
**SCHRODER
INCOME
GROWTH
FUND plc**



**Report and Accounts
31 August 2005**



Schrodgers



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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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
November	Preliminary Results announced
31 October	Fourth interim dividend payable
November	Annual Report and Accounts published
December	Annual General Meeting
	First interim dividend announced

Directors

John Hignett*† (Aged 71) (Chairman)

was appointed as a Director of the Company on 11 January 1995. He is a Director of the World Trust Fund. He was previously a non-executive Director of Smiths Group plc, Sedgwick Group plc, Alfred McAlpine plc, Chairman of The London American Growth Trust plc and Deputy Chairman of TI Group plc. He was also an executive Director of Glaxo Holdings plc and, before that, of Lazard Brothers & Co. Limited. He is a former Director-General of the Takeover Panel.

Peregrine Banbury*† (Aged 57)

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 58)

was appointed as a Director of the Company on 15 December 1999. He is Chairman of Abercromby Property International and the Chamber Orchestra of Europe and a director of a number of other companies including Keystone Investment Trust plc and Pantheon International Participations plc.

Sir Paul Judge*† (Aged 56)

was appointed as a Director of the Company on 11 January 1995 and is Chairman of The Royal Society of Arts and President of the Chartered Management Institute. 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 57)

was appointed as a Director of the Company on 5 January 1995. He is non-executive Chairman of Matrix Income & Growth VCT plc and a non-executive Director of two other investment trusts, Schroder UK Growth Fund plc and Impax Environmental Markets plc. Mr Niven is a trustee of the Charities Aid Foundation ("CAF"), Chairman of CAF's Investment Advisory Committee and a non-executive Director of CAF BANK Limited. He is also a non-executive Director of Healthstar Group plc and an investment adviser to the Rolls-Royce Pension Fund. Mr Niven 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.

Sir Paul Judge is Chairman of the Audit and Nomination Committees.

Mr John Hignett is Chairman of the Management Engagement Committee.

Advisers

Secretary and Registered Office

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Investment Manager

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

Registrar

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

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 2005	31 August 2004	Change %
Net asset value per share	197.26p	166.05p	18.8
Share price	186.50p	156.00p	19.6
Share price (discount)/premium	(5.5)%	(6.1)%	
FTSE All-Share Index	2,659.21	2,214.19	20.1
Shareholders' funds (£'000)	147,575	125,433	17.7
Shares in issue ('000)	74,812	75,537	
Dividends per share**	6.77p	6.25p	8.3
Total expense ratio*	0.94%	0.94%	

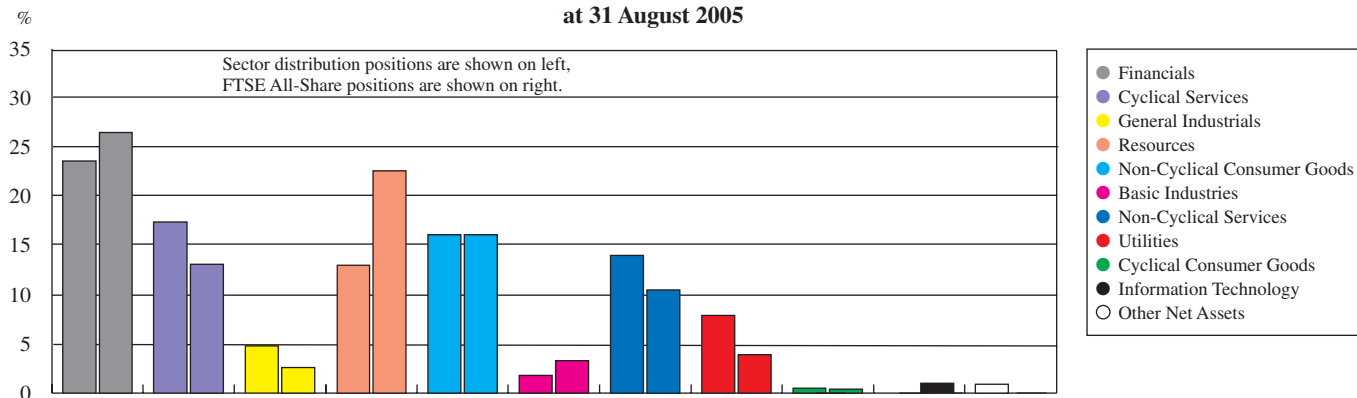
* Calculated in accordance with AITC guidance (excluding performance fees and finance costs but after allowing for tax relief on expenses) and expressed as a percentage of average monthly net assets.

** Includes special dividend of 0.25p (underlying dividends of 6.52p compare to 6.25p in 2004, an increase of 4.3%).

Sector Analyses

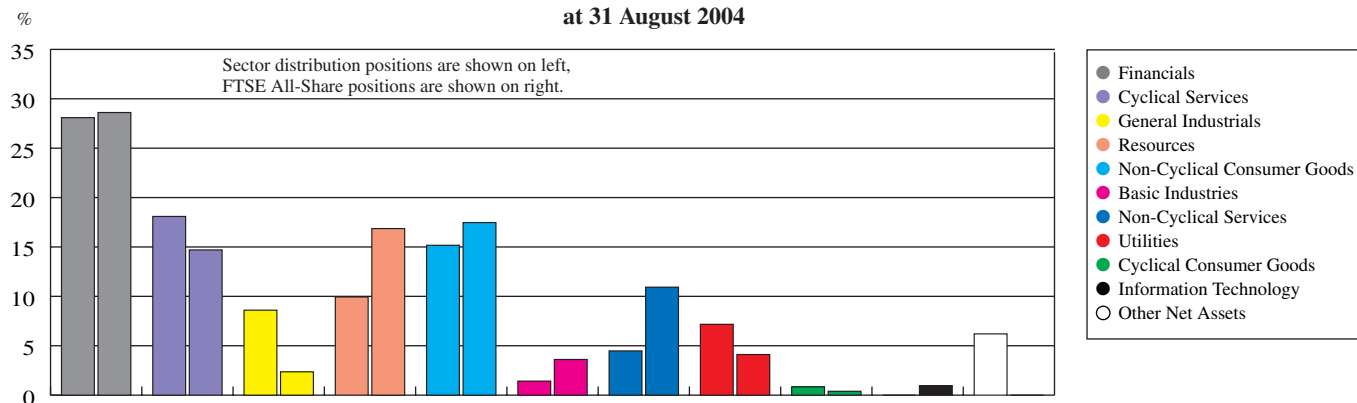
Comparison of Sector Distribution with the FTSE All-Share Index*

at 31 August 2005



Comparison of Sector Distribution with the FTSE All-Share Index*

at 31 August 2004



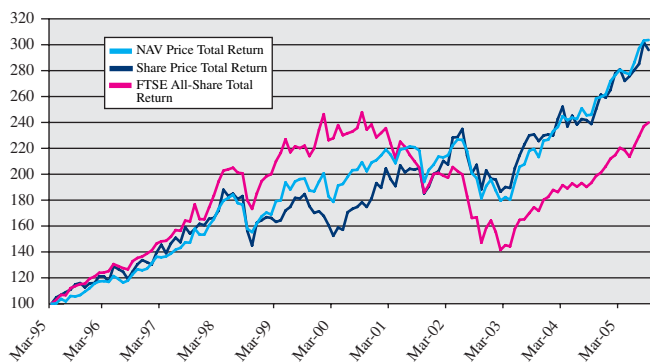
* Sector distributions are shown as a percentage of total assets less current liabilities.

Total Return to 31 August 2005

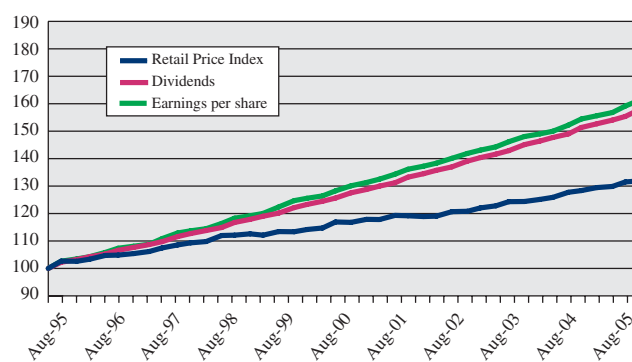
	Share price total return* %	NAV total return* %	FTSE All-Share total return* %
1 year	23.93	22.89	24.09
2 years	28.24	37.63	37.51
3 years	42.74	53.40	43.89
4 years	44.47	38.42	16.99
5 years	65.94	44.55	(3.21)
6 years	60.21	53.68	8.01
7 years	89.41	89.52	33.39
8 years	80.96	101.64	46.72
9 years	136.92	134.74	80.58
10 years	157.43	174.48	111.14
Since inception	195.90	192.26	139.91

* Source: Micropal. Assumes reinvestment of dividends.

Share price/NAV/FTSE All-Share Index Performance since inception



Cumulative earnings and total dividends versus inflation since inception



Long Term Record

As at 31 August	Shareholders' funds £' 000	Diluted NAV p	Undiluted NAV p	Share price p	Warrant price p	Share price (discount)/premium %
2005	147,575	197.3	197.3	186.5	n/a	(5.5)
2004	125,433	166.1	166.1	156.0	n/a	(6.1)
2003	114,246	154.1	159.9	156.8	55.5	1.7
2002	105,192	145.2	150.3	147.0	46.3	1.2
2001	121,093	165.8	174.7	151.0	52.0	(8.9)
2000	122,598	164.4	174.9	136.8	42.0	(16.8)
1999	136,927	159.8	168.7	147.3	50.0	(7.8)
1998	114,899	136.4	142.6	133.5	38.0	(2.1)
1997	110,224	132.8	139.3	138.0	34.0	3.9
1996	94,226	115.9	119.1	117.0	18.5	0.9

Long Term Record

For the period ended 31 August	Share price total return %	NAV total return %	FTSE All-Share total return %	Earnings p	Net dividends p	Cost of running trust† £' 000
2005	23.93	22.89	24.09	7.16	6.77††	1,429
2004	3.50	12.00	10.81	6.39	6.25	1,301
2003	11.31	11.45	4.64	6.15	6.00	1,161
2002	1.21	(9.76)	(18.70)	5.67	5.85	1,143
2001	14.86	4.29	(17.27)	6.04	5.70	1,200
2000	(3.45)	6.45	11.60	5.41	5.40	1,144
1999	18.23	24.50	23.49	6.38	5.40*	1,249
1998	1.36	7.32	9.99	5.39	5.15**	1,294
1997	23.41	19.87	23.08	5.56	5.00***	1,100
1996	8.66	16.27	16.93	4.72	4.35	977

* Includes special dividend of 0.3p

** Includes special foreign income dividend of 0.3p

*** Includes special dividend of 0.4p

† Operating expenses, excluding finance costs and any performance fees (if applicable)

†† Includes special dividend of 0.25p

Source: Micropal. Assumes reinvestment of dividends

Company Summary

The Company

Schroder Income Growth Fund plc is an independent investment trust listed on the London Stock Exchange. It is one of a number of investment trusts managed and administered by Schroders.

The Company was launched in March 1995 and has ordinary shares in issue.

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 forthcoming Annual General Meeting and thereafter at five yearly intervals.

As explained in more detail in the Chairman's Statement on pages 7 and 8 your Board unanimously recommends that Shareholders vote in favour of the continuation of the Company as an Investment Trust for a further five-year period.

Price Information

The Company's shares are listed on the London Stock Exchange. The prices of the shares are quoted daily in The Financial Times, The Daily Telegraph and The Times.

Real time share information is available on the FT Cityline by dialling 0906 003 5024.

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:

<http://www.schroders.co.uk/its>

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

At 31 August 2005	Shares
% of issued shares held by:	%
Private individuals	6.6
Banks/nominees (excluding Schroder PEP/ISA/Dealing Service)	38.4
Schroder PEP/ISA/Dealing Service participants	53.7
Other institutions	1.3
	100.00
Total number of registered holders	2,339

Five Year Dividend History

	Net Dividend Paid per Share					Payment Date
	2001	2002	2003	2004	2005	
1st Interim	1.22p	1.25p	1.27p	1.30p	1.34p	31 January
2nd Interim	1.22p	1.25p	1.27p	1.30p	1.34p	30 April
3rd Interim	1.22p	1.25p	1.27p	1.30p	1.34p	31 July
4th Interim	2.04p	2.10p	2.19p	2.35p	2.50p	31 October
Special	-	-	-	-	0.25p	31 October
Total dividends for the year	5.70p	5.85p	6.00p	6.25p	6.77p	

Company Summary continued

Capital Gains Tax Information

For the benefit of those shareholders who acquired their holdings in the Offer for Subscription, acquisition costs of the shares for capital gains tax purposes based upon initial dealings on 24 April 1995 are as follows:

Each ordinary share of 10p each 94.78p

For the 2005/2006 tax year the annual capital gains (after adjusting for indexation and taper relief) of private individuals in excess of £8,500 (2004/2005: £8,200) 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.

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 trust companies 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 & Small Cap Fund plc, SVG Capital 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.

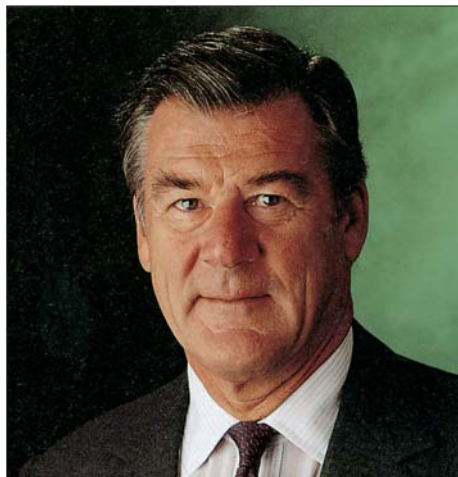
Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to registered shareholdings, 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 2005 the Company's revenue return was 7.16 pence per share compared with 6.39 pence per share for the previous year, a rise of 12.1 per cent.

The Board declared total dividends (including a special dividend of 0.25 pence per share) of 6.77 pence per share for the year ended 31 August 2005, representing an increase of 8.3 per cent. over the 6.25 pence per share paid the previous year. The increase (excluding the special dividend) was 4.3 per cent. against a rise in the RPI for the same period of 2.8 per cent.

Investment Performance

Whilst the increase in net assets in absolute terms was encouraging, the Company slightly under-performed its benchmark during the year with a net asset value total return of 22.9 per cent. compared with the total return of 24.1 per cent. from the FTSE All-Share Index.

The Company's share price traded within a relatively narrow range with the discount to net asset value reducing from 6.1 per cent. to 5.5 per cent. at the end of the year. The share price total return for the year was 23.9 per cent.

Continuation Vote

As previously indicated, a resolution relating to the continuation of the Company as an investment trust for a further five-year period is to be included in the Notice of the Annual General Meeting, which is to be held on Thursday 8 December 2005.

Your Board unanimously recommends that shareholders vote in favour of the continuation of the Company as an investment trust, and Directors will be voting their own shareholdings accordingly.

In reaching our recommendation, the Board has considered the strong performance of your Company since its launch, the strength and depth of resource provided by Schroders, the relative position of the Company to its peer group in the marketplace, the benefits of the investment trust structure and the future prospects for the Company. We believe that the Company remains well-positioned to continue to meet its investment objectives.

Share Purchases

During the year ended 31 August 2005, the Board continued to operate its share buy-back facility and a total of 725,000 ordinary shares were purchased for cancellation, equal to approximately 1 per cent. of the shares in issue on 1 September 2004.

The Directors continue to consider share buy-backs as one of a number of tools that may be used to enhance shareholder value and a resolution to renew the authority to purchase shares for cancellation is included in the Notice of the Annual General Meeting, to provide Directors with flexibility in the future.

Annual General Meeting

The Company's Annual General Meeting will be held at 3.00 p.m. on 8 December 2005. As in previous years, the meeting will include a presentation by the Investment Manager on the Company's investment strategy and market prospects.

Chairman's Statement continued

Chairman and Appointment of a non-executive Director

Four of your Directors have been on the Board since the launch of the Company in 1995. Consequently, we are seeking to gradually refresh the Board over the next few years. I shall retire at the Annual General Meeting and am pleased to say that Sir Paul Judge has agreed to succeed me as Chairman.

I am also pleased to announce that, on 31 October 2005, Mr Ian Barby was appointed as a non-executive Director.

Ian Barby, aged 60, practised as a Barrister before joining Warburg Investment Management Ltd in 1985, subsequently becoming a Vice Chairman of Mercury Asset Management plc and latterly, until 2003, a Managing Director of Merrill Lynch Investment Managers. He has wide experience of the investment management industry and of the investment trust sector and is currently Chairman of Invesco Perpetual UK Smaller Companies PLC and of Ecofin Water and Power Opportunities plc as well as being a director of Merrill Lynch World Mining Trust plc and of Pantheon International Participations PLC.

Mr Barby will be proposed for election at the Annual General Meeting.



John Hignett
Chairman

Investment Manager's Review

Market Background

The market rose during the period as investors became increasingly confident despite the outlook for corporate profitability. During the year there have been occasional concerns about the effect of higher interest rates and oil prices on the world economy. However, as commodity prices have primarily been driven by increases in global demand, rather than the supply shocks of previous decades, these rises have so far been interpreted as an indication of strong global demand.

The Company's relatively modest holding in mining and oil companies, compared to the Index, has meant that the Company's return was below the Index. The resources sector made up on average 23 per cent. of the FTSE All-Share, compared to 13 per cent. for the Company, and contributed 30 per cent. of the total return of the market. As described below, the Company concentrates on stocks that are not popular and where the valuation is relatively low. There will inevitably be periods where this approach is not valid but the consistent application of the investment approach should lead to higher returns over time.

Investment Approach

The Company's approach to investing has been relatively straightforward throughout this period. We have concentrated on companies that are out of favour with the market and trade on relatively low valuations. As investors will be aware the Company seeks to look for opportunities in companies that suffer from negative sentiment and where the valuation is particularly appealing. This will inevitably lead to a higher degree of volatility in the Company's return when compared with the FTSE All-Share over short time periods.

Outlook

The stock market has risen strongly over the year and confidence is high as is evidenced by the strong performance of recent flotations on the stock market. This points to some caution. We have tended to find value residing in the larger international companies as opposed to more medium sized, domestic companies. The former are trading on lower valuations yet have stronger balance sheets and higher yields.

Schroder Investment Management Limited

1 November 2005

Twenty Largest Investments

At 31 August 2005

Company and Activity	Value of Holdings £'000	Percentage of Shareholders' Funds
Royal Dutch Shell "B" Integrated oil company.	9,973	6.76
Vodafone Global mobile telephone service provider.	8,316	5.64
GlaxoSmithkline Global pharmaceutical company.	7,293	4.94
BP Integrated oil company.	7,200	4.88
HSBC International financial services group.	5,639	3.82
Unilever International food and personal care company.	4,788	3.24
British American Tobacco International cigarette company.	4,349	2.95
Standard Chartered Banking and financial services group.	4,133	2.80
Cable & Wireless Global provider of telecommunications and internet services.	3,728	2.53
BT UK fixed line telecommunications provider.	3,480	2.36
Pearson Pearson is an international media company with market-leading businesses in education, business information and consumer publishing.	3,474	2.35
Brit Insurance Insurance company primarily operating within Lloyd's of London.	3,450	2.34
Legal & General UK financial services company.	3,274	2.22
Centrica Provider of gas and energy related products and services to residential and business customers.	3,150	2.13
Lloyds TSB Banking and financial services group.	3,130	2.12
Royal Bank of Scotland UK financial services business with significant US operations.	3,041	2.06
Tesco The UK's leading domestic food retailer with Eastern European and Far Eastern interests.	2,986	2.02
Alliance & Leicester Banking and financial services group.	2,963	2.01
Scottish & Newcastle International breweries, with significant operations in the UK, France and Russia.	2,957	2.00
Marks & Spencer UK clothing and food retailer.	2,800	1.90
Total	90,124	61.07

Report of the Directors

Your Directors submit their Report and the Accounts of the Company for the year ended 31 August 2005.

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 2004 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 7 and 8 and the Investment Manager's Review on page 9.

Revenue and Earnings

The net revenue return after taxation for the year was £5,399,000 (2004: £4,753,000) equivalent to earnings of 7.16p (2004: 6.39p) 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 2005, the Directors have declared total ordinary dividend payments of 6.52p per share (2004: 6.25p per share). A special dividend of 0.25p per share (2004: Nil) has also been declared and was paid at the same time as the fourth interim dividend.

The dividends have absorbed £5,087,000 and the balance of £312,000 has been transferred to the revenue reserve.

Net Asset Value

Over the year under review the net asset value per share of the Company rose to 197.26p per share from 166.05p per share (fully diluted).

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 2005 (2004: Nil).

Report of the Directors continued

Purchase of Shares for Cancellation

During the year to 31 August 2005, the Company purchased 725,000 ordinary shares for cancellation at a total cost of £1,302,000.

The total number of shares in issue on 7 November 2005 was 74,812,343 shares. The Directors wish to renew the authority to purchase shares for cancellation given to them at the Annual General Meeting held on 14 December 2004. A resolution authorising the Directors to purchase up to 14.99 per cent. of the share capital in issue at 7 November 2005 will therefore be proposed at the forthcoming Annual General Meeting for which notice is given on pages 43 and 44.

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the purchase of ordinary shares. Purchases will only be made if the Directors consider that the purchase would be for the benefit of the Company and shareholders, taking into account relevant factors and circumstances at the time. This authority will lapse at the conclusion of the Company's Annual General Meeting in 2006 unless renewed earlier.

Issues of New Shares

At the 2004 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 £374,061 (equivalent to 3,740,617 ordinary shares of 10p and 5 per cent. of the Company's existing issued ordinary share capital at 7 November 2005), 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 2006.

The Directors have not issued any ordinary shares using this authority since the last Annual General Meeting on 14 December 2004. 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 2005 are given below:

	At 31 August 2005	At 31 August 2004
	Ordinary Shares	Ordinary Shares
J M Hignett	42,843	42,843
N G C P Banbury	1,000	1,000
Sir Paul Judge	1,000	1,000
K M Niven	71,372	70,296
J P A Readman	Nil	Nil

Between the end of the financial year and 7 November 2005, Mr Niven decreased his interest by 106 shares on 4 October 2005 following a PEP/ISA plan charge, and subsequently increased his interest by 528 shares following a dividend reinvestment on 31 October 2005. As at 7 November 2005 Mr Niven's beneficial and family interests in the Company amounted to 71,794 shares.

In accordance with the Articles of Association, Mr Barby will seek election at the forthcoming Annual General Meeting, this being the first Annual General Meeting since his appointment on 31 October 2005. Full biographical details for Mr Barby may be found in the Chairman's Statement on page 8.

In accordance with the Company's Articles of Association, Mr Banbury will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. He also retires in accordance with the Company's policy on tenure outlined in the Corporate Governance Statement, on page 19, as he has served as a Director for more than 9 years.

Sir Paul Judge and Mr Niven retire in accordance with the Company's policy on tenure, as they have served as Directors for more than 9 years and, being eligible, offer themselves for re-election.

The Board has assessed the independence of all Directors. Sir Paul Judge and Mr Banbury are considered to be independent in judgement and character, notwithstanding that they have served as Directors for more than 9 years. Mr Niven is not considered to be independent.

Mr Hignett will retire at the Annual General Meeting and does not offer himself for re-election.

The Board supports the election of Mr Barby, who brings considerable experience to the deliberations of the Board and its Committees. The Board also supports the re-elections of Sir Paul Judge, Mr Banbury and Mr Niven who continue to demonstrate commitment to their roles and who all provide valuable contributions to the deliberations of the Board and its Committees.

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

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 pages 16 and 17. Therefore, the notice of the Annual General Meeting on pages 43 and 44 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.

Report of the Directors continued

Substantial Share Interests

At 7 November 2005 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 7 November 2005 39,003,753 ordinary shares, representing 52.14 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 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 2005, 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 a rolling three-year period 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 a three-year rolling period 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/(under performance) 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 2005, a total performance fee of £127,000 plus VAT is payable under the terms of the management agreement.

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

Independent Auditors

Deloitte & Touche LLP have expressed their willingness to remain in office and resolutions to re-appoint them as the Company's auditors and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors did not provide non-audit services to the Company during the year ended 31 August 2005. The Audit Committee has adopted a pre-approval policy on the engagement of the Auditors to supply non-audit services. Terms of Reference for the Audit Committee may be found on pages 23 and 24.

Report of the Directors continued

Annual General Meeting

The Annual General Meeting will be held at 3.00 p.m. on Thursday, 8 December 2005. The Notice of Meeting is set out on pages 43 and 44.

Registered Office:
31 Gresham Street
London EC2V 7QA

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Number: 3008494
7 November 2005

Directors' Remuneration Report for the year ended 31 August 2005

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 2005, the Chairman received a fee of £16,500 per annum and the other members of the Board received fees of £12,000 per annum. Following the first review since 2003, fees have been increased with effect from 1 September 2005 to £14,000 per annum for Directors and £18,500 per annum for the Chairman.

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.

The Board believes that the principles in Code Provision B of the Combined Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

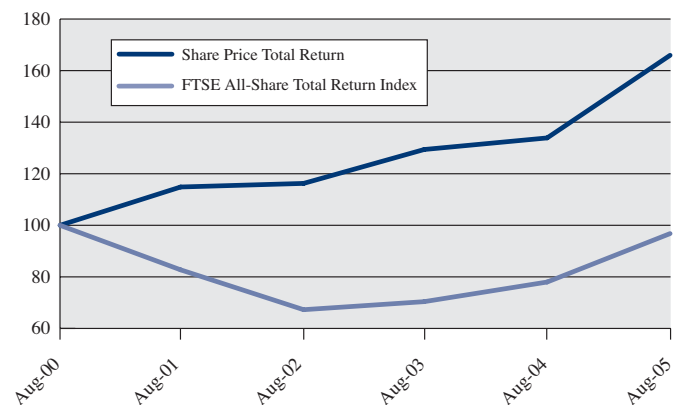
All Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting.

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 Articles of Association. Thereafter Directors retire by rotation at least every three years. The Chairman meets with each Director before such Director is proposed for re-election, and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for such Directors to seek an additional term.

When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the Combined Code, including the appropriateness of refreshing the Board and its Committees.

Directors' Remuneration Report for the year ended 31 August 2005 continued

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 five years is shown below. It can be seen that the share price produced a total return of 66 per cent., compared with a total return of -3 per cent. produced by the benchmark Index.

Share price/FTSE All-Share Index Performance (5 years)**Remuneration for Qualifying Services**

Director	For the year ended 31 August 2005 Fees for services to the Company £	For the year ended 31 August 2004 Fees for services to the Company £
J M Hignett	16,500	16,500
N G C P Banbury	12,000	12,000
Sir Paul Judge	12,000	12,000
K M Niven	12,000	12,000
J P A Readman	12,000	12,000
Totals	64,500	64,500

The information in the above table has been audited (see the Independent Auditors' Report on pages 28 and 29).

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
Company Secretary
7 November 2005

Corporate Governance

The Company is committed to high standards of corporate governance. In July 2003, a revised Combined Code on Corporate Governance (the “Code”) was published by the Financial Reporting Council. The provisions of the revised Code formally apply to the Company for the first time for the year ended 31 August 2005. 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. This Statement, together with the Statement of Directors’ Responsibilities on page 27, explains how the Company has applied the principles of good governance of the Code and its requirements on Internal Control.

Compliance Statement

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of the 2003 Combined Code, save in respect of those matters disclosed below, where departure from the Code is considered appropriate given the Company’s position as an investment trust.

Application of Code Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Role of the Board

The Board determines and monitors the Company’s investment objectives and policy, and considers the future strategic direction of the Company. Matters specifically reserved for decision by the Board have been adopted. The Board is responsible for presenting a balanced and understandable assessment of the Company’s position and, where appropriate, future prospects in annual and interim reports and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, *inter alia*, for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Composition and Independence

The Board currently consists of six non-executive Directors. Profiles of each of the Directors, with the exception of Mr Barby, including age and length of service, may be found on page 2. A profile for Mr Barby may be found in the Chairman’s Statement on page 8. The Board considers each of the Chairman, Peregrine Banbury, Ian Barby, Sir Paul Judge and Peter Readman to be independent of the Company’s Investment Manager. Keith Niven is not considered to be independent. He was, until his retirement in October 2001, an executive Director of Schroders, that receives fees from the Company in accordance with the Investment Management agreement. The independence of each Director is considered on a continuing basis.

The Board has no executive directors and has not appointed a Chief Executive Officer as it 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.

Corporate Governance continued

A review of Board composition and balance including succession planning for appointments to the Board, is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Board is satisfied that it is of sufficient size, with an appropriate balance of skills and experience, and that no individual or group of individuals is or has been in a position to dominate decision making.

Senior Independent Director

The Board has considered whether a senior independent director should be appointed. The Board comprises entirely non-executive Directors and the appointment of a senior independent director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman. As part of the evaluation process, the non-executive Directors meet without the Chairman being present.

Tenure

The Directors have adopted a policy on tenure that is considered appropriate for an investment trust.

The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager. Therefore, the independence of Directors will continue to be assessed on a case by case basis.

In order to allow shareholders the opportunity to endorse this policy, and in accordance with the provisions of the Combined Code, any Director who has served for more than nine years will thereafter be subject to annual re-election at the Annual General Meeting.

The Board does not believe that reaching the age of 70 should necessarily exclude a Director from continuing as a Director of the Company. The ages of all Directors are stated in the Annual Report and Accounts, and any Director who has reached the age of 70 will be subject to annual re-election at the Annual General Meeting.

Induction and Training

When a Director is appointed he or she receives a full, formal and tailored induction, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Board's policies, regulatory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Other advisers to the Company also prepare reports for the Board from time to time. In addition, Directors may attend ad hoc seminars covering issues and developments relevant to the investment trust industry.

Performance Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. The evaluation is in two stages. First, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its committees.

Evaluation is conducted utilising a questionnaire combined with one to one meetings. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director and the responsibilities, composition and agenda of the Committees and of the Board itself.

Corporate Governance continued

Meetings

The Board meets at least four times each year, and, in addition, meets specifically to discuss strategy once each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the four scheduled meetings was as set out below:

	Attendance
Director	
John Hignett	4
Peregrine Banbury	3
Sir Paul Judge	3
Keith Niven	4
Peter Readman	4

The Board is satisfied that each of the Chairman and the other non-executive Directors commit sufficient time to the affairs of the Company to fulfil their duties as Directors.

Information Flows

The Chairman ensures that all Directors receive in a timely manner relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Investment Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

Committees

The Board has delegated certain responsibilities and functions to committees. Terms of reference, as well as details of membership and activities, for all Committees of the Board, are set out in the following pages. The Board keeps under review the composition of each of its Committees to ensure that undue reliance is not placed on particular individuals.

Directors and Officers' Liability Insurance

During the year, the Company has maintained insurance 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).

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. It has, since its launch, sought engagement with investors. The Chairman, and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report and Accounts is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by the full Board of Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the chairmen of the Board, Audit and Management

Corporate Governance continued

Engagement Committees at the Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting.

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 43 and 44 sets out the business of the meeting.

Environmental Policy

The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Providing that this objective is not compromised in the process the Board do, however, believe that it is also possible to develop a framework that, in the interests of our shareholders, allows a broader range of considerations, including environmental and social issues, to be taken into account when selecting and retaining investments. The investment process therefore contains a review of research into the environmental, social and ethical stance of companies. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration when selecting or retaining investments.

Exercise of Voting Powers

The Company has delegated responsibility for voting to Schroders who votes in accordance with its corporate governance policy. In situations where a contentious matter is under consideration, the Manager will obtain approval from the Board before voting.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is on page 27 and a statement of going concern is set out below. The independent auditors' report can be found on pages 28 and 29.

Going Concern

Under the Company's Articles of Association, the Directors are required to propose a resolution that the Company continues as an investment trust at the forthcoming Annual General Meeting.

As referred to and for the reasons set out in the Chairman's Statement on pages 7 and 8, the Directors recommended that shareholders vote in favour of the continuation resolution. In addition, the Directors believe that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Taking account of the matters set out above and after due consideration, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts, in accordance with the provisions of Financial Reporting Standard 18, "Accounting Policies".

Internal Control

The Combined Code requires the Board to review the effectiveness of internal controls. The Board has previously 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.

Corporate Governance continued

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 employs no 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 Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

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.

Board Committees

Audit Committee

The members of the Committee as at 31 August 2005 were:

Sir Paul Judge (Chairman)
 Peregrine Banbury
 John Hignett
 Peter Readman

The Board considers each member of the Committee to be independent. Sir Paul Judge was appointed as Chairman of the Committee, in place of Mr Hignett, on 19 October 2004. The Board also considers that members of the Committee have recent and relevant financial experience.

Terms of Reference

The Company established an Audit Committee in 1995. The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The responsibilities of the Committee include the following:

Financial Statements

- (a) to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- (b) to review and, if appropriate, recommend to the Board, the Company's annual and interim reports;

Internal Control

- (c) to monitor and review annually whether an internal audit function is required;
- (d) to monitor the Company's accounting and financial internal control systems, and to monitor the internal control systems of the Investment Manager and/or custodian and to make recommendations on any improvements to such systems;
- (e) to monitor the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities;

External audit and relationship with the external auditor

- (f) to discuss any matters arising from the audit and recommendations made by the auditors;
- (g) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- (h) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- (i) to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and to report to the Board, identifying any matters

Board Committees continued

in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Report on the Committee's Activities

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2005 and considered the following:

- the annual financial statements and interim financial statements
- the external auditors' year-end reports and management letters
- the effectiveness of the audit process
- the independence and objectivity of the external auditor
- revised Terms of Reference
- internal controls operating within the management company.

Attendance

Both of the meetings held during the year ended 31 August 2005 were attended by all members of the Committee with the exception of Mr Banbury who was unable to attend the meeting held in October 2004.

A copy of the full Terms of Reference of the Audit Committee is available on request from the Company Secretary.

Board Committees continued

Management Engagement Committee

The members of the Committee as at 31 August 2005 were:

John Hignett (Chairman)

Peregrine Banbury

Sir Paul Judge

Peter Readman

The Board considers each member of the Committee to be independent.

Terms of Reference

The Company established a Management Engagement Committee in 1996. The role of the Committee is to review the terms of the management contract with the Investment Manager. In addition, the Committee also reviews Directors' fees and makes recommendations to the Board in this regard.

The responsibilities of the Committee include the following:

- (a) to review the performance of the Investment Manager and its continuing suitability to manage the Company's portfolio;
- (b) to review the terms of the management contract between the Company and the Investment Manager, and to ensure that the terms are competitive, fair and reasonable for the shareholders; and
- (c) to review and make recommendations on any proposed amendment or material breach of the management contract.

Report on the Committee's Activities

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2005 and considered the following:

- the performance and suitability of the Investment Manager
- the terms and conditions of the management contract
- the fees paid to Directors
- the calculation of the performance fee

Attendance

This meeting was attended by all members of the Committee, with the exception of Mr Banbury who was unable to attend.

A copy of the full Terms of Reference of the Management Engagement Committee is available on request from the Company Secretary.

Board Committees continued

Nomination Committee

The members of the Committee as at 31 August 2005 were:

Sir Paul Judge (Chairman)
 Peregrine Banbury
 John Hignett
 Keith Niven
 Peter Readman

The Board considers a majority of the Committee to be independent.

Terms of Reference

The Company established a Nomination Committee in 1999. The role of the Committee is to consider and make recommendations to the Board on its composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board.

The responsibilities of the Committee include the following:

- (a) to evaluate the balance of skills, knowledge and experience of the Board of Directors and to prepare a description of the role and capabilities required for a particular appointment. In the case of the appointment of a Chairman, to prepare a job specification;
- (b) to select potential candidates to fill vacancies on the Board of Directors for recommendation to the Board;
- (c) to interview, or arrange for suitable Directors to interview, candidates for Directors;
- (d) to review periodically the terms of appointment of the non-executive Directors; and
- (e) to consider whether a senior independent director should be appointed and, if appropriate, to identify and recommend to the Board suitable candidates for the role.

A formal procedure for the appointment of new Directors is contained in the Terms of Reference of the Committee.

Report on the Committee's Activities

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2005 and considered the following:

- an evaluation of the balance of skills, knowledge and experience of the Board
- revised Terms of Reference
- a revised procedure for the appointment of new Directors
- a job specification for the role of the Chairman
- the selection of suitable candidates for a Director
- arranging for selected candidates to be interviewed.

Attendance

This meeting was attended by all members of the Committee.

A copy of the full Terms of Reference of the Nomination Committee is available on request from the Company Secretary.

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 the Company's Investment Manager. The maintenance and integrity of the website is the responsibility of Schroders. 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.

Independent Auditors' Report

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 2005 which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 23. 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 also report to you if, in our opinion, the company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 Company's corporate governance procedures or its risk and control procedures.

Independent Auditors' Report continued

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.

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 2005 and of its return for the year then ended; and
- the financial statements and that 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
7 November 2005

Statement of Total Return

	Notes	For the year ended 31 August 2005			For the year ended 31 August 2004		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	7	–	23,895	23,895	–	9,576	9,576
Income	2	6,214	–	6,214	5,510	–	5,510
Investment management fee	3	(614)	(614)	(1,228)	(544)	(544)	(1,088)
Performance fee	17	–	(149)	(149)	–	(133)	(133)
Administrative expenses	4	(201)	–	(201)	(213)	–	(213)
Net return before finance costs and taxation		5,399	23,132	28,531	4,753	8,899	13,652
Premium on purchase of warrants for cancellation		–	–	–	–	(706)	(706)
Interest payable and similar charges		–	–	–	–	–	–
Return on ordinary activities before taxation		5,399	23,132	28,531	4,753	8,193	12,946
Tax on ordinary activities	5	–	–	–	–	–	–
Return on ordinary activities after tax for the year attributable to equity shareholders		5,399	23,132	28,531	4,753	8,193	12,946
Dividends:							
1st interim dividend of 1.34p per share paid 30 January 2005 (2004: 1.30p)		(1,012)	–	(1,012)	(929)	–	(929)
2nd interim dividend of 1.34p per share paid 30 April 2005 (2004: 1.30p)		(1,012)	–	(1,012)	(989)	–	(989)
3rd interim dividend of 1.34p per share paid 30 July 2005 (2004: 1.30p)		(1,006)	–	(1,006)	(986)	–	(986)
4th interim dividend of 2.50p per share payable 31 October 2005 (2004: 2.35p)		(1,870)	–	(1,870)	(1,775)	–	(1,775)
Special dividend of 0.25p per share payable 31 October 2005 (2004: Nil)		(187)	–	(187)	–	–	–
Transfer to reserves		312	23,132	23,444	74	8,193	8,267
Return per ordinary share	6	7.16p	30.69p	37.85p	6.39p	11.01p	17.40p
Return per ordinary share – diluted	6	7.16p	–	–	6.32p	–	–
Dividends for the year per ordinary share		6.77p	–	6.77p	6.25p	–	6.25p

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 33 to 39 form an integral part of these accounts.

Balance Sheet

At 31 August

	Notes	2005 £'000	2004 £'000
Fixed Assets			
Investments			
Listed investments	7	146,072	117,650
Current Assets			
Debtors	8	773	905
Cash at bank and short-term deposits		3,526	12,564
		4,299	13,469
Current Liabilities			
Creditors: amounts falling due within one year	9	(2,796)	(5,686)
Net current assets		1,503	7,783
Net Assets		147,575	125,433
Capital and Reserves			
Called up share capital	11	7,481	7,554
Capital redemption reserve	12	1,399	1,326
Share premium account	13	7,404	7,404
Share purchase reserve	14	47,333	48,635
Warrant reserve	15	–	–
Warrant exercise reserve	16	1,596	1,596
Capital reserve	17	79,568	56,436
Revenue reserve	18	2,794	2,482
Equity Shareholders' Funds	19	147,575	125,433
Net Asset Value per share			
Undiluted	20	197.26p	166.05p
Diluted	20	197.26p	166.05p

The Accounts were approved by the Board of Directors on 7 November 2005 and signed on behalf of the Board by:

J M Hignett

J P A Readman

Directors

The notes on pages 33 to 39 form an integral part of these accounts.

Cash Flow Statement

		For the year ended 31 August 2005		For the year ended 31 August 2004	
	Notes	£'000	£'000	£'000	£'000
Operating Activities					
Income received from investments		5,967		5,080	
Interest received		377		250	
Administrative expenses paid		(189)		(220)	
Performance fee paid		(133)		(113)	
Investment management fee paid		(1,187)		(1,050)	
Net cash inflow from operating activities	21		4,835		3,947
Returns on investments and servicing of finance					
Interest paid		–		–	
Net cash outflow from returns on investments and servicing of finance			–		–
Taxation					
UK tax recovered		–		–	
Total tax recovered			–		–
Financial Investment					
Purchase of investments		(47,125)		(31,866)	
Sale of investments		39,173		37,957	
Net cash (outflow)/inflow from financial investment			(7,952)		6,091
Equity dividends paid			(4,805)		(4,468)
Net cash(outflow)/inflow before financing			(7,922)		5,570
Financing					
Purchase of shares for cancellation		(1,116)		(1,590)	
Capital expenses refunded		–		5	
Proceeds from warrants exercised		–		5,134	
Purchase of warrants for cancellation		–		(1,335)	
Net cash (outflow)/inflow from financing			(1,116)		2,214
Net cash (outflow)/inflow			(9,038)		7,784

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

		For the year ended 31 August 2005		For the year ended 31 August 2004	
		£'000	£'000	£'000	£'000
Net cash (outflow)/inflow		(9,038)		7,784	
Net funds brought forward		12,564		4,780	
Net funds carried forward		3,526		12,564	

The notes on pages 33 to 39 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** UK listed investments are valued according to the prices issued by the London Stock Exchange, these being the closing mid-market prices for all investments other than FTSE 100 constituents and FTSE 100 reserve list constituents for which the last trade prices are used. 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. Special dividends received or receivable are recognised as either income or capital, after reviewing the event on a case by case basis in accordance with the SORP.
- 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 2005 £'000	For the year ended 31 August 2004 £'000
UK dividend income	5,794	5,007
Convertible bond interest	76	212
Interest receivable and similar income	344	291
	6,214	5,510

3 Investment management fee

	For the year ended 31 August 2005 £'000	For the year ended 31 August 2004 £'000
Investment management fee		
– charged to revenue	523	463
– charged to capital (note 17)	523	463
– irrecoverable VAT	182	162
	1,228	1,088

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

4 Administrative expenses

	For the year ended 31 August 2005 £'000	For the year ended 31 August 2004 £'000
General expenses	121	134
Directors' fees	65	65
Auditors' remuneration:		
– audit	15	14
	201	213

The Company has no employees or staff costs (2004: Nil).

Notes to the Accounts continued

5 Taxation

The Company has no corporation tax liability in the year to 31 August 2005 (2004: 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% (2004: 30%). The differences are explained below:

	For the year ended 31 August 2005			For the year ended 31 August 2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Factors affecting tax charge for the year						
Return on ordinary activities before tax	5,399	23,132	28,531	4,753	8,193	12,946
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2004: 30%)	1,620	6,940	8,560	1,426	2,458	3,884
Tax effects of:						
UK franked dividends*	(1,738)	–	(1,738)	(1,502)	–	(1,502)
Capital returns on investments*	–	(7,169)	(7,169)	–	(2,873)	(2,873)
Management and performance fees capitalised	–	229	229	–	203	203
Premium on warrant buy-backs	–	–	–	–	212	212
Expenses not deductible for tax purposes	–	–	–	2	–	2
Revenue expenses not utilised in the year	118	–	118	74	–	74
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

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 £2,487,000 (2004: £2,140,000). The asset will be recovered if the Trust were to generate taxable profits in excess of management expenses carried forward.

6 Return per ordinary share

	For the year ended 31 August 2005			For the year ended 31 August 2004		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share (pence)	7.16p	30.69p	37.85p	6.39p	11.01p	17.40p
Return per ordinary share – fully diluted (pence)	7.16p	–	–	6.32p	–	–

The basic revenue return per ordinary share is based on the net return on ordinary activities after interest payable and taxation of £5,399,000 (2004: £4,753,000) and on 75,372,343 (2004: 74,389,676) 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 £23,132,000 (2004: £8,193,000) and on 75,372,343 (2004: 74,389,676) ordinary shares, being the weighted average number of ordinary shares in issue in the year.

Notes to the Accounts continued

7 Investments

	For the year ended 31 August 2005 £'000
Opening book cost	109,411
Opening unrealised gain	8,239
Opening valuation	117,650
Purchases at cost	43,700
Sales proceeds	(39,173)
Realised gains for the year	2,761
Unrealised gains for the year	21,134
Closing valuation	146,072
Closing book cost	125,877
Closing unrealised gain	20,195
Closing valuation	146,072

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 2005 £'000
Gains on investments	
Realised gains based on historical cost	11,939
Less: amounts recognised as unrealised in previous years (note 17)	(9,178)
Realised gains based on carrying value at previous balance sheet date	2,761
Net movement in unrealised gains	21,134
Gains on investments	23,895

8 Debtors

	2005 £'000	2004 £'000
Amounts due within one year:		
Dividends and interest receivable	753	882
Prepayment of expenses	20	23
	773	905

Notes to the Accounts continued

9 Creditors

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Amounts payable to brokers	186	3,425
Proposed dividend	2,057	1,775
Other creditors and accrued charges	553	486
	2,796	5,686

10 Contingent liabilities

The Company had no contingent liabilities at the balance sheet date (2004: Nil).

11 Share capital

	2005 £'000	2004 £'000
Authorised:		
312,500,000 ordinary shares of £0.10 each	31,250	31,250
Allotted, Called Up and Fully Paid:		
Opening balance of 75,537,343 ordinary shares (2004: 71,428,706) of £0.10 each	7,554	7,143
Shares issued on final exercise of 5,133,637 warrants	–	514
Transfer to capital redemption reserve on purchase of 725,000 (2004: 1,025,000) shares for cancellation (note 12)	(73)	(103)
Closing balance of 74,812,343 ordinary shares (2004: 75,537,343) of £0.10 each	7,481	7,554

12 Capital redemption reserve

	2005 £'000	2004 £'000
Capital redemption reserve brought forward	1,326	1,223
Transfer from share capital (note 11)	73	103
Capital redemption reserve carried forward	1,399	1,326

13 Share premium account

	2005 £'000	2004 £'000
Share premium account brought forward	7,404	2,779
Proceeds from warrants exercised	–	5,134
Nominal value of shares issued on exercise of warrants	–	(514)
Premium on issue of shares	–	–
Refund of stamp duty	–	5
Share premium account carried forward	7,404	7,404

Notes to the Accounts continued

14 Share purchase reserve

	2005 £'000	2004 £'000
Share purchase reserve brought forward	48,635	50,225
Purchase of 725,000 (2004: 1,025,000) ordinary shares for cancellation	(1,302)	(1,590)
Share purchase reserve carried forward	47,333	48,635

15 Warrant reserve

	2005 £'000	2004 £'000
Warrant reserve brought forward	–	1,909
Transfer on conversion of warrants (note 16)	–	(1,280)
Purchase of warrants for cancellation	–	(629)
Warrant reserve carried forward	–	–

16 Warrant exercise reserve

	2005 £'000	2004 £'000
Warrant exercise reserve brought forward	1,596	316
Transfer on conversion of warrants (note 15)	–	1,280
Warrant exercise reserve carried forward	1,596	1,596

The warrant exercise reserve represents, for warrants that have been exercised, the proceeds received on the original issue of these warrants. In accordance with the SORP this value is maintained in a separate non-distributable reserve within Shareholders Funds.

17 Capital reserve

	Realised £'000	Unrealised £'000	Total £'000
Balance brought forward	48,197	8,239	56,436
Transfer on disposal of investments	9,178	(9,178)	–
Increase in unrealised gains on investments	–	21,134	21,134
Realised gains on investments sold	2,761	–	2,761
Performance fee	(127)	–	(127)
Irrecoverable VAT on performance fee	(22)	–	(22)
Investment management fee	(523)	–	(523)
Irrecoverable VAT on investment management fee	(91)	–	(91)
Balance carried forward	59,373	20,195	79,568

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 2005, the Manager is entitled to a performance fee of £127,000 plus VAT, which has been capped at its maximum level.

Notes to the Accounts continued

18 Revenue reserve

	2005 £'000	2004 £'000
Revenue reserve brought forward	2,482	2,408
Transfer from revenue account	312	74
Revenue reserve carried forward	2,794	2,482

19 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Net revenue available for distribution	5,399	4,753
Dividends	(5,087)	(4,679)
Return on the revenue account	312	74
Non-distributable capital gain	23,132	8,193
Proceeds from warrants exercised	–	5,134
Refund of stamp duty	–	5
Warrants purchased for cancellation	–	(629)
Shares purchased for cancellation	(1,302)	(1,590)
Net movement in shareholders' funds	22,142	11,187
Shareholders' funds brought forward	125,433	114,246
Shareholders' funds carried forward	147,575	125,433

20 Net asset value per share

	2005	2004
Net asset value per share	197.26p	166.05p
Share price	186.50p	156.00p

The net asset value per share is based on the net assets attributable to ordinary shares of £147,575,000 (2004: £125,433,000) and on 74,812,343 ordinary shares in issue at 31 August 2005 (2004: 75,537,343).

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

	For the year ended 31 August 2005 £'000	For the year ended 31 August 2004 £'000
Revenue return before finance costs and taxation	5,399	4,753
Investment management fee charged to capital reserve	(614)	(544)
Performance fee charged to capital	(149)	(133)
Movements in accrued income	129	(180)
Movements in other debtors	3	2
Movements in other creditors	67	49
Net cash inflow from operating activities	4,835	3,947

Notes to the Accounts *continued*

22 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 Report of the Directors on page 14. The total of fees payable under this agreement to SIM in respect of the year ended 31 August 2005 were £1,377,000 (2004: £1,221,000), of which £493,000 was outstanding at the year end (2004: £436,000). 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 2005 was £7,000 (2004: £12,000).

At the year end SIM had an interest in 39,407,314 ordinary shares representing 52.67 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 2005, the balance held at Schroder & Co Limited was £5,000 (2004: £12,000). At 31 August 2005, the balance held at SIM was £3,521,000 (2004: £12,552,000).

23 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 40 to 42. 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 2005, 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 2005

Company	Industrial Classifications	Value of Holdings £'000	Percentage of Shareholders' Funds
Resources			
BP	Oil and Gas	7,200	
Rio Tinto	Mining	1,963	
Royal Dutch Shell "B"	Oil and Gas	9,973	
		19,136	12.97
Basic Industries			
BOC	Chemicals	2,618	
		2,618	1.77
General Industrials			
BAE Systems 7.75% Cum. Conv. Red. Pref	Aerospace and defence	980	
FKI	Engineering and machinery	1,581	
IMI	Engineering and machinery	2,014	
Metalrax	Engineering and machinery	891	
Tomkins	Engineering and machinery	1,565	
		7,031	4.76
Cyclical Consumer Goods			
Chapelthorpe	Household goods and textiles	219	
GKN	Automobiles and Parts	573	
		792	0.54
Non-Cyclical Consumer Goods			
Associated British Foods	Food producers and processors	2,621	
British American Tobacco	Tobacco	4,349	
Gallaher	Tobacco	1,751	
GlaxoSmithkline	Pharmaceuticals and biotechnology	7,293	
Scottish & Newcastle	Beverages	2,957	
Unilever	Food producers and processors	4,788	
		23,759	16.10

List of Investments continued

As at 31 August 2005

Company	Industrial Classifications	Value of Holdings £'000	Percentage of Shareholders' Funds
Cyclical Services			
BAA	Transport	2,724	
Boots	General retailers	2,777	
Christian Salvesen	Transport	862	
De La Rue	Support services	1,898	
EMAP	Media and entertainment	2,511	
EMI	Media and entertainment	732	
Great Universal Stores	General retailers	1,365	
ITV	Media and entertainment	1,318	
ITV Convertible	Media and entertainment	6	
Marks & Spencer	General retailers	2,800	
Pearson	Media and entertainment	3,474	
Rentokil Initial	Support services	2,366	
Rank	Leisure and hotels	1,063	
Reuters	Media and entertainment	1,792	
		25,688	17.41
Non-Cyclical Services			
BT	Telecommunication services	3,480	
Cable & Wireless	Telecommunication services	3,728	
Morrison (Wm) Supermarkets	Food and drug retailers	1,172	
Sainsbury (J.)	Food and drug retailers	939	
Tesco	Food and drug retailers	2,986	
Vodafone	Telecommunication services	8,316	
		20,621	13.97
Utilities			
AWG	Water	862	
British Energy	Water	1,747	
Centrica	Diversified	3,150	
Kelda	Water	1,887	
National Grid	Electricity	2,171	
United Utilities	Water	1,781	
		11,598	7.86

List of Investments continued

As at 31 August 2005

Company	Industrial Classifications	Value of Holdings £'000	Percentage of Shareholders' Funds
	Financials		
Alliance & Leicester	Banks	2,963	
Aviva	Life assurance	1,449	
Barclays	Banks	2,513	
Brit Insurance Holdings	Insurance	3,450	
HSBC	Banks	5,639	
Legal & General	Life assurance	3,274	
Lloyds TSB	Banks	3,130	
Provident Financial	Speciality and other finance	1,428	
Royal Bank of Scotland	Banks	3,041	
Standard Chartered	Banks	4,133	
SVG Capital 4.5% subordinated convertible bonds 21/05/13	Investment trusts	1,788	
Wellington Underwriting	Insurance	2,021	
		34,829	23.60
Total Investment Portfolio		146,072	98.98
Other net assets		1,503	1.02
Equity Shareholders' Funds		147,575	100.00

Notice and Agenda

Notice is hereby given that the eleventh Annual General Meeting of Schroder Income Growth Fund plc will be held at 3.00 p.m. on Thursday 8 December 2005 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 will be proposed as Ordinary Resolutions and resolutions 11 and 12 will be proposed as Special Resolutions:

1. That the Report of the Directors and the Accounts for the year ended 31 August 2005 be adopted.
2. That the Directors' Remuneration Report for the year ended 31 August 2005 be approved.
3. That Mr Ian Barby be elected as a Director of the Company.
4. That Mr Peregrine Banbury be re-elected as a Director of the Company.
5. That Sir Paul Judge be re-elected as a Director of the Company.
6. That Mr Keith Niven be re-elected as a Director of the Company.
7. That Deloitte & Touche LLP be re-appointed as Auditors of the Company.
8. That the Board be authorised to agree the Auditors' remuneration.
9. That, in accordance with the Articles of Association, the Company should continue as an Investment Trust for a further five year period.
10. 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 £374,061 (representing 5 per cent. of the aggregate nominal amount of the share capital in issue on 7 November 2005) 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.
11. That, subject to the passing of resolution 10 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 10 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 £374,061 (representing 5 per cent. of the aggregate nominal amount of the share capital in issue on 7 November 2005); 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

12. 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 11,214,370 (equivalent to 14.99 per cent. of the share capital in issue on 7 November 2005);
 - (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
9 November 2005

By Order of the Board
Schroder Investment Management Limited
Company Secretary

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 5.00 p.m. on 6 December 2005 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 5.00 p.m. on 6 December 2005 shall be disregarded in determining the right of any person to attend and vote at the meeting.
- 4 Profiles of each of the Directors offering themselves for election and re-election are either on page 2 of this report, or in the case of Mr Barby, in the Chairman’s Statement on page 8.

Schroders plc is a leading asset management group, the shares of which are listed on the London Stock Exchange.

Schroders has been involved in investment management since 1922, and today is one of the leading international investment management houses, providing investment services, research and marketing functions from offices located in countries throughout the world.

Worldwide, as at end June 2005, Group assets under management were valued at £112.1 billion.

We manage funds across all asset categories, including equities, fixed income, cash and property. Our clients include corporations, local and public authorities, pension funds, insurance companies, charities and individuals.

Share price, portfolio and other information on Schroder investment trusts is available on the internet at

<http://www.schroders.co.uk/its>

Schroder Investment Management Limited is authorised and regulated by the Financial Services Authority.



Schroders