
**SCHRODER
INCOME
GROWTH
FUND plc**



**Interim Report
29 February 2004**



Schrodgers | **2004**
200 years of forward thinking



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.

Directors

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

Advisers

Investment Manager and Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Registered Office

31 Gresham Street
London EC2V 7QA

Registrar

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London EC2V 7QA

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London EC1Y 8YY

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Beaufort House
15 St. Botolph Street
London EC3A 7QR

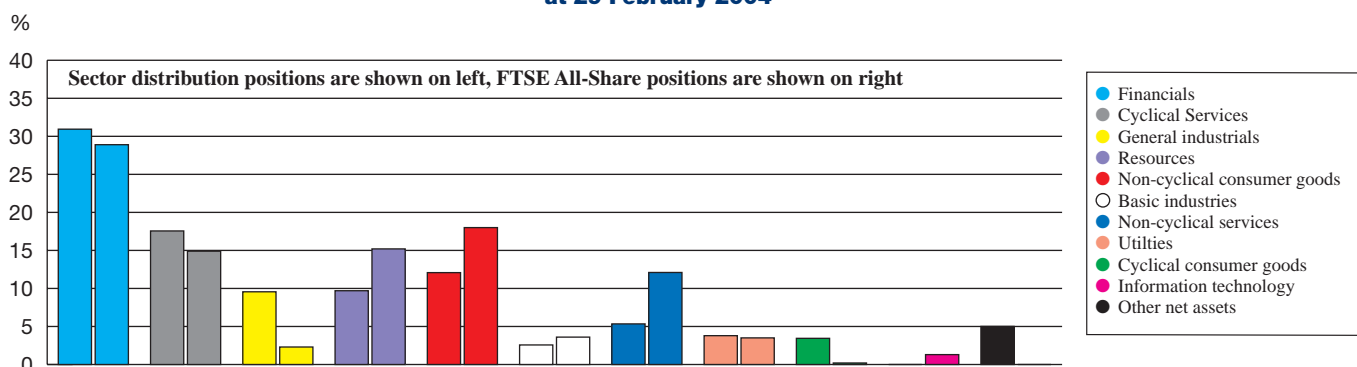
Financial Highlights

	29 February 2004	31 August 2003	Change %
Net asset value per share*†	166.94p	154.14p	8.3
Share price	167.50p	156.75p	6.9
Warrant price	–	55.50p	–
Share price premium	0.3%	1.7%	
FTSE All-Share Index†	2,243.41	2,064.74	8.7
Shareholders' funds (£'000)	126,980	114,246	11.1
Shares in issue ('000)	76,062	71,429	6.5
	Six months ended	Six months ended	
	29 February 2004	28 February 2003	Change %
Dividends per share	2.60p	2.54p	2.4
Diluted earnings per share	1.93p	2.32p	(16.8)

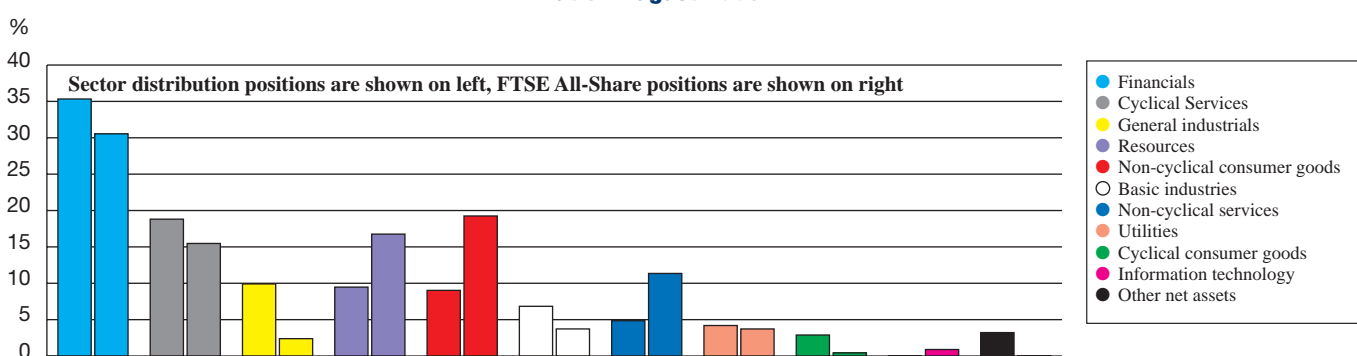
*The final exercise date for the Company's warrants (used to calculate the diluted net asset value) was 31 December 2003. Of the remaining 7,660,360 warrants in issue at 31 August 2003, 2,526,723 warrants were purchased for cancellation and the remaining 5,133,637 warrants were exercised and 5,133,637 shares for £1 each were issued.

†Capital return.

Comparison of Sector Distribution* with the FTSE All-Share Index at 29 February 2004



Comparison of Sector Distribution* with the FTSE All-Share Index at 31 August 2003



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

Investment Manager's Review

Performance

The Company's diluted net asset value total return was 9.7% during the six month period to 29 February 2004, compared with the total return on the FTSE All-Share Index of 9.8%. Over the period the shares traded between a premium of 1% and a discount of 5% to the underlying net asset value.

The Company's diluted earnings per share for the six month period to 29 February 2004 decreased by 16.8% compared with the six months to 28 February 2003. This fall occurred partly as a function of the timing of certain dividend receipts, adjustments to our portfolio and also as a consequence of receiving some dividends in the weakened US\$ currency. In addition, there was also a dilutive effect because of the timing of receipts from the warrant exercise in the current period.

However, the Board announced on 18 March 2004, a second interim dividend of 1.3p net per share, an increase of 2.4% over the second interim dividend for the previous financial year, which is in line with the investment objective to provide a real growth in income.

Market Background and Investment Outlook

The market has continued to rise as investors have set aside their worries and focused on the recovery in world economies which have been led primarily by a pick-up in the US, but perhaps just as importantly, the continued rapid expansion of China. The change in attitude to risk since the lows associated with the Iraq war in March 2003 has been quite extreme – investors are no longer avoiding risk but are actively looking to increase it.

The view discounted by the market is for an economic recovery along classic lines. However, we believe that the recovery in global growth will be weaker than in the past as it is reliant on a recovery in corporate, rather than consumer, expenditure. Consumer purchases of durable goods already represent a record share of real GDP thus minimising the potential for future strong growth. The risks to the stock market have increased at its current valuation as the general feeling of optimism among investors may not be able to cope with much bad news on the speed and extent of the economic recovery.

Nevertheless, we are seeing good value in some of the larger, more stable companies in sectors such as food and beverages which have been ignored over the last year as investors sought exposure to the more cyclical areas of the market.

We aim to invest in companies that are out of favour with the market, have low valuations, good market positions and relatively strong balance sheets. By pursuing this approach we expect to continue to deliver returns ahead of the benchmark index over the long term.

Schroder Investment Management Limited

22 March 2004

Twenty Largest Investments

At 29 February 2004

Company and Activity	Value of Holdings £'000	Percentage of Shareholders' Funds
HSBC Holdings International financial services group.	4,964	3.91
BP Integrated oil company.	4,427	3.49
Shell Transport & Trading Integrated oil company.	4,178	3.29
Tomkins Diverse industrial conglomerate.	4,028	3.17
GlaxoSmithkline Global pharmaceutical company.	3,419	2.69
Boots UK's leading high street chemist.	3,341	2.63
Burdene Manufacturer of caravans.	3,334	2.63
Brit Insurance Insurance company.	3,278	2.58
Royal & Sun Alliance International insurance company.	3,193	2.51
Safeway UK food retailer.	3,045	2.40
ICAP Specialist intermediary broking services group.	2,967	2.34
Tesco Leading UK food retailer with strong Eastern European and Far Eastern interests.	2,925	2.30
British American Tobacco International Tobacco company.	2,876	2.27
Royal Bank of Scotland UK financial services business with significant US operations.	2,871	2.26
BAE Systems Europe's largest defence contractor.	2,818	2.22
Allied Domecq World's second largest spirits company with substantial wine interests.	2,659	2.09
Lloyds TSB Group UK Financial services business.	2,469	1.94
Anglo American Diversified mining group.	2,417	1.90
Smith (James) Estates Property investment company.	2,368	1.87
RAC Owner of the RAC motoring services brand.	2,360	1.86
Total	63,937	50.35

Balance Sheet

	At 29 February 2004 (unaudited) £'000	At 28 February 2003 (unaudited) £'000	At 31 August 2003 (audited) £'000
FIXED ASSETS			
Investments			
Listed investments	120,615	89,616	110,740
CURRENT ASSETS			
Debtors	773	599	727
Cash at bank and short-term deposits	7,112	5,894	4,780
	7,885	6,493	5,507
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	1,520	1,735	2,001
Net current assets	6,365	4,758	3,506
Net Assets	126,980	94,374	114,246
CAPITAL AND RESERVES			
Called up share capital	7,606	7,079	7,143
Capital redemption reserve	1,273	1,223	1,223
Share premium account	7,404	1,899	2,779
Share purchase reserve	49,460	50,225	50,225
Warrant reserve	–	1,909	1,909
Warrant exercise reserve	1,596	316	316
Capital reserve	57,746	29,516	48,243
Revenue reserve	1,895	2,207	2,408
EQUITY SHAREHOLDERS' FUNDS	126,980	94,374	114,246
Net Asset Value (note 6)			
Undiluted	166.94p	133.32p	159.94p
Diluted	166.94p	130.07p	154.14p

The notes on pages 9 and 10 form an integral part of these accounts.

Statement of Total Return

	For the six months ended 29 February 2004 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments	–	10,594	10,594
Premium paid on purchase of warrants for cancellation	–	(705)	(705)
Investment income			
Ordinary dividends	1,592	–	1,592
Convertible bond interest	100	–	100
Other income	75	–	75
Investment management fee	(253)	(253)	(506)
Performance fee	–	(133)	(133)
Administrative expenses	(109)	–	(109)
Return/(deficit) before finance costs and taxation	1,405	9,503	10,908
Interest payable and similar charges	–	–	–
Return/(deficit) on ordinary activities before taxation	1,405	9,503	10,908
Tax on ordinary activities	–	–	–
Return/(deficit) on ordinary activities after tax for the period attributable to equity shareholders	1,405	9,503	10,908
Dividends:			
First interim dividend of 1.30p (2003: 1.27p) per share paid 31 January 2004	(929)	–	(929)
Second interim dividend of 1.30p (2003: 1.27p) per share payable 30 April 2004	(989)	–	(989)
Third interim dividend	–	–	–
Fourth interim dividend	–	–	–
Transfer (from)/to reserves	(513)	9,503	8,990
Return per ordinary share (note 3)	1.93p	13.03p	14.96p
Return per ordinary share diluted	1.93p	13.03p	14.96p
Dividends for the period per ordinary share	2.60p	–	2.60p

The notes on pages 9 and 10 form an integral part of these accounts.

For the six months ended 28 February 2003 (unaudited)			For the year ended 31 August 2003 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	(11,393)	(11,393)	–	7,586	7,586
–	–	–	–	–	–
1,807	–	1,807	4,686	–	4,686
72	–	72	159	–	159
125	–	125	182	–	182
(230)	(230)	(460)	(477)	(477)	(954)
–	(105)	(105)	–	(113)	(113)
(96)	–	(96)	(207)	–	(207)
1,678	(11,728)	(10,050)	4,343	6,996	11,339
(3)	(3)	(6)			
1,675	(11,731)	(10,056)	4,343	6,996	11,339
–	–	–	–	–	–
1,675	(11,731)	(10,056)	4,343	6,996	11,339
(895)	–	(895)	(895)	–	(895)
(899)	–	(899)	(899)	–	(899)
–	–	–	(903)	–	(903)
–	–	–	(1,564)	–	(1,564)
(119)	(11,731)	(11,850)	82	6,996	7,078
2.39p	(16.70)p	(14.31)p	6.15p	9.90p	16.05p
2.32p	(16.23)p	(13.91)p	5.96p	9.59p	15.55p
2.54p	–	2.54p	6.00p	–	6.00p

Cash Flow Statement

	For the six months ended 29 February 2004 (unaudited) £'000 £'000		For the six months ended 28 February 2003 (unaudited) £'000 £'000		For the year ended 31 August 2003 (audited) £'000 £'000	
Operating Activities						
Income received from investments	2,053		2,146		4,761	
Interest received	60		104		166	
Other income	4		–		29	
Administrative expenses	(124)		(118)		(205)	
Performance fees	(113)		(123)		(123)	
Investment management fee	(512)		(458)		(921)	
Net cash inflow from operating activities	1,368		1,551		3,707	
Return on investments and servicing of finance						
Interest paid	–		–		–	
Taxation						
UK tax recovered	–		–		–	
Financial Investment						
Purchase of investments	(11,086)		(6,458)		(12,066)	
Sale of investments	11,504		6,363		9,559	
Net cash inflow/(outflow) from investing activities	418		(95)		(2,507)	
Equity Dividends Paid						
Dividends paid	(2,493)		(2,364)		(4,166)	
Net cash outflow before financing	(707)		(908)		(2,966)	
Financing						
Capital expenses paid	–		–		(1)	
Proceeds from conversion of warrants	5,134		216		216	
Purchase of warrants for cancellation	(1,335)		–		–	
Purchase of shares for cancellation	(760)		–		–	
Issue of shares	–		816		1,761	
Net cash inflow from financing	3,039		1,032		1,976	
Net cash inflow/(outflow)	2,332		124		(990)	

The notes on pages 9 and 10 form an integral part of these accounts.

Notes to the Accounts

- 1 The revenue column of the statement of total return is the profit and loss account of the Company.
- 2 All revenue and capital items in the statement of total return derive from continuing operations.
- 3 The basic revenue return per ordinary share is based on the following information:

	Six months ended 29 February 2004	Six months ended 28 February 2003	Year ended 31 August 2003
Net revenue return on ordinary activities after interest payable and taxation (£'000)	1,405	1,675	4,343
Weighted average number of ordinary shares in issue during the period ('000)	72,925	70,254	70,662
Basic revenue return (pence)	1.93	2.39	6.15

The basic capital return per ordinary share is based on the following information:

	Six months ended 29 February 2004	Six months ended 28 February 2003	Year ended 31 August 2003
Net capital return/(deficit) on ordinary activities after interest payable and taxation (£'000)	9,503	(11,731)	6,996
Weighted average number of ordinary shares in issue during the period ('000)	72,925	70,254	70,662
Basic capital return (pence)	13.03	(16.70)	9.90

The diluted returns per ordinary share have been calculated in accordance with Financial Reporting Standard No 14 on the assumption that the weighted average number of potentially dilutive warrants in issue throughout the period are exercised into ordinary shares on the first day of the financial year giving a weighted average number of shares in issue during the respective periods as shown below.

	Six months ended 29 February 2004	Six months ended 28 February 2003	Year ended 31 August 2003
Potentially dilutive warrants ('000)*	–	2,024	2,255
Weighted average number of ordinary shares in issue during the period ('000)	72,925	72,278	72,917
Diluted revenue return (pence)	1.93	2.32	5.96
Diluted capital return (pence)	13.03	(16.23)	9.59

*Final warrant exercise date was 31 December 2003.

4 Shares in issue

	29 February 2004	28 February 2003	31 August 2003
Brought forward	71,428,706	69,974,348	69,974,348
Warrants converted into ordinary shares (note 5)	5,133,637	215,792	215,792
Shares issued	–	595,466	1,238,566
Shares purchased for cancellation	(500,000)	–	–
Carried forward	76,062,343	70,785,606	71,428,706

5 Warrants in issue

	29 February 2004	28 February 2003	31 August 2003
Brought forward	7,660,360	7,876,152	7,876,152
Converted to ordinary shares	(5,133,637)	(215,792)	(215,792)
Warrants purchased for cancellation	(2,526,723)	–	–
Carried forward	–	7,660,360	7,660,360

The final exercise date for the Company's warrants was 31 December 2003. Of the remaining 7,660,360 warrants in issue at 31 August 2003, 2,526,723 warrants were purchased for cancellation and the remaining 5,133,637 warrants were exercised and 5,133,637 shares for £1 each were issued.

Notes to the Accounts continued

6 Net Asset Value per share

The undiluted net asset value per share is based on the net assets attributable to ordinary shares and on ordinary shares in issue at the end of each period.

	29 February 2004	28 February 2003	31 August 2003
Net asset attributable to ordinary shares (£'000)	126,980	94,374	114,246
Ordinary shares in issue at end of each period ('000)	76,062	70,786	71,429
Undiluted net asset value per share (pence)	166.94	133.32	159.94

The diluted net asset value per share is based on the net assets attributable to ordinary shares and on the ordinary shares in issue assuming the exercise of warrants at 100 pence per share.

	29 February 2004	28 February 2003	31 August 2003
Net assets attributable to ordinary shares assuming exercise of warrants (£'000)*	126,980	102,034	121,906
Ordinary shares in issue assuming exercise of warrants at end of each period ('000)	76,062	78,446	79,089
Diluted net asset value per share (pence)	166.94	130.07	154.14

*The final exercise date for the warrants was 31 December 2003, hence there is no dilution at 29 February 2004.

7 The half yearly figures are non statutory accounts. The balance sheet and revenue statement for the year ended 31 August 2003 are extracts from the latest published accounts. A copy of the published accounts for that year has been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The half yearly figures have been prepared using the same accounting policies as those adopted in preparing the latest published accounts.

Company Summary

The Company

Schroder Income Growth Fund plc is an investment trust listed on the London Stock Exchange. It is one of a number of investment trusts managed and administered by Schroder Investment Management Limited, the fund management subsidiary of Schroders plc.

The Company was launched in March 1995 and has ordinary shares 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 Company's Annual General Meeting in the year 2005 and thereafter at five yearly intervals.

Price Information

The Company's shares are listed on the London Stock Exchange. The price 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 for the Ordinary Shares

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 *inter alia* a sector analysis and the Company's ten largest investments. There is also a factsheet, which is updated quarterly and is available to shareholders, in printed form, on request from the Secretary of the Company.

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

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
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For the 2004/2005 tax year the annual capital gains (after adjusting for indexation and taper relief) of private individuals in excess of £8,200 (2003/2004: £7,900) 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.

Company Summary continued

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
- competitive charges
- daily dealing
- the option to reinvest income.

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

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

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 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 share holdings, including a change of address or other amendment should be directed to Lloyds TSB Registrars Scotland at PO Box 28448, Finance House, Orchard Brae, Edinburgh, EH4 1WQ. The telephone number of Lloyds TSB Registrars is 0870 601 5366.

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

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 December 2003. Group assets under management were valued at £98.3 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 (FSA).

