plc

UNAUDITED STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT)

	Notes	For the year ended 31 August 2003			For the year ended 31 August 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9/19	–	7,586	7,586	–	(15,326)	(15,326)
Premia on purchase of warrants for cancellation	19	–	–	–	–	(300)	(300)
Income	2	5,027	–	5,027	4,622	–	4,622
Investment management fee	3	(477)	(477)	(954)	(483)	(483)	(966)
Performance fee	19	–	(113)	(113)	–	(123)	(123)
Administrative expenses	4	(207)	–	(207)	(177)	–	(177)
Net return before finance costs and taxation		4,343	6,996	11,339	3,962	(16,232)	(12,270)
Interest payable and similar charges	6	–	–	–	(6)	(6)	(12)
Return on ordinary activities before taxation		4,343	6,996	11,339	3,956	(16,238)	(12,282)
Tax on ordinary activities	7	–	–	–	–	–	–
Return on ordinary activities after tax for the year attributable to equity shareholders		4,343	6,996	11,339	3,956	(16,238)	(12,282)
Dividends:							
1st interim dividend of 1.27p per share paid 31 January 2003 (2002: 1.25p)		(895)	–	(895)	(866)	–	(866)
2nd interim dividend of 1.27p per share paid 30 April 2003 (2002: 1.25p)		(899)	–	(899)	(875)	–	(875)
3rd interim dividend of 1.27p per share paid 31 July 2003 (2002: 1.25p)		(903)	–	(903)	(875)	–	(875)
4th interim dividend of 2.19p per share payable 31 October 2003 (2002: 2.10p)		(1,564)	–	(1,564)	(1,469)	–	(1,469)
Transfer to/(from) reserves		82	6,996	7,078	(129)	(16,238)	(16,367)
Return per ordinary share	8	6.15p	9.90p	16.05p	5.67p	(23.29)p	(17.62)p
Return per ordinary share – diluted	8	5.98p	9.63p	15.61p	5.45p	(22.35)p	(16.90)p
Dividends for the year per ordinary share		6.00p	–	6.00p	5.85p	–	5.85p

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.

No operations were acquired or discontinued in the year.

The notes on pages 6 to 12 form an integral part of these accounts.

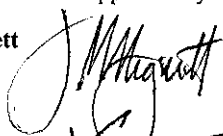
Schroder Income Growth Fund plc

UNAUDITED BALANCE SHEET

		At 31 August 2003 £'000	At 31 August 2002 £'000
	Notes		
Fixed Assets			
Investments			
Listed investments	9	110,740	100,647
Current Assets			
Debtors	10	727	648
Cash at bank and short-term deposits		4,780	5,770
		5,507	6,418
Current Liabilities			
Creditors: amounts falling due within one year	11	2,001	1,873
Net current assets		3,506	4,545
Net Assets		114,246	105,192
Capital and Reserves			
Called up share capital	13	7,143	6,998
Capital redemption reserve	14	1,223	1,223
Share premium account	15	2,779	948
Share purchase reserve	16	50,225	50,225
Warrant reserve	17	1,909	1,963
Warrant exercise reserve	18	316	262
Capital reserve	19	48,243	41,247
Revenue reserve	20	2,408	2,326
Equity Shareholders' Funds	21	114,246	105,192
Net Asset Value per share			
Undiluted	22	159.94p	150.33p
Diluted	22	154.14p	145.24p

The Accounts were approved by the Board of Directors on 16 October 2003 and signed on behalf of the Board by:

J M Hignett



K M Niven



Directors

The notes on pages 6 to 12 form an integral part of these accounts.

Schroder Income Growth Fund plc

UNAUDITED CASH FLOW STATEMENT

			For the year ended 31 August 2003		For the year ended 31 August 2002
	Notes	£'000	£'000	£'000	£'000
Operating Activities					
Income received from investments		4,761		4,584	
Interest received		166		183	
Other income		29		—	
Administrative expenses		(205)		(207)	
Performance fee		(123)		(131)	
Investment management fee		(921)		(1,042)	
Net cash inflow from operating activities	23		3,707		3,387
Returns on investments and servicing of finance					
Interest paid		—		(14)	
Net cash outflow from returns on investments and servicing of finance			—		(14)
Taxation					
UK tax recovered		—		50	
Total tax recovered			—		50
Financial Investment					
Purchase of investments		(12,066)		(14,737)	
Sale of investments		9,559		20,166	
Net cash (outflow)/inflow from financial investment			(2,507)		5,429
Equity dividends paid			(4,166)		(4,030)
Net cash (outflow)/inflow before financing			(2,966)		4,822
Financing					
Issue of shares		1,761		—	
Capital expenses paid		(1)		(4)	
Proceeds from warrants exercised		216		667	
Purchase of warrants for cancellation		—		(501)	
Net cash inflow from financing			1,976		162
Net cash (outflow)/inflow			(990)		4,984

Reconciliation of net cash (outflow)/inflow to movement in net funds

		For the year ended 31 August 2003		For the year ended 31 August 2002
		£'000		£'000
Net cash (outflow)/inflow		(990)		4,984
Net funds brought forward		5,770		786
Net funds carried forward		4,780		5,770

The notes on pages 6 to 12 form an integral part of these accounts.

NOTES TO THE ACCOUNTS

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" ("SORP").
- B **Investments** Listed investments are stated at mid 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. UK dividends are accounted for net of any tax credit. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserve.
- D **Investment management fee, performance fee and finance costs** The investment management fee and finance costs on borrowings for investment purposes are apportioned equally between the revenue account and the capital reserve. Performance fees are charged wholly to the capital reserve.
- E **Taxation** Deferred tax is provided in accordance with FRS 19 on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are recoverable.

2 Income

	For the year ended 31 August 2003	For the year ended 31 August 2002
	£'000	£'000
UK dividend income	4,686	4,274
Convertible bond interest	159	146
Interest receivable and similar income	182	202
	5,027	4,622

3 Investment management fee

	For the year ended 31 August 2003	For the year ended 31 August 2002
	£'000	£'000
Investment management fee		
– charged to revenue	406	411
– charged to capital (note 19)	406	411
– irrecoverable VAT	142	144
	954	966

4 Administrative expenses

	For the year ended 31 August 2003	For the year ended 31 August 2002
	£'000	£'000
General expenses	140	110
Directors' fees	55	55
Auditors' remuneration:		
– audit	12	12
	207	177

The Company has no employees or staff costs (2002: same).

NOTES TO THE ACCOUNTS

5 Directors' fees

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
John Hignett (Chairman)	15	15
Peregrine Banbury	10	10
Sir Paul Judge	10	10
Keith Niven	10	10
Peter Readman	10	10
	55	55

During the year no pension contributions were made in respect of any director.

6 Interest payable and similar charges

	For the year ended 31 August 2003 £'000	For the year ended 31 August 2002 £'000
Interest on loan and other finance costs		
– charged to revenue	–	6
– charged to capital	–	6
	–	12

7 Taxation

The Company has no corporation tax liability in the year to 31 August 2003 (2002: Nil)

(a) *Tax attributable to expenses charged to capital*

The Company has sufficient brought forward excess management expenses available to offset against any taxable profits on the revenue account such that no relief is derived from capitalised expenses.

(b) *Factors affecting tax charge for the year*

Approved investment trust companies are exempt from tax on capital gains within the Company.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below:

	For the year ended 31 August 2003			For the year ended 31 August 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Factors affecting tax charge for the year						
Return/(deficit) on ordinary activities before tax	4,343	6,996	11,339	3,956	(16,238)	(12,282)
Return/(deficit) on ordinary activities multiplied by the Standard rate of UK corporation tax of 30% (2002: 30%)	1,303	2,099	3,402	1,187	(4,871)	(3,684)
Tax effects of:						
UK franked dividends*	(1,406)	–	(1,406)	(1,282)	–	(1,282)
Capital returns on investments*	–	(2,276)	(2,276)	–	4,598	4,598
Expenses and finance costs capitalised	–	177	177	–	183	183
Premium on warrant buy-backs	–	–	–	–	90	90
Expenses not deductible for tax purposes	3	–	3	–	–	–
Revenue expenses not utilised in the year	100	–	100	95	–	95
Total current taxation	–	–	–	–	–	–

* These items are not subject to tax in investment trust companies.

(c) *Provision for deferred taxation*

No provision for deferred taxation has been made in the current or prior year.

(d) *Factors that may affect future tax charges*

The Company has not recognised a deferred tax asset of £1,862,000 (2002: £1,585,000) arising as a result of having unutilised management expenses.

NOTES TO THE ACCOUNTS

Return per ordinary share

	For the year ended 31 August 2003			For the year ended 31 August 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share (pence)	6.15	9.90	16.05	5.67	(23.29)	(17.62)
Return per ordinary share – fully diluted (pence)	5.98	9.63	15.61	5.45	(22.35)	(16.90)

The basic revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £4,343,000 (2002: £3,956,000) and on 70,661,868 (2002: 69,722,138) ordinary shares, being the weighted average number of ordinary shares in issue in the year. The basic capital return per ordinary share is based on the net capital return for the year of £6,996,000 (2002: loss of £16,238,000) and on 70,661,868 (2002: 69,722,138) ordinary shares, being the weighted average number of ordinary shares in issue in the year.

The diluted returns per ordinary share for the year have been calculated in accordance with Financial Reporting Standard No. 14 on the assumption that the weighted average number of potentially dilutive warrants in issue throughout the year are exercised into 2,233,093 (2002: 2,920,072) ordinary shares on the first day of the financial year giving a weighted average of 72,661,370 (2002: 72,642,211) shares in issue during the year.

9 Investments

	For the year ended 31 August 2003 £'000
Opening book cost	107,694
Opening unrealised loss	(7,047)
Opening valuation	100,647
Purchases at cost	12,066
Sales proceeds	(9,559)
Realised losses for the year	(2,447)
Unrealised gains for the year	10,033
Closing valuation	110,740
Closing book cost	103,972
Closing unrealised gains	6,768
Closing valuation	110,740

The investments are valued on the basis set out in note 1b and are listed on the London Stock Exchange.

	For the year ended 31 August £'000
Gains on investments	
Realised losses based on historical cost	(6,229)
Less: amounts recognised as unrealised in previous years (note 19)	3,782
Realised losses based on carrying value at previous balance sheet date	(2,447)
Net movement in unrealised gains	10,033
Gains on investments	7,586

Schroder Income Growth Fund plc

NOTES TO THE ACCOUNTS

10 Debtors

	2003 £'000	2002 £'000
Amounts due within one year:		
Dividends and interest receivable	702	630
Prepayment of expenses	25	18
	727	648

11 Creditors

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Proposed dividend	1,564	1,469
Other creditors and accrued charges	437	404
	2,001	1,873

12 Contingent liabilities

The Company had no contingent liabilities at the balance sheet date (2002: Nil).

13 Share capital

	2003 £'000	2002 £'000
Authorised:		
312,500,000 shares of £0.10 each	31,250	31,250
Allotted, Called Up and Fully Paid:		
Opening balance of 69,974,348 ordinary shares (2002: 69,307,271) of £0.10 each	6,998	6,931
Shares issued on exercise of 215,792 warrants	22	67
Issue of 1,238,566 shares	123	–
Closing balance of 71,428,706 ordinary shares (2002: 69,974,348) of £0.10 each	7,143	6,998

As a result of 215,792 (2002: 667,077) warrants being exercised during the year, and the purchase by the Company of no warrants for cancellation (2002: 805,000) there were 7,660,360 (2002: 7,876,152) warrants remaining in issue at 31 August 2003. Each warrant entitles the holder to subscribe for one ordinary share of 10p nominal at a price of £1.00 on 31 December 2003, being the final exercise date for the warrants.

14 Capital redemption reserve

	2003 £'000	2002 £'000
Capital redemption reserve brought forward	1,223	1,223
Transfer from share capital on buy back of ordinary shares	–	–
Capital redemption reserve carried forward	1,223	1,223

15 Share premium account

	2003 £'000	2002 £'000
Share premium account brought forward	948	348
Proceeds from warrant exercised	216	667
Nominal value of shares issued on exercise of warrants	(22)	(67)
Premium on issue of shares	1,637	–
Share premium account carried forward	2,779	948

NOTES TO THE ACCOUNTS

16 Share purchase reserve

	2003	2002
	£'000	£'000
Share purchase reserve brought forward	50,225	50,225
Purchase of ordinary shares for cancellation	–	–
Share purchase reserve carried forward	50,225	50,225

17 Warrant reserve

	2003	2002
	£'000	£'000
Warrant reserve brought forward	1,963	2,330
Transfer on conversion of warrants (note 18)	(54)	(166)
Purchase of warrants for cancellation	–	(201)
Warrant reserve carried forward	1,909	1,963

18 Warrant exercise reserve

	2003	2002
	£'000	£'000
Warrant exercise reserve brought forward	262	96
Transfer on conversion of warrants (note 17)	54	166
Warrant exercise reserve carried forward	316	262

19 Capital reserve

	Realised	Unrealised	Total
	£'000	£'000	£'000
Balance brought forward	48,294	(7,047)	41,247
Transfer on disposal of investments	(3,782)	3,782	–
Increase in unrealised gains on investments	–	10,033	10,033
Realised losses on investments sold	(2,447)	–	(2,447)
Performance fee	(96)	–	(96)
Irrecoverable VAT on performance fee	(17)	–	(17)
Investment management fee	(406)	–	(406)
Irrecoverable VAT on investment management fee	(71)	–	(71)
Balance carried forward	41,475	6,768	48,243

NOTES TO THE ACCOUNTS

20 Revenue reserve

	2003	2002
	£'000	£'000
Revenue reserve brought forward	2,326	2,455
Transfer from/(to) revenue account	82	(129)
Revenue reserve carried forward	2,408	2,326

21 Reconciliation of movements in shareholders' funds

	2003	2002
	£'000	£'000
Net revenue available for distribution	4,343	3,956
Dividends	(4,261)	(4,085)
Return/(deficit) on the revenue account	82	(129)
Non-distributable capital gain/(loss)	6,996	(16,238)
Proceeds from warrants exercised	216	667
Warrants purchased for cancellation	—	(201)
Issue of shares	1,760	—
Net movement in shareholders' funds	9,054	(15,901)
Shareholders' funds brought forward	105,192	121,093
Shareholders' funds carried forward	114,246	105,192

22 Net asset value per share

	2003	2002
Net asset value per share – undiluted	159.9p	150.3p
Net asset value per share – diluted	154.1p	145.2p
Share price	156.8p	147.0p

The undiluted net asset value per share is based on the net assets attributable to ordinary shares of £114,246,000 (2002: £105,192,000) and on 71,428,706 ordinary shares in issue at 31 August 2003 (2002: 69,974,348).

The diluted net asset value per ordinary share is calculated in accordance with the SORP. It is based on the assumption that the 7,660,360 warrants in issue at 31 August 2003 (2002: 7,876,152) were converted into ordinary shares at the exercise price of £1.00. Dilution occurs if the undiluted net asset value is greater than the warrant exercise price of £1.00.

23 Reconciliation of revenue return before finance costs and taxation to net cash inflow from operating activities

	For the year ended 31 August 2003	For the year ended 31 August 2002
	£'000	£'000
Revenue return before finance costs and taxation	4,343	3,962
Investment management fee charged to capital reserve	(477)	(483)
Performance fee charged to capital	(113)	(123)
Movements in accrued income	(72)	145
Movements in debtors	(7)	(7)
Movements in creditors	33	(107)
Net cash inflow from operating activities	3,707	3,387

NOTES TO THE ACCOUNTS

24 Related party transactions

The Company has appointed Schroder Investment Management Limited ("SIM"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, administrative and custodial services. The total fees payable to SIM under the management agreement for these services in respect of the year ended 31 August 2003 were £1,067,000 (2002: £1,089,000), of which £378,000 was outstanding at the year end (2002: £349,000). In addition to the above services, SIM also provided investment trust dealing services. The total cost to the Company for this service, payable to Lloyds TSB Registrars, for the year ended 31 August 2003 was £10,000 (2002: £14,000).

During the year banking facilities provided were by Schroder & Co Limited and also by the Company's custodian, SIM. At 31 August 2003, the balance held at Schroder & Co Limited was £3,000 (2002: £18,000). At 31 August 2003, the balance held at SIM was £4,777,000 (2002: £5,752,000).

25 Risk

The following disclosures relating to the risks faced by the Company are provided in accordance with Financial Reporting Standard 13, "Derivatives and other financial instruments: disclosures".

Financial instruments and risk profile

The Company's investment objective is to provide real growth of income, being growth of income in excess of the inflation rate, and capital growth as a consequence of the rising income. Consistent with that objective, the Company's financial instruments largely comprise UK equity investments. In addition, the Company holds cash and short-term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value. The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of revenue profits available for dividend.

The Company does not enter into derivatives contracts. As an investment trust, the Company invests in securities for the long term. Accordingly, it is the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

Currency risk

The Company does not face any direct currency risk since all its assets and liabilities are denominated in sterling.

Interest rate risk

The Company will not be materially affected by changes in prevailing interest rates since the majority of its financial assets are equity shares, which pay dividends, not interest. The effect of interest rate changes on the valuation of equities forms part of market price risk, which is considered separately below.

The Company does not have any borrowings.

Market price risk

The Company's exposure to market price risk comprises mainly movements in the value of its equity investments. In accordance with the Company's accounting policies all investments are stated at mid-market value. The Company does not hedge against movements in the value of these investments, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board. At 31 August 2003, a 10 per cent. movement in the market value of the Company's investments would result in a 10 per cent. change in net asset value per share.

Credit risk

The Company's transactions in securities expose it to potential counterparty risk, although this is minimised by only entering into deals with brokers pre-approved by a credit committee of Schroder Investment Management Limited.