SCHRODER INCOME GROWTH FUND plc

(Registered Number: 3008494)

UNAUDITED

INTERIM ACCOUNTS

31 May 2006

INVESTMENT OBJECTIVE

The Company's principal investment objectives are to provide real growth of income, being growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income.

CONTENTS

REPORT OF THE DIRECTORS

The Directors submit their report and the unaudited interim accounts of the Company for the nine months ended 31 May 2006.

COMPANY'S BUSINESS

The Company carries on business as an investment trust and it is an investment company within the meaning of the Companies Act 1985. In order to obtain exemption from capital gains tax the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by the Inland Revenue is the year to 31 August 2004 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval which is granted retrospectively for each accounting period. The Company is not a close company for the purposes of taxation.

REVENUE AND EARNINGS

The gross revenue of the Company for the period was £4,352,000 (2005:£4,150,000). After deducting taxation and administrative expenses the amount available for distribution to shareholders was £3,735,000 (2005: £3,574,000) equivalent to a revenue return of 5.03p per ordinary share (2005: 4.74p).

The Directors of the Company intend to pay dividends at the end of January, April, July and October in each year. Although it is their intention to distribute substantially all of the Company's net income after expenses and taxation, they may retain up to a maximum of 15 per cent. of the Company's gross income from shares and securities in each year as a reserve to facilitate a consistent dividend policy.

For the nine months ended 31 May 2006, the Directors have declared a third interim dividend of 1.40p (2005: 1.34p) net per ordinary share.

The dividends for the nine months ended 31 May 2006 would normally have absorbed £3,118,000 (2005: £3,30,000) but under FRS21 (note 1(i)) the third interim dividend amounting to £1,028,000 will not be accounted for until it is paid in July 2006.

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

Louise Reid

By order of the Board
Schroder Investment Management Limited
Secretary
16 June 2006

UNAUDITED STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)

		For the nine months ended 31 May 2006			For the nine months ended 31 May 2005		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments		-	9,686	9,686	-	17,255	17,255
Investment income							
Dividends		4,151	900	5,051	3,857	-	3,857
Convertible bond interest		50	-	50	39	-	39
Other income		151	-	151	254	-	254
Investment management fee	2	(469)	(469)	(938)	(434)	(434)	(868)
Performance fee		-	288	288	-	(147)	(147)
Administrative expenses	3	(148)	-	(148)	(142)	-	(142)
Return before finance costs and taxation		3,735	10,405	14,140	3,574	16,674	20,248
Interest payable		-	-	-	-	-	-
Net return on ordinary activities before taxation		3,735	10,405	14,140	3,,574	16,674	20,248
Taxation on ordinary activities	4	-	-	-	-	-	-
Net return on ordinary activities after *taxation attributable to equity shareholders*		3,735	10,405	14,140	3,574	16,674	20,248
Return per ordinary share	5	5.03p	14.01p	19.04p	4.74p	22.12p	26.86p
Dividends for the period per share	6	4.20p			4.02p		

The total column of this statement is the revenue account of the Company. The Company has no recognised gains or losses other than the result for the period as set out above accordingly, no Statement of Total Recognised Gains and Losses is presented. All revenue and capital items in the above statement derive from continuing activities.

The notes form an integral part of these financial statements.

UNAUDITED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	Capital redemption reserve	Share premium account	Share purchase reserve	Warrant exercise reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
***Balance at 31 August 2005 –* previously reported**	7,481	1,399	7,404	47,333	1,596	79,568	2,794	147,575
Valuation adjustment	-	-	-	-	-	(6)	-	(6)
Dividends –final dividend accrued at 31 August 2005	-	-	-	-	-	-	2,057	2,057
Balance at 31 August 2005 – restated	7,481	1,399	7,404	47,333	1,596	79,562	4,851	149,626
Share buyback	(137)	137	-	(2,845)	-	-	-	(2,845)
Net profit from operating activities	-	-	-	-	-	10,405	3,735	14,140
Dividends – Fourth interim paid in respect of 31 August 2005	-	-	-	-	-	-	(2,057)	(2057)
Dividends – First interim paid on January 2006	-	-	-	-	-	-	(1,048)	(1,048)
Dividends – second interim paid on April 2006	-	-	-	-	-	-	(1,042)	(1,042)
Balance at 31 May 2006	7,344	1,536	7,404	44,488	1,596	89,967	4,439	156,774

UNAUDITED BALANCE SHEET

	Notes	At 31 May 2006 £'000	At 31 August 2005 (restated) £'000
FIXED ASSETS			
Investments			
At fair value through profit or loss	7	**149,655**	146,066
CURRENT ASSETS			
Debtors	8	**2,557**	773
Cash at bank & short-term deposits		**7,531**	3,526
		10,088	4,299
CURRENT LIABILITIES			
Creditors : amounts falling due within one year	9	**2,969**	739
NET CURRENT ASSETS		**7,119**	3,560
NET ASSETS		**156,774**	149,626
CAPITAL AND RESERVES:			
Called up share capital	10	**7,344**	7,481
Capital redemption reserve		**1,536**	1,399
Share premium account		**7,404**	7,404
Share purchase reserve		**44,488**	47,333
Warrant reserve		**-**	-
Warrant exercise reserve		**1,596**	1,596
Capital reserve		**89,967**	79,562
Revenue reserve		**4,439**	4,851
EQUITY SHAREHOLDERS' FUNDS		**156,774**	149,626
Net asset value per share:			
Undiluted	11	**213.48p**	200.00p

The Accounts were approved by the Board of Directors on 16 June 2006 and signed on their behalf by:

Paul Judge

Sir Paul Judge
Chairman

The notes form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below:

Basis of accounting

The financial statements for the nine month period to 31 May 2006 have been prepared on the same basis of accounting policies as set out in the most recently published set of annual financial statements with the following changes which have arisen from the adoption of new accounting standards and the Statement of Recommended Practice "Financial Statements of Investment Trusts Companies" ("SORP") issued in January 2003 and revised in December 2005.

i. **FRS 21 (Events after the Balance Sheet Date)**
   Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them. Previously, the Company accrued dividends in the period in which the net revenue, to which those dividends related, was accounted for.

ii. ***FRS 26 (Financial instruments: Measurement)***
   The Company has designated its assets and liabilities as being measured at "fair value through profit or loss". The fair value of fixed asset investments is deemed to be the bid value of those investments at the close of business on the relevant date. Previously, certain listed investments were valued at mid value.

iii. **STATEMENT OF TOTAL RETURN**
   The Statement of Total Return is now referred to as the Income Statement and the total column is the profit and loss account of the Company with the revenue and capital columns representing supplementary information.

2 INVESTMENT MANAGEMENT FEE

	For the nine months ended 31 May 2006 £'000	For the nine months ended 31 May 2005 £'000
Investment management fee		
- charged to revenue	**399**	369
- charged to capital	**399**	369
- irrecoverable VAT	**140**	130
	938	868

3 ADMINISTRATIVE EXPENSES

	For the nine months ended 31 May 2006 £'000	For the nine months ended 31 May 2005 £'000
General expenses	**88**	87
Directors' emoluments	**55**	48
Auditors' remuneration	**5**	7
	148	142

NOTES TO THE ACCOUNTS continued

4 TAXATION

The Company has no corporation tax liability as expenses exceed taxable income.
No provision has been made for taxation on realised gains on investments as the Company has conducted ittself so as to achieve investment trust status under Section 842 of the Income and Corporation Taxes Act 1988 (as amended)

5 RETURN PER ORDINARY SHARE

	For the nine months ended 31 May 2006			For the nine months ended 31 May 2005		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return per ordinary share	**5.03p**	**14.01p**	**19.04p**	4.74p	22.12p	26.86p

The basic revenue return per ordinary share is based on the net return on ordinary activities after taxation of £3,735,000 (31 May 2005: £3,574,000) and on 74,283,576 (31 May 2005: 75,381,384) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic capital return per ordinary share is based on the net capital gain for the period of £10,405,000 (31 May 2004: £16,674,000) and on 74,283,576 (31 May 2005: 75,381,384) ordinary shares being the weighted average number of ordinary shares in issue during the period.

6 DIVIDENDS

	31 May 2006 £'000	31 August 2005 £'000
Amounts recognised as distributions in the period:		
Fourth interim dividend of 2.50p of year ended 31 August 2005(2004:2.35p)	**1,870**	1,775
Special dividend of 0.25p of year ended 31 August 2005	**187**	-
First interim dividend of 1.40p (2005: 1.34p)	**1,048**	1,012
Second interim dividend of 1.40p (2005:1.34p)	**1,042**	1,012
	4,147	3,799

Dividends are not accounted for in the period in which the Company is liable to pay them (see note 1(i)).
The third interim dividend of 1.40p per share which would normally have been accrued for in these financial statements will not be accounted for until it is paid in July 2006.

NOTES TO THE ACCOUNTS continued

7 INVESTMENTS

	31 May 2006 £'000	31 August 2005 £'000
Cost brought forward	**125,877**	109,411
Additions at cost	**26,990**	43,700
Cost of disposals	**(26,791)**	(27,234)
Cost carried forward	**126,076**	125,877
Net unrealised gains on investments	**23,579**	20,189
Market value carried forward	**149,655**	146,066

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

8 DEBTORS

	31 May 2006 £'000	31 August 2005 £'000
Amounts falling due within one year:		
Securities sold for fure settlement	**1,258**	-
Dividends and interest receivable	**997**	753
Prepayment of expenses	**302**	20
	2,557	773

9 CREDITORS

	31 May 2006 £'000	31 August 2005 £'000
Amounts falling due within one year:		
Purchases for future settlement	**2,607**	186
Creditors and accrued charges	**362**	553
	2,969	739

10 CALLED-UP SHARE CAPITAL

	31 May 2006 £'000	31 August 2005 £'000
Authorised:		
312,500,000 shares of 10p each	**31,250**	31,250
Allotted, Called Up and Fully Paid:		
Opening balance of 74,812,343 ordinary shares (2005: 75,537,343)	**7,481**	7,554
Transfer to capital redemption reserve on purchase of 1,375,000 shares for cancellation (August 2005: 725,000).	**(137)**	(73)
Closing balance of 73,437,343 shares (2005:74,812,343)of 0.10 each	**7,344**	7,481

NOTES TO THE ACCOUNTS continued

11 NET ASSET VALUE PER SHARE

The net asset value per ordinary share is based on net assets of £156,774,000 (31 August 2005: £149,626,000) and on 73,437,343 (31 August 2005: 74,812,343)

12 CONTINGENT LIABILITIES

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