

Schroder
Income Growth Fund plc

Half-Yearly Report to 29 February 2008

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

Sir Paul Judge (Chairman)
Peregrine Banbury
Ian Barby
Keith Niven
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Advisers

Investment Manager

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Financial Highlights

	29 February 2008	31 August 2007	% Change
Net asset value ("NAV") per ordinary share	199.88p	235.71p	(15.2)
Share price	181.00p	212.50p	(14.8)
Share price discount	9.4%	9.8%	
Shareholders' funds (£'000)	137,291	168,975	(18.8)
Shares in issue ('000)	68,688	71,687	(4.2)
	Six months ended 29 February 2008	Six months ended 28 February 2007	% Change
Revenue return per ordinary share	2.74p	2.03p	35.0
Dividends per share declared in respect of the period	3.20p	3.00p	6.7
Total return per ordinary share	(31.96p)	14.62p	
NAV total return*	(12.4%)	7.7%	
FTSE Actuaries All-Share Total Return Index*	(6.6%)	7.4%	
FTSE Actuaries 350 Higher Yield Total Return Index*	(12.0%)	5.1%	
Share price total return*	(12.7%)	8.1%	

*Sources: Fundamental Data, Datastream.

Ten Largest Investments

As at 29 February 2008

Company and Activity	Market Value of Holding £'000	Percentage of Shareholders' Funds
Royal Dutch Shell 'B' Integrated oil company	13,046	9.50
BP Integrated oil company	8,157	5.94
GlaxoSmithKline Global pharmaceutical company	7,191	5.24
HSBC Banking and financial services group	6,490	4.73
Vodafone Global mobile telephone provider	6,063	4.42
Astrazeneca Global pharmaceutical company	5,657	4.12
Lloyds TSB Banking and financial services group	5,497	4.00
Rexam Consumer packaging group	5,303	3.86
Aviva International insurance and financial services group	4,786	3.49
National Grid Operator and developer of electricity and gas networks	4,623	3.37
Total	66,813	48.67

At 31 August 2007, the ten largest investments represented 45.95% of shareholders' funds.

Chairman's Statement

Investment Performance

During the six month period ended 29 February 2008, the Company earned revenue of 2.74 pence per share compared with 2.03 pence per share earned in the six months ended 28 February 2007.

During the period, the net assets per share decreased by 15.2%, dropping to 199.9 pence at the period end. As a result, the Company had a negative net asset total return of 12.4% (source: Fundamental Data), compared to a negative total return of 6.6% for the FTSE Actuaries All-Share Index (source: Schroders and Fundamental Data) and a negative total return of 12.0% for the FTSE Actuaries 350 Higher Yield Index over the same period (source: Schroders and Datastream). The key underlying contributors to the Company's performance during the period are discussed in the Investment Manager's Review.

The share price total return for the six months under review was a negative 12.7%. The share price discount to net asset value narrowed during the period, falling from 9.8% at 31 August 2007 to 9.4% at 29 February 2008. Since the period end, the discount has widened to 10.9% as at 25 April 2008.

Dividends

The Company paid a first interim dividend for the year ending 31 August 2008 of 1.6 pence per share on 31 January 2008. The Board has since declared the payment of a second interim dividend for the year of 1.6 pence per share, which will be paid on 30 April 2008 to shareholders who were on the register at the close of business on 4 April 2008. This compares with first and second interim dividends of 1.5 pence per ordinary share for last year, an increase of 6.7% on the previous year's first and second interim dividends.

Share Purchases

The Company has continued to pursue its share buy-back programme during the period under review, purchasing a total of 2,999,000 ordinary shares for cancellation at a cost of £5,803,065. Your Board will continue the buy-back programme as a way of managing the volatility of the discount.

VAT on Management Fees

As the result of a legal action brought against HM Revenue & Customs the European Court of Justice has recently ruled that investment management fees paid to investment managers by investment trust companies should be exempt from VAT, thereby bringing them into line with unit trusts, open ended investment companies and similar investment funds.

New UK legislation is expected to be introduced specifically exempting UK investment trusts from paying VAT on management fees and allowing the Company to reclaim VAT previously paid to its Investment Manager from 2001 onwards. The recent Condé Nast ruling has further introduced the possibility of reclaims extending to the period from the Company's inception in March 1995 to 1996. The interim period from 1996 to 2001 has however yet to be tested. The potential for the recovery of interest on reclaimed amounts is presently uncertain.

As yet we have been unable fully to quantify the likely impact on the Company but your Board will continue to monitor the situation to achieve a successful outcome.

Electronic Communications

At the Annual General Meeting held in December, revised Articles of Association were adopted by the Company. These allow the Company to send certain information relating to it (for example notices and accounts) by electronic means or by placing this information on a website. Shareholders will receive a letter with the printed Half-Yearly Report, offering them two options:

1. to have notifications sent by email by registering online at www.shareview.co.uk; or
2. to continue to receive hard copies of shareholder communications by post. To receive shareholder communications in this way, you must complete and return the form by 5 p.m. on 10 July 2008.

We believe that this approach to communication with shareholders will help to reduce the cost of administration.

Sir Paul Judge
Chairman
30 April 2008

Investment Manager's Review

In the six months to 29 February 2008, the Company's net asset value had a negative total return of 12.4%. This compares to a negative total return from the FTSE Actuaries All-Share Index of 6.6% (source: Schroders and Fundamental Data) and a negative total return from the FTSE Actuaries 350 Higher Yield Index of 12.0% (source: Schroders and Datastream).

Market Background

The UK stock market has struggled through a turbulent period since the summer of 2007 as the global credit crunch has deepened and there have been signs that the US economy is possibly going into recession. Such negative sentiment is having a knock-on effect on UK share prices, with investors factoring in the possibility of contagion, especially as the UK property market is beginning to weaken. Against this background, the Bank of England has started easing interest rates and has injected much-needed liquidity into the financial system. Meanwhile, inflation edged higher as oil and metal prices rose to record high levels.

The change in the FTSE Actuaries All-Share Index was dominated by the resources sector, on the back of higher commodity prices, and M&A activity. Mining stocks were easily the best performers within this group. Utilities and other non-cyclical sectors also held up relatively well as investors grew more risk-averse and companies with more stable earning profiles came back into favour given the outlook for slowing economic growth. In contrast, cyclical consumer goods shares produced the weakest returns due to their exposure to discretionary consumer spending that looks increasingly susceptible to disappointment. The cyclical services and finance sectors also underperformed significantly.

While the Company benefited from its holdings in stable earnings generating companies such as Unilever, British American Tobacco and Scottish & Newcastle, its lack of exposure to mining stocks detracted greatly from performance. In fact, this accounted for over half of the underperformance versus the FTSE Actuaries All-Share Index. Mining shares pay low dividend yields and do not meet our dividend yield requirements. The finance sector was the other area in which the Company suffered, in particular from a holding in mortgage lender Northern Rock, an investment that, with hindsight, clearly did not meet expectations. Other banking shares also fell as credit conditions deteriorated, even though Barclays and Royal Bank of Scotland were able to raise their dividends in the period.

Investment Approach

The Company follows a transparent and straightforward investment approach. We focus on companies that offer an attractive income profile and a promising business model. The emphasis is the balance between current payout and reinvestment, as we believe that a disciplined use of capital should have a beneficial impact on the operational results in the long term. This in turn will provide the scope for above-average and above-inflation growth in dividends.

We acknowledge that the performance in these six months has been disappointing, but it partly reflects the lack of popularity in the stock market of the Company's chosen strategy. Income strategies in general have underperformed the overall market. This has been due largely to the same factors that have affected the Company's performance – low-yielding stocks driven higher by a narrow band of companies, particularly resource stocks, while high-yielding stocks, including banks, were among the weakest. The underperformance by most income funds goes against a 20-year trend of higher-yielding shares in aggregate providing the best returns and lower-yielding shares in aggregate the worst.

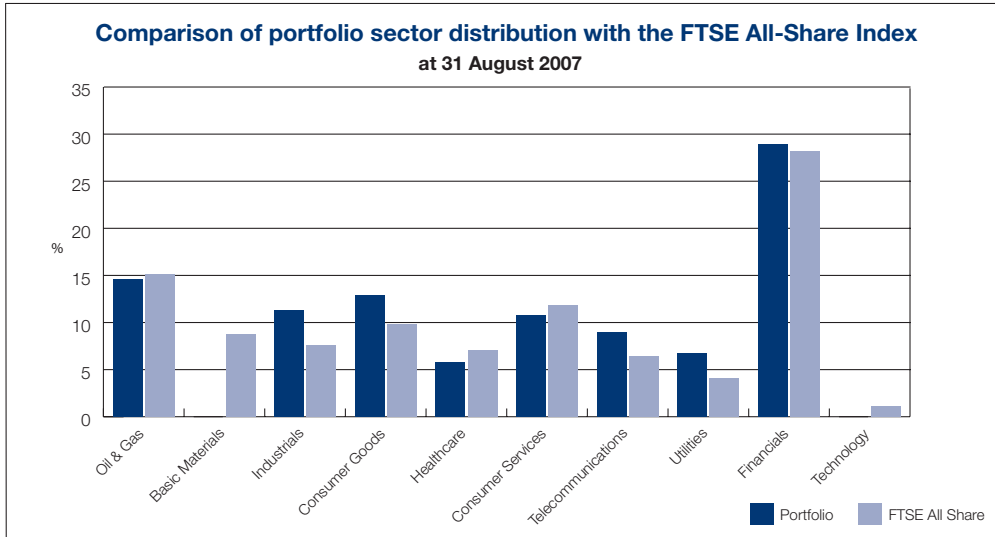
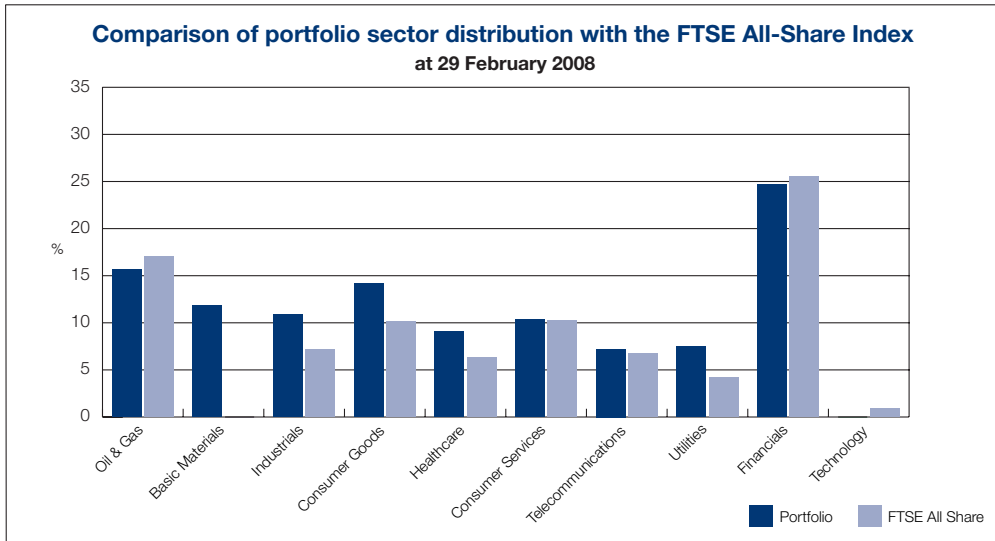
Outlook

We believe there could be further swings in stock markets during 2008 given that the outlook for both the US and UK economies remains uncertain. With this in mind, we believe investors will increasingly favour companies that can demonstrate more defensive characteristics such as stable earnings prospects, sustainable and visible cashflows and a commitment to paying dividends. We have seen this trend developing since the end of 2007 and believe it will continue.

We expect the Company to benefit from this environment. Our focus is on assessing the strength of company balance sheets, with the aim of ensuring that the growth in the Company's dividend payments to shareholders in the coming year will at least match inflation. We remain confident that this approach has the ability to reward investors with steady returns over the long term.

Schroder Investment Management Limited

30 April 2008



Income Statement

	(Unaudited) For the six months ended 29 February 2008			(Unaudited) For the six months ended 28 February 2007			(Audited) For the year ended 31 August 2007			
Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
(Losses)/gains on investments held at fair value	–	(24,237)	(24,237)	–	9,215	9,215	–	10,405	10,405	
Income	2	2,231	349	2,580	1,901	41	1,942	6,730	428	7,158
Investment management fee	3	(233)	(233)	(466)	(337)	(337)	(674)	(693)	(693)	(1,386)
Performance fee rebate		–	61	61	–	170	170	–	172	172
Administrative expenses		(102)	–	(102)	(97)	–	(97)	(198)	–	(198)
Net return/(losses) before finance costs and taxation		1,896	(24,060)	(22,164)	1,467	9,089	10,556	5,839	10,312	16,151
Interest payable and similar charges	3	–	–	–	–	–	–	(7)	–	(7)
Net return/(losses) on ordinary activities before taxation		1,896	(24,060)	(22,164)	1,467	9,089	10,556	5,832	10,312	16,144
Taxation credit/(charge) on ordinary activities		4	–	4	–	–	–	(4)	–	(4)
Net return/(losses) on ordinary activities after taxation attributable to equity shareholders		1,900	(24,060)	(22,160)	1,467	9,089	10,556	5,828	10,312	16,140
Net return/(losses) per ordinary share	4	2.74p	(34.70)p	(31.96)p	2.03p	12.59p	14.62p	8.10p	14.34p	22.44p

The Total column of this statement is the profit and loss account of the Company. The Revenue and Capital columns are both provided in accordance with guidance issued by The Association of Investment Companies. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. Accordingly no Statement of Total Recognised Gains and Losses is presented.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 10 and 11 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

For the six months ended 28 February 2007 (Unaudited)

	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
Balance at 31 August 2006	7,269	1,611	7,404	42,979	1,596	94,140	5,196	160,195
Net return from ordinary activities	-	-	-	-	-	9,089	1,467	10,556
Ordinary dividends paid	-	-	-	-	-	-	(3,038)	(3,038)
Purchase of shares for cancellation	(100)	100	-	(2,172)	-	-	-	(2,172)
At 28 February 2007	7,169	1,711	7,404	40,807	1,596	103,229	3,625	165,541

For the six months ended 31 August 2007 (Audited)

	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
Balance at 31 August 2006	7,269	1,611	7,404	42,979	1,596	94,140	5,196	160,195
Net return from ordinary activities	-	-	-	-	-	10,312	5,828	16,140
Ordinary dividends paid	-	-	-	-	-	-	(5,188)	(5,188)
Purchase of shares for cancellation	(100)	100	-	(2,172)	-	-	-	(2,172)
At 31 August 2007	7,169	1,711	7,404	40,807	1,596	104,452	5,836	168,975

For the six months ended 29 February 2008 (Unaudited)

	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
At 31 August 2007	7,169	1,711	7,404	40,807	1,596	104,452	5,836	168,975
Net return from ordinary activities	-	-	-	-	-	(24,060)	1,900	(22,160)
Ordinary dividends paid	-	-	-	-	-	-	(3,680)	(3,680)
Purchase of shares for cancellation	(300)	300	-	(5,844)	-	-	-	(5,844)
At 29 February 2008	6,869	2,011	7,404	34,963	1,596	80,392	4,056	137,291

* The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The notes on pages 10 and 11 form an integral part of these financial statements.

Balance Sheet

	Note	At 29 February 2008 (Unaudited) £'000	At 28 February 2007 (Unaudited) £'000	At 31 August 2007 (Audited) £'000
Fixed assets				
Investments held at fair value through profit or loss		135,112	161,323	166,572
		135,112	161,323	166,572
Current assets				
Debtors		905	585	1,491
Cash at bank and short-term deposits		1,622	4,033	1,357
		2,527	4,618	2,848
Current liabilities				
Creditors – amounts falling due within one year		(348)	(400)	(445)
Net current assets		2,179	4,218	2,403
Net assets		137,291	165,541	168,975
Capital and reserves				
Called up share capital	6	6,869	7,169	7,169
Capital redemption reserve		2,011	1,711	1,711
Share premium account		7,404	7,404	7,404
Share purchase reserve		34,963	40,807	40,807
Warrant exercise reserve		1,596	1,596	1,596
Capital reserves		80,392	103,229	104,452
Revenue reserve		4,056	3,625	5,836
Equity shareholders' funds		137,291	165,541	168,975
Net asset value per ordinary share	7	199.88p	230.92p	235.71p

The notes on pages 10 and 11 form an integral part of these financial statements.

Cash Flow Statement

	(Unaudited) For the six months ended 29 February 2008 £'000	(Unaudited) For the six months ended 28 February 2007 £'000	(Audited) For the year ended 31 August 2007 £'000
Net cash inflow from operating activities	2,563	2,045	5,589
Net cash outflow from servicing of finance	(1)	–	(7)
Total tax received/(paid)	4	–	(4)
Net cash inflow/(outflow) from investment activities	7,223	3,173	(885)
Equity dividends paid	(3,680)	(3,038)	(5,188)
Net cash inflow/(outflow) before financing	6,109	2,180	(495)
Net cash outflow from financing	(5,844)	(2,161)	(2,162)
Net cash inflow/(outflow)	265	19	(2,657)

Reconciliation of net cash flow to movement in net debt

	For the six months ended 29 February 2008 £'000	For the six months ended 28 February 2007 £'000	For the year ended 31 August 2007 £'000
Net cash inflow/(outflow)	265	19	(2,657)
Net funds brought forward	1,357	4,014	4,014
Net funds at period end	1,622	4,033	1,357

The notes on pages 10 to 11 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies and Responsibility Statement

Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies (SORP) issued in January 2003 and revised in December 2005 and the Interim Management Report in the form of the Chairman's Statement and Investment Manager's Review includes a fair review of the information required by DTR 4.2.7 and 4.2.8 of the FSA's Disclosure and Transparency Rules.

The financial information for each of the six month periods ended 29 February 2008 and 28 February 2007 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 August 2007 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified. The interim accounts have been prepared on the same basis as the annual accounts.

The Company's accounting policies have not varied from those described in the Report and Accounts for the year to 31 August 2007.

2. Income

	(Unaudited) For the six months ended 29 February 2008 £'000	(Unaudited) For the six months ended 28 February 2007 £'000	(Audited) For the year ended 31 August 2007 £'000
Income from investments:			
UK dividend income	2,080	1,731	6,467
UK unfranked dividend income	–	–	39
Interest on deposits	151	170	224
	2,231	1,901	6,730
Allocated to capital :			
UK special dividend income	349	41	428
	2,580	1,942	7,158

3. Management fees and interest payable

The investment management fee and any finance costs on borrowings for investment purposes are apportioned 50% to the revenue return and 50% to the capital return.

4. Return per ordinary share

	(Unaudited) For the six months ended 29 February 2008 £'000	(Unaudited) For the six months ended 28 February 2007 £'000	(Audited) For the year ended 31 August 2007 £'000
Revenue return	1,900	1,467	5,828
Capital return	(24,060)	9,089	10,312
Total return	(22,160)	10,556	16,140
Weighted average number of ordinary shares in issue	69,343,862	72,187,343	71,935,288
Revenue return	2.74p	2.03p	8.10p
Capital return	(34.70)p	12.59p	14.34p
Total return	(31.96)p	14.62p	22.44p

5. Dividends

The second interim dividend of 1.60 pence per Ordinary share will be paid on 30 April 2008 to shareholders on the register at 10 April 2008. A first interim dividend of 1.60 pence per Ordinary Share was paid on 31 January 2008. In total dividends of 3.20 pence per share have been declared for the six months ended 29 February 2008.

6. Called up share capital

	(Unaudited) At 29 February 2008 £'000	(Unaudited) At 28 February 2007 £'000	(Audited) At 31 August 2007 £'000
Authorised: 312,500,000 ordinary shares of 10p each	31,250	31,250	31,250
Allotted, Called up and Fully paid:			
Opening balance 71,687,343 (28 February 2007 and 31 August 2007: 72,687,343) ordinary shares of 10p each	7,169	7,269	7,269
Transfer to capital redemption reserve on purchase of 2,999,000 (28 February 2007 and 31 August 2007: 1,000,000) shares for cancellation	(300)	(100)	(100)
Closing balance 68,688,343 (28 February 2007 and 31 August 2007: 71,687,343) ordinary shares of 10p each.	6,869	7,169	7,169

7. Net asset value per ordinary share

	(Unaudited) 29 February 2008 £'000	(Unaudited) 28 February 2007 £'000	(Audited) 31 August 2007 £'000
Net assets attributable to ordinary shareholders	137,291	165,541	168,975
Ordinary shares in issue at end of period	68,688,343	71,687,343	71,687,343
Net asset value per ordinary share	199.88p	230.92p	235.71p

Company Summary

The Company

Schroder Income Growth Fund plc was established in March 1995 and is an independent investment trust whose ordinary shares are listed on the London Stock Exchange. It is one of a number of investment trusts managed and administered by Schroders.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that 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 forward a proposal for the continuation of the Company to shareholders at five yearly intervals. The next proposal will be put forward at the Annual General Meeting in 2010.

Website and Share Price Information

The Company has launched a dedicated website, which may be found at www.schroderincomegrowthfund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA and Schroder Investment Trust Dealing Service.

The Company releases its net asset value to the market on a daily basis.

Share price information may also be found in the Financial Times and on Schroders' website at www.schroders.co.uk/its.

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at PO Box 28448, Finance House, Orchard Brae, Edinburgh, Scotland EH4 1WQ. The helpline telephone number of Equiniti Registrars is 0871 384 2451 (calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary).

Equiniti 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.

www.schroderincomegrowthfund.com

