Schroder
UK Mid Cap Fund plc

Report and Accounts for the year ended 30 September 2014

INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2013 WINNER UK GROWTH

INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2014 WINNER UK GROWTH

Schroders

Investment Objective

The Company's investment objective is to invest in Mid Cap equities with the aim of providing a total return in excess of the FTSE 250 (ex-Investment Companies) Index.

Directors

Eric Sanderson
(Chairman)
Eric Sanderson was appointed a non-executive Director of the Company in 2011. He is a Chartered Accountant and a Banker and was Chief Executive of British Linen Bank from 1989 to 1997 and a member of the Management Board of Bank of Scotland in his role as Head of Group Treasury Operations from 1997 to 1999. He was also formerly Chairman of MyTravel Group PLC, MWB Group Holdings PLC and Dunedin Fund Managers Limited and has held a number of non-executive Board positions. He is Chairman of the Court of The University of Dundee and a non-executive director of BlackRock Greater Europe Investment Trust plc.

Rachel Beagles
Rachel Beagles was appointed a non-executive Director of the Company in 2006. From 1990 until 2003, she worked in financial markets, primarily in equity research and sales. She was co-head of the Pan European Banks Equity Research and Sales Team and a Managing Director of Corporate and Investment Banking Group Division at Deutsche Bank AG from 2000 to 2003. She is a non-executive director of Crown Place VCT plc, Securities Trust of Scotland plc, BlackRock Emerging Europe plc and New India Investment Trust plc. She is also Chair of NewlonBuild Ltd.

Clare Dobie
Clare Dobie was appointed a non-executive Director of the Company in 2013. She is a non-executive director of F&C Capital and Income Trust plc and Aberdeen New Thai Investment Trust PLC and a trustee of Essex and Herts Air Ambulance Trust. She is also a director of Braxted Marketing Measures, a marketing and client service consultancy, having previously held senior positions in the asset management industry at Barclays Global Investors and GAM. She began her career as a financial journalist, working at The Times and The Independent, where she was City Editor.

Andrew Page
Andrew Page was appointed a non-executive Director of the Company in October 2014. Mr Page was, until 1 September 2014, the Chief Executive Officer of The Restaurant Group plc ("TRG"), a FTSE-250 company which operates 460 restaurants throughout the UK. He is a non-executive Director of Northgate plc, Carpetright plc and RPS Group plc. Prior to joining TRG in 2001, Mr Page held a number of senior positions within the Leisure and hospitality sector including Senior Vice President with InterContinental Hotels. Before that he spent six years working in Kleinwort Benson's Corporate Finance department. Mr Page is a Chartered Accountant.

Robert Rickman
Robert Rickman was appointed a non-executive Director of the Company in 2011. He is a founding partner of the Rockley Group, making and managing technology based investments worldwide and particularly in China. He is an independent non-executive director of London Stock Exchange listed Carclo plc. He was an independent non-executive director of AIM listed Cambium Global Timberland Ltd from 2007 until October 2014 when he stepped down from the board to manage the realisation of the assets. From 2001 until 2007 he was a Director and latterly Chairman of the AIM-listed Highland Timber PLC. Mr Rickman was a director of telecoms and datacoms equipment manufacturer Bookham Technology PLC from 1994 to 2004, during which time the company was listed on the LSE and NASDAQ. He is currently chairman of the property and finance committee of Modern Art Oxford.

All Directors are members of the Audit, Management Engagement and Nomination Committees.

Mrs Beagles is chair of the Audit Committee; Mr Sanderson is chairman of the Management Engagement and Nomination Committees.

Alternative Investment Fund Managers ("AIFM") Directive

Certain pre-sale, regular and periodic disclosures required by the Directive may be found either in this Annual Report or on the web at www.schroders.co.uk/its.

Advisers

Alternative Investment Fund Manager (the "Manager")
Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 6501

Investment Manager and Company Secretary
Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Registered Office
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Depositary and Custodian
HSBC Bank plc
8 Canada Square
London E14 5HQ

Independent Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Corporate Broker
Panmure Gordon & Co
1 New Change
London EC4M 9AF

Registrar
Equiniti Limited
Aspect House, Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines.

Lending Bank
Scotiabank Europe PLC
201 Bishopsgate
6th Floor
London EC2M 3NS

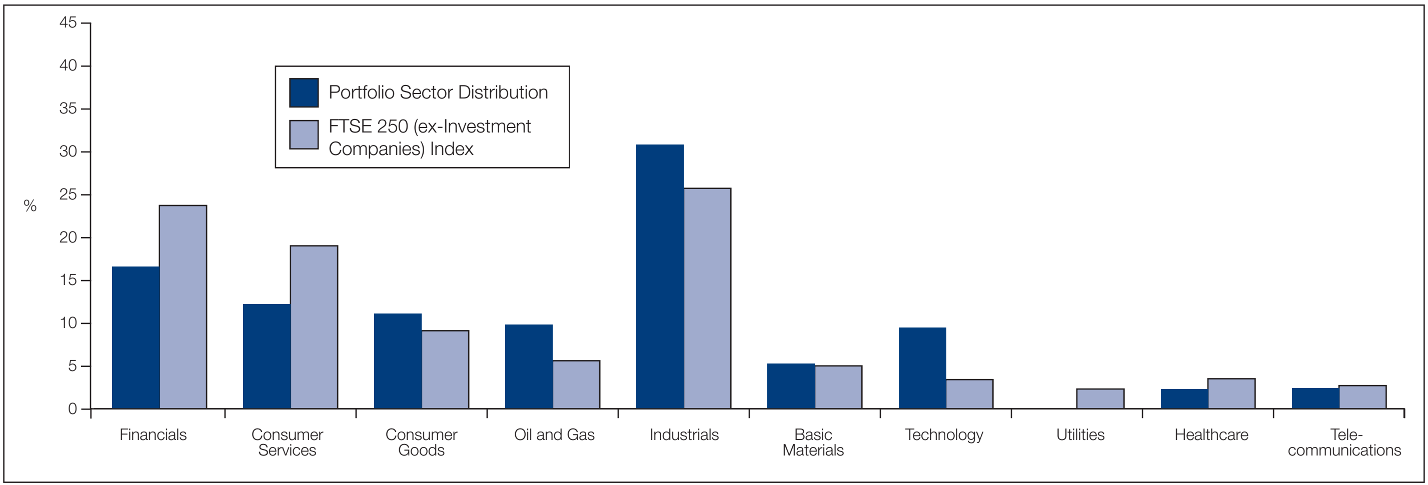
Contents

Financial Highlights

	2014	2013	
Total returns (including dividends reinvested) for the year ended 30 September			
Net asset value ("NAV") per Ordinary share[1]	**8.9%**	39.3%	
Share price[1]	**8.8%**	56.0%	
Benchmark[2]	**5.3%**	33.0%	
			% Change
Net asset value, share price and discount at 30 September			
Shareholders' funds (£'000)	**173,327**	161,739	+7.2
Shares in issue	**36,143,690**	36,143,690	
NAV per share	**479.55p**	447.49p	+7.2
Share price	**448.88p**	420.00p	+6.9
Share price discount to NAV per share	**6.4%**	6.1%	
Revenue for the year ended 30 September			
Net revenue return after taxation (£'000)	**3,506**	3,096	+13.2
Revenue return per share	**9.70p**	8.57p	+13.2
Dividends per share	**8.50p**	7.70p	+10.4
(Net cash)/gearing[3]	**(4.4)%**	2.0%	
Ongoing Charges[4]	**0.94%**	1.01%	

[1] Source: Morningstar.
[2] Source: Thomson Financial Datastream. The Company's benchmark is the FTSE 250 (ex-Investment Companies) Index.
[3] Borrowings used for investment purposes less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this is shown as a "net cash" position.
[4] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year.

Comparison of Portfolio Sector Distribution with the FTSE 250 (ex-Investment Companies) Index at 30 September 2014[1]



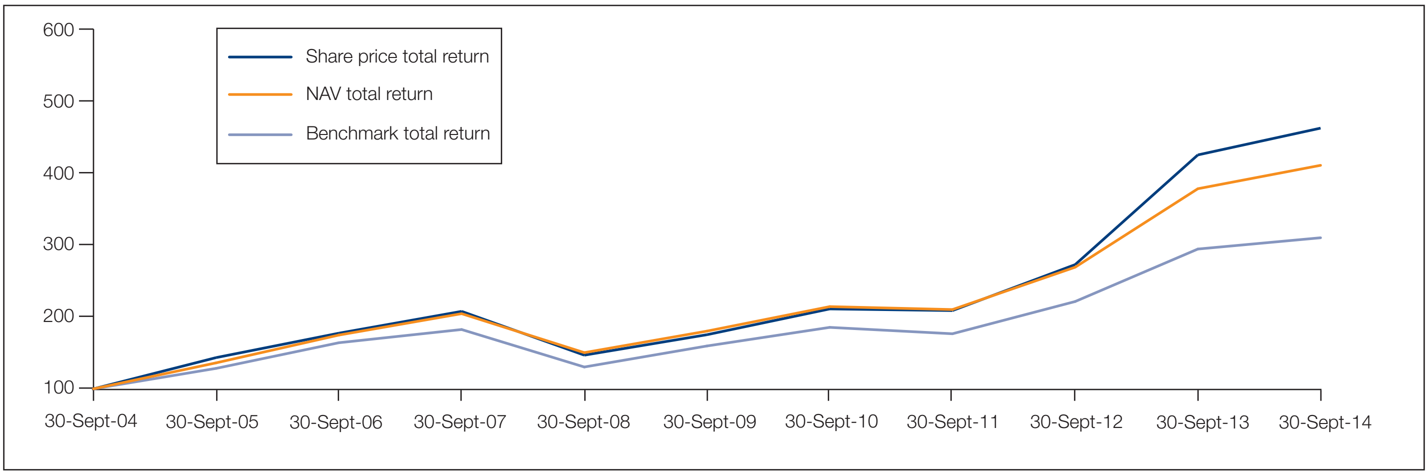
[1] Source: Schroders/Thomson Financial Datastream.

Ten-Year Financial Record

At 30 September		2005[1]	2006	2007	2008	2009	2010	2011	2012	2013	2014
Shareholders' funds (£'000)		69,498	88,055	100,852	73,556	85,109	98,750	95,269	118,942	161,739	173,327
NAV per share (pence)		188.7	239.6	278.3	203.5	235.5	273.2	263.6	329.1	447.5	479.6
Share price (pence)		171.5	209.5	242.5	168.0	192.8	225.5	218.0	277.0	420.0	448.9
Share price discount to NAV per share (%)		9.1	12.6	12.9	17.4	18.1	17.5	17.3	15.8	6.1	6.4
Gearing/(net cash) (%)[3]		7.1	1.7	2.5	(9.7)	(2.6)	3.1	2.8	3.7	2.0	(4.4)
Year ended 30 September											
Net revenue after taxation (£'000)		1,012	1,281	1,817	2,253	1,880	2,156	2,437	2,789	3,096	3,506
Revenue return per share (pence)		2.75	3.48	4.97	6.22	5.20	5.96	6.74	7.72	8.57	9.70
Dividends per share (pence)		2.25	2.85	4.11	5.30	5.30	5.83	6.20	6.82	7.70	8.50
Ongoing Charges (%)[2]		1.60	1.40	1.31	1.15	1.19	1.21	1.12	1.11	1.01	0.94
Performance[4]											
NAV total return (based on ex-income NAV)[5]	100.0	136.2	174.9	204.7	150.4	180.4	214.5	210.4	269.4	378.7	411.3
Share price total return	100.0	143.5	177.5	207.9	146.9	175.4	211.3	209.0	273.0	425.8	463.1
Benchmark[6]	100.0	128.5	164.2	182.6	130.4	159.7	185.6	176.7	221.6	294.7	310.4

[1] The results for the year ended 30 September 2005 have been restated, where necessary, in accordance with Financial Reporting Standards 21, 25 and 26.
[2] Ongoing Charges represents the management fee and other operating expenses (as defined by the Association of Investment Companies), excluding finance costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year. The figures for 2010 and prior years represent the expenses calculated as above, expressed as a percentage of the average of the opening and closing net asset values in the year.
[3] Gearing represents borrowings used for investment purposes less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this is shown as a "net cash" position.
[4] Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 September 2004.
[5] Calculated using year end net asset values after deduction of the final dividend.
[6] With effect from 1 April 2011, the Company's benchmark has been the FTSE 250 (ex-Investment Companies) Index. Prior to that date, the benchmark was the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Index. The return for 2011 is based on a combination of both of these indices, calculated on a pro rata basis.

Ten-Year NAV, Share Price and Benchmark Performance[1]



[1] Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 September 2004. With effect from 1 April 2011, the Company's benchmark has been the FTSE 250 (ex-Investment Companies) Index. Prior to that date, the benchmark was the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Index. The return for 2011 is based on a combination of both of these indices, calculated on a pro rata basis.

Chairman's Statement

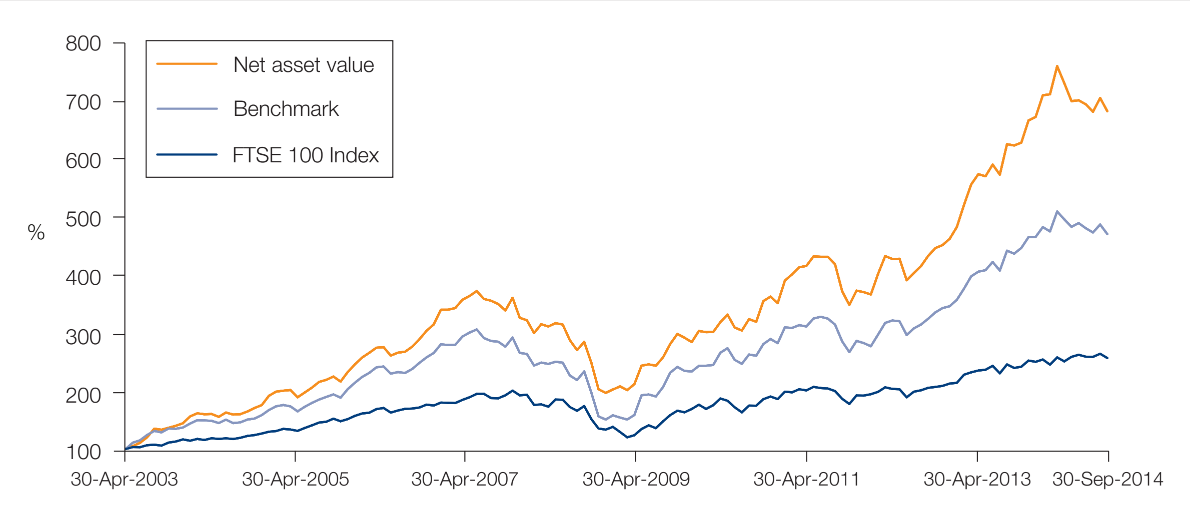
I am pleased to present my first Chairman's Statement having succeeded Peter Timms as Chairman on 1 July 2014.

Performance

During the year under review, the Company's net asset value produced a total return of 8.9% comparing favourably to a total return of 5.3% for the Company's benchmark, the FTSE 250 (ex-Investment Companies) Index. The Company's share price performed similarly, producing a total return of 8.8% during the year. After enjoying excellent returns at the interim stage, market conditions in the second half of the Company's financial year proved to be much more challenging. Consequently, some of the gain reported at that time was eroded in the second half. Nonetheless, the outcome for the year as a whole is very satisfactory.

The Board considers the Company to be a compelling investment opportunity. It has had a decade of outperformance, invests in the mid cap market which offers good growth opportunities and has a Manager with proven stock-picking skills. The performance strengths can be illustrated by reference to the chart below.

Rise in the Company's Net Asset Value vs the FTSE 100 Index and the Benchmark



Source: Morningstar, to 30 September 2014 with dividends reinvested. Schroders was appointed on 1 May 2003. Rebased to 100 as at 30 April 2003. The Company changed its benchmark from the FTSE All-Share, ex Investment Companies, ex FTSE 100 Index to the FTSE 250 (ex-Investment Companies) Index with effect from 1 April 2011.

The Company's long term performance remains strong, with the net asset value total return continuing its record of outperforming the benchmark, this being the 10th year of outperformance out of the 11 years since Schroders took responsibility for investment management.

The Manager's Review on page 7 provides greater detail on performance, market background and investment outlook for the Company.

Revenue Return and Dividends

I am also pleased to report that income generated by the portfolio again increased during the year under review. Revenue return per share increased by 13.2% from 8.57 pence per Ordinary share to 9.70 pence per share, with strong dividend receipts driven by a number of special dividends being partially offset by the Company having de-geared during the year.

The Directors recommend the payment of a final dividend of 6.00 pence per Ordinary share for the year ended 30 September 2014, which, together with the interim dividend of 2.50 pence per share paid during the year, brings total dividends for the year to 8.50 pence per share and represents an increase of 10.4% over dividends declared in respect of the previous financial year.

A resolution approving the payment of the final dividend for the year ended 30 September 2014 will be proposed at the forthcoming Annual General Meeting. If passed, the dividend will be paid on 4 February 2015 to shareholders on the register on 30 December 2014.

Chairman's Statement

Alternative Investment Fund Managers ("AIFM") Directive

In accordance with the AIFM Directive, the Company has, with effect from 17 July 2014, become an Alternative Investment Fund and has appointed Schroder Unit Trusts Limited ("SUTL"), a wholly owned subsidiary of Schroders plc which has AIFM regulatory permissions, as the Alternative Investment Fund Manager (the "Manager") to provide portfolio management, risk management, accounting and company secretarial services to the Company in accordance with an Alternative Investment Fund Manager Agreement. SUTL has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited.

In addition, also in accordance with the AIFM Directive, the Company has appointed HSBC Bank plc as Depositary with effect from 17 July 2014. An additional fee of 0.01% of net assets will be payable for depositary services.

In complying with its new regulatory obligations, the Board takes this opportunity to reassure shareholders that it continues to act independently of the Manager and that the management and performance fees payable to the Manager remain unchanged.

Further details of both the AIFM Agreement and the Depositary Agreement may be found in the Report of the Directors.

Gearing Facility and AIFM Directive Leverage Limit

During the year, the Company renewed its £15 million revolving credit facility with Scotiabank (Europe) PLC. At the beginning of the year, gearing stood at 2.0% and by the end of the year the Company held 4.4% net cash. While the Company remains ungeared at the date of this Statement, the Board considers that the flexibility to utilise gearing remains an important tool in allowing the Manager to pursue investment opportunities when appropriate. To this end, parameters for the use of gearing have been established and these are reviewed regularly by the Board. The Company's gearing continues to operate within pre-agreed limits so that it does not represent more than 25% of total assets.

The AIFM Directive has introduced a requirement for the Manager to set maximum levels of leverage using a wider definition than borrowing and includes the use of derivatives. Further details of this leverage limit may be found on the Manager's website at www.schroders.co.uk/its and in the Strategic Report.

Purchase of Shares for Cancellation and Discount Management

The discount of the Company's share price to underlying net asset value traded within a fairly narrow range during the year under review, standing at 6.1% at the start of the year and at 6.4% on 30 September 2014. The average discount for the year was 5.6% and ranged between a discount of 9.7% and a premium of 0.8%.

At the Company's last Annual General Meeting held on 31 January 2014, the Company was granted authority to purchase up to 14.99% of its issued share capital for cancellation or for holding in Treasury. During the year ended 30 September 2014, the Company did not purchase any shares for cancellation or for holding in Treasury.

The decision as to whether to purchase the Company's shares is addressed regularly in Board discussions. Whilst share buy backs are one method of addressing discount levels, their effectiveness depends on the size and nature of the share register.

Your Board believes that the most sustainable way to close the share price discount is to increase demand for the Company's shares by effective promotion over the longer term, and a continuation of its strong performance track record. In the meantime, the Board will continue to consider on a regular basis whether share purchases should be made, alongside other means of discount control. To provide maximum flexibility for the future, it is proposed that the existing authority be renewed at the forthcoming Annual General Meeting.

Retirement of Chairman and Appointment of Non-Executive Director

As outlined in the Chairman's Statement to the 2014 Half Year Report, the refreshment of the Board continued during the year under review, with the retirement of the former Chairman, Peter Timms.

On behalf of the Board, I would like to thank Peter for his stewardship and invaluable contribution to the Board's deliberations and the success of the Company over his 14 year tenure as Chairman and 25 years serving as a Director.

An additional non-executive Director, Andrew Page, was appointed with effect from 1 October 2014 and his biographical details can be found on the inside front cover of this Report. In accordance with the Company's Articles of Association, a resolution to elect him as a Director of the Company will be proposed at the forthcoming Annual General Meeting.

Chairman’s Statement

Outlook

A year ago my predecessor wrote about the 10 year anniversary of Schroders as the Manager. It is pleasing to report continued outperformance since Schroders was appointed on 1 May 2003, with the share price total return over that period having increased to 680% at the year end.

Continued success cannot be guaranteed, particularly given the challenge highlighted in the Manager’s Review of finding attractive new opportunities. However, whilst accepting that these are real challenges, not least when next year has a UK General Election and a possible economic slowdown in Europe, your Board takes considerable comfort from the Manager’s long term record. Your Board continues to believe in the longer term potential in UK mid caps and our Manager’s ability to exploit it.

Annual General Meeting

The Company’s Annual General Meeting will be held at 12.00 noon on Friday, 30 January 2015, and shareholders are encouraged to attend. The meeting will include a presentation by the Manager on the prospects for the UK market and the Company’s investment strategy.

Eric Sanderson
Chairman
16 December 2014

Manager's Review

Performance

As noted in the Chairman's Statement, over the 12 months to 30 September 2014, the Company's net asset value on a total return basis rose by 8.9%. This compared with a 5.3% total return from the benchmark, the FTSE 250 (ex-Investment Companies) Index.

From 1 May 2003 (when Schroders took responsibility for the management of the portfolio) to 30 September 2013, the net asset value has produced a total return of 573% and the shares 680%, compared to 365% from the chain-linked benchmark over the same period.

As always with the portfolio, the outperformance in the last year was stock-specific. The largest contributors to performance were two long term holdings that received takeover approaches – Kentz (construction project management) and CSR (wireless technology) – while there was also a strong contribution from Micro Focus (software) and Pace (set top boxes). The disappointments included Just Retirement (an annuity provider impacted by regulatory changes in the UK Budget), N. Brown (home shopping), and Pets At Home (a pet supply firm that was listed earlier in the year).

Market Background

Mid caps as a group continued to produce steady profits growth in the last year which, with capital spending remaining subdued, led to many increasing their dividend payments. Where the profits growth stood out, however, was in comparison to larger-sized UK companies. Aggregate profits of companies in the FTSE 100 index – where your Company does not invest – have been falling since 2011, in part because of the exposure to cyclical global industries like oil, mining and banking that have suffered from the challenging worldwide environment and sterling's strength. Mid caps have not been immune from either, but many have had enough pricing power and underlying volume growth to continue to grow.

The continued success of mid caps has also led to renewed corporate activity, both in terms of bid activity and of new companies being listed. We have been highly selective in investing in the latter, with only three having been added to the portfolio: Pets At Home and Just Retirement, which as mentioned above did not have a good start to their listed careers but where we remain positive, and SSP, a food retailer at railway stations and airports.

Portfolio Update

Apart from these IPOs, new purchases in the past year have included Northgate (van hire), Perform Group (digital media) and Alent (chemicals for PCBs and semiconductors). Disposals have included the holdings of Ashtead on its promotion to the FTSE 100 index, Derwent, and UBM.

Outlook

The optimism at the start of the year has been replaced with a range of concerns from the Middle East to the continuing slowdown in Europe. Close to home, the fluctuations in the political scene, from the Scottish referendum to voter fatigue with the three main parties, is creating a backdrop where the only certainty is uncertainty. Companies which have relied on cost cuts to grow profits are now finding that against an increasingly competitive market they are being forced to announce profit warnings and raise new equity to shore up balance sheets. The internet, which was overestimated in 2000 for what it was going to do, is now being underestimated for what it actually does to companies as it becomes an increasingly disruptive and deflationary force.

Our strategy of buying companies with sound finances and some form of pricing power should stand us in good stead over the longer term. In addition, we remain vigilant on accounting, observing that many companies are reporting, and being remunerated, on adjusted earnings that bear little relation to statutory profits. Our vigilance, which enabled us to avoid two of the worst performers of last year, namely Serco and Balfour Beatty, remains a key focus.

Schroder Investment Management Limited
16 December 2014

Investment Portfolio

As at 30 September 2014

Company	Sector classification	Principal activity	Market value of holding £'000	% of total equity shareholders' funds
Micro Focus International	Software and Computer Services	Multinational software and information technology services provider	4,770	2.8
CSR	Technology Hardware and Equipment	Designer and manufacturer of single-chip radio devices	4,169	2.4
DCC	Support Services	International sales, marketing, distribution and support services provider	4,106	2.4
Kennedy Wilson Europe Real Estate	Real Estate Investment and Services	Investment property manager	4,095	2.3
Premier Oil	Oil and Gas Producers	Exploration, development and production of oil and gas	3,995	2.3
Investec	Financial Services	Global investment management company	3,900	2.2
Lamprell	Oil Equipment and Services	Specialist in rig upgrade and refurbishment	3,857	2.2
Dechra Pharmaceuticals	Pharmaceuticals and Biotechnology	Manufacturer of pharmaceutical products and equipment for the veterinary industry	3,785	2.2
Redrow	Consumer Goods	House builder	3,781	2.2
Supergroup	General Retailers	Distinctive branded fashion retailer	3,560	2.1
Inchcape	General Retailers	Importer and distributor of motor vehicles	3,542	2.0
John Wood	Oil Equipment and Services	Multinational oil and gas services supplier	3,418	2.0
Taylor Wimpey	Consumer Goods	House builder	3,384	2.0
Bodycote International	Industrial Engineering	Supplier of specialist testing and thermal processing services	3,342	1.9
James Fisher	Industrial Transportation	Provider of marine services and management solutions	3,315	1.9
Computacenter	Software and Computer Services	Provider of IT infrastructure services	3,308	1.9
WS Atkins	Support Services	Engineering and design consultant	3,290	1.9
Diploma	Support Services	International distributor of specialised technical products	3,275	1.9
IG	Financial Services	Provider of financial spread betting and CFD's	3,267	1.9
Dignity	General Retailers	Provider of funeral related services	3,265	1.9
Twenty largest investments			**73,424**	**42.4**
Elementis	Chemicals	Manufacturer and seller of chromium chemicals, pigments and other chemicals	3,238	1.9
Halma	Electronic and Electrical Equipment	Manufacturer of safety products	3,213	1.9
Berendsen	Support Services	Provider of textile maintenance services	3,185	1.8
AG Barr	Beverages	Soft drinks manufacturer	3,085	1.8
Brewin Dolphin	Financial Services	Provider of investment management services to private clients	2,992	1.7
Grafton	Support Services	Building merchant supplier	2,974	1.7
Grainger	Real Estate and Investment Services	Purchases, lets, manages and refurbishes tenanted property	2,965	1.7
Jardine Lloyd Thompson	Non-Life Insurance	Provider of insurance and employee related benefits advice	2,918	1.7
Victrex	Chemicals	Manufacturer of speciality plastics	2,810	1.6
Qinetiq	Aerospace and Defence	Technical, engineering and software services provider for aerospace, defence and security	2,694	1.6
Telecom Plus	Fixed Line Communications	Multi-utility supplier	2,670	1.5
Soco International	Oil and Gas Producers	Exploration, development and production of oil and gas	2,667	1.5
Senior	Aerospace and Defence	Designer and manufacturer of high technology components for the civil aerospace and defence markets	2,548	1.5
Domino Printing	Electronic and Electrical Equipment	Manufacturer and supplier of industrial ink jet and laser printing equipment	2,546	1.5
Bank of Georgia	Banks	Provider of banking services	2,458	1.4
Keller	Construction and Materials	International ground engineering specialist	2,420	1.4
Homeserve	Support Services	Domestic home repairs and insurance provider	2,398	1.4

Investment Portfolio

Company	Sector classification	Principal activity	Market value of holding £'000	% of total equity shareholders' funds
Enquest	Oil and Gas Producers	Oil exploration, development and production	2,356	1.4
Millennium & Copthorne Hotels	Travel and Leisure	Hotel operator	2,282	1.3
Pets at Home	Leisure Goods	Pet retailer	2,218	1.3
Kier	Construction and Materials	Construction, development and service company, specialising in building and civil engineering	2,199	1.3
Photo-Me International	Leisure Goods	Photo booth and vending equipment provider	2,170	1.3
SIG	Support Services	Leading European distributor of insulation materials	2,164	1.2
Rightmove	Media	Operator of the UK's largest residential property portal	2,151	1.2
Fenner	Industrial Engineering	Producer of heavyweight belting	2,064	1.2
Pace	Technology Hardware and Equipment	Developer of digital TV technologies	1,983	1.1
SSP	Food producers	Freshly made food provider	1,939	1.1
Northgate	Support Services	Leading light vehicle hire provider	1,931	1.1
N Brown	General Retailers	Internet and catalogue home shopping provider	1,909	1.1
Daily Mail & General Trust	Media	International media with interests in newspapers and related digital operations, local media and radio	1,888	1.1
Just Retirement	Financial Services	Specialist UK financial retirement provider	1,885	1.1
Alent	Chemicals	Supplier of chemical and engineering consumables	1,882	1.1
Berkeley	Consumer Goods	House builder	1,799	1.0
Paypoint	Support Services	International leader in payments technologies	1,721	1.0
ITE	Media	Organiser of trade exhibitions and conferences	1,695	1.0
Renishaw	Electronic and Electrical Equipment	Precision engineering manufacturer	1,630	0.9
SDL	Software and Computer Services	Solutions company offering multilingual translation software and translation services	1,553	0.9
Londonmetric Property	Real Estate Investment Trusts	REIT investing in out of town retail and distribution	1,389	0.8
Raven Russia	Real Estate Investment Services	Property investor in Russia	1,354	0.8
Cable & Wireless Communications	Fixed Line Communications	Multinational telecommunications provider	1,289	0.7
Anglo Pacific	Mining	Investor in mining and exploration interests	862	0.5
LMS Capital	Financial Services	Investment company	319	0.2
Total investments[1]			**165,837**	**95.7**
Net current assets			**7,490**	**4.3**
Total equity shareholders' funds			**173,327**	**100.0**

[1] Total investments comprises entirely equity investments.

The twenty largest investments represent 42.4% (2013: 43.4%) of total equity shareholders' funds.

Strategic Report

Introduction

The Strategic Report contains a review of the Company's business including the business model, the principal risks and uncertainties it faces, an analysis of its performance during the financial year and its future development.

Company Structure

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, by way of a one-off application and the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

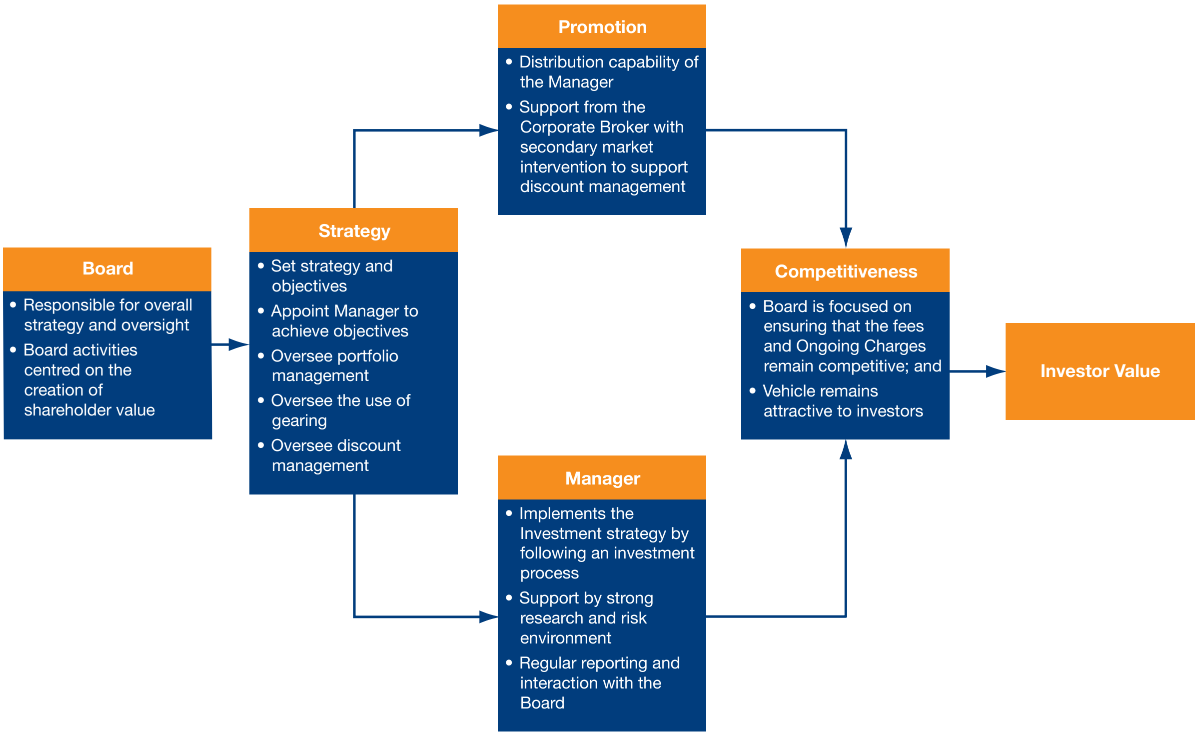
The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company is not a "close" company for taxation purposes.

It is not intended that the Company should have a limited life and the Articles of Association do not contain any provision for the review of the future of the Company at specified intervals.

Business Model

The Company's business model may be demonstrated by the diagram below.



Role and Composition of the Board

The Board is the Company's governing body. It sets the Company's strategy and is collectively responsible to shareholders for its long term success. The Board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company.

The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objectives of the Company continue to be met. The Board oversees the activities of the Manager and monitors its adherance to the investment restrictions set by the Board and the parameters set by it in respect of any gearing.

Investment activities are predominantly monitored through quarterly Board meetings at which the Board receives detailed reports and updates from the Manager, a representative of which attends each Board meeting. Services from other key service providers are reviewed as appropriate.

The Company promotes its shares to a broad range of investors including discretionary wealth managers, private investors, financial advisers and institutions which have the potential to be long term supporters of the investment strategy. The Company seeks to achieve this through its Manager and Corporate Broker, which promote the shares of the Company through regular contact with both current and potential shareholders. These activities consist of

Strategic Report

investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on the Schroders' website. These activities are considered by the Board at each Board Meeting.

In order to support the promotion of the Company by assisting in reducing the volatility of the discount, the Board monitors the discount of the Company's share price to its underlying net asset value and the discounts of peer group companies and considers the use of its share buy-back authority on a regular basis.

The Board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. Management and performance fees are reviewed at least annually.

As at 30 September 2014, the Board comprised three men and two women. The Board considers each of the Directors to be independent. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board, taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account when the Board examines its overall balance, skill set and experience.

Investment Management

The Manager is authorised and regulated by the Financial Conduct Authority ("FCA") and provides portfolio management, risk management, accounting and company secretarial services to the Company under the terms of an Alternative Investment Fund Manager Agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited.

The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £276.2 billion (as at 30 September 2014) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager implements the investment strategy, managing the Company's assets in line with appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, hedging, cash, derivatives and other financial instruments, as appropriate. Schroder Investment Management Limited also acts as Company Secretary, providing the Board with corporate governance support, liaising with the Company's Corporate Broker to assist the Board in monitoring the Company's share price relative to net asset value and implementing any discount/premium management policies, and advising the Board on key relationships with other service providers, whose services are subject to regular review.

Investment Objective

The Company's investment objective is to invest in Mid Cap equities with the aim of providing a total return in excess of the FTSE 250 (ex-Investment Companies) Index.

Strategy/Investment Policy

The strategy is to invest principally in the investment universe associated with the benchmark index, but with an element of leeway in investment remit to allow for a conviction-driven approach and an emphasis on specific companies and targeted themes. The Company may also invest in other collective investment vehicles where desirable, for example to provide exposure to specialist areas within the universe. The Company may hold up to 20% of its portfolio in equities and collective investment vehicles outside the benchmark index.

The Manager has adopted a unique and consistent investment process, taking a stock specific approach with an emphasis on growth companies. Sector weightings play a secondary role, resulting naturally from stock selection. Fundamental research forms the basis of each investment decision taken by the Manager, who carries out its own research with numerous company contacts. When analysing stocks, the Manager looks for companies with strong management teams with a proven record, good future prospects and a strong business franchise within their markets.

Gearing

The Board has authorised borrowings of up to 25% of total assets, as appropriate.

The Company currently has in place a £15 million (2013: £15 million) credit facility. As at 30 September 2014, the Company had 4.4% net cash (2013: 2.0% gearing). In falling markets, any reduction in net asset value and share price is amplified by the gearing. The Company's gearing continues to be operated within pre-agreed limits so that gearing does not exceed 25% of total assets. While the credit facility remained undrawn at the year end, the

Strategic Report

flexibility to utilise gearing remains an important tool in the allowing the Manager to pursue investment opportunities when appropriate.

Leverage

Leverage is any method by which the Company increases its exposure to changes in market prices by borrowing on its credit facility or through transactions in other financial instruments such as derivatives. The Company has not used any derivative instruments during the year under review.

The "Leverage Ratio" represents the sum of the Leverage generated by all financial instruments held by the Company, as calculated in accordance with the detailed requirements of the AIFM Directive, divided by the Company's net asset value. Details on how the amount of Leverage is calculated for each class of financial instrument may be found by referring to the Directive or to the detailed guidance published by the Association of Investment Companies in September 2014. The Directive requires that ratios are calculated in accordance with two methodologies, the "Gross Method" and the "Commitment Method". The essential difference between the two is that the Commitment Method allows netting off for the effect of hedges under certain strict conditions.

The Manager has set a maximum limit of 2.0 for both the Gross and Commitment Methods of calculating the ratio but expects that, under normal market conditions, the figures will be substantially lower than this. At 30 September 2014, the Company's Gross ratio and its Commitment ratio were both 1.0.

The Manager may change the maximum limits from time to time. Any changes will be disclosed to shareholders in accordance with the Directive.

Investment Philosophy and Approach

The Manager believes that short term market divergence from underlying value can be particularly marked in mid-sized companies. A lack of quality third-party quantitative and qualitative information means that a solid internal research underpinning is required for any successful investment process. The Manager attributes the past success of the Company to its proprietary research, as well as the limitation of overall risk by reasonable diversification.

The Manager believes that profits growth is most easily achieved through pricing power. In a world where the internet and the industrial expansion of China and India are deflationary forces on manufactured goods and increasingly on services, pricing power is a valuable attribute and the research emphasis is on identifying companies that harness this characteristic.

The team adheres to a bottom-up investment strategy, which has no pre-determined style bias. It does not focus exclusively on 'growth', 'value' or 'earnings momentum' factors, but on each company's individual ability to create value for shareholders. The approach is applicable in all investment environments and can generate attractive returns in varied market conditions.

Team

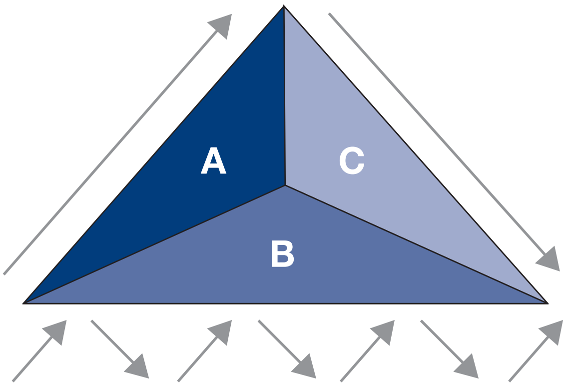
The fund managers of the portfolio since Schroders took over the management contract in 2003 have been Rosemary Banyard, as lead manager, and Andy Brough. They are Co-Heads of Schroders' Pan European Small and Mid Cap Team, with Ms Banyard having been at Schroders for 16 years and Mr Brough for 26 years. They head a team that makes over 700 contacts with companies each year, through which they seek to understand and evaluate the strategies being pursued by management and assess the characteristics and competitive dynamics of industries and sectors.

Investment Approach

The Manager believes that as broker coverage on small and mid cap companies is limited in scope and often in quality, detailed analysis of company report and accounts, company meetings and visits, governance engagements and the use of industry experts are all a vital part of the Manager's research process. It is the application of experience to these varied inputs, coupled with an extensive global in-house small cap analytical resource that the Board believes gives the team an advantage over others.

As a result of the fundamental research, companies and industries are classified in the investment universe within a simple framework – the 'investment triangle' as set out overleaf.

Strategic Report



- **'A' companies** operate in industries where demand for their goods or services exceeds supply, which gives them pricing power. These sectors are typically concentrated so that the demand for shares in the constituent companies exceeds the supply of stock, which appreciates in value as investors ascribe a higher rating to the company and its prospects.
- **'B' companies** are usually cyclical stocks or franchises in transition, among which the fund managers look for trading opportunities. The balance of supply and demand for these shares shifts over time as companies reduce capacity and shrink the amount of equity on the market by buying back shares.
- **'C' companies** operate in industries where supply exceeds demand, which are typically experiencing long-term decline and which will not provide investors with successful growth opportunities. The supply of shares in these companies will typically exceed demand, leading to downward pressure on share prices.

The team seeks to concentrate investments in 'A' companies, to avoid 'C' companies and to trade 'B' companies. In addition, the team also seeks to anticipate the movement of companies and industries around this investment triangle.

Bottom-up stock selection has the primary influence on the portfolio. Individual stock weightings reflect a combination of investment conviction and the team's assessment of the stock's likely volatility. Sector weightings are primarily shaped by individual stock decisions, with care being taken to ensure that this does not result in an excessive or unintended thematic concentration.

Portfolio construction is supported by a robust system of risk controls. Close attention is paid to the shape and concentration of the portfolio by stock, industry sector and other common characteristics, as well as to the contribution to total risk from individual holdings. Proprietary risk tools allow the managers to understand the aggregate characteristic and risk profile of the portfolio and provide detailed breakdowns of the individual factors contributing to risk.

Investment Restrictions and Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The key restrictions imposed on the Manager are that: (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies; (c) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (d) no holding may represent 20% or more of the equity capital of any company, and no more than 15% of the Company's gross assets may be invested in other listed investment companies (including listed investment trusts). The Investment Portfolio on pages 8 and 9 demonstrates that, as at 30 September 2014, the Company held 62 investments spread over a range of industry sectors. The largest investment, Micro Focus International, represented 2.8% of total equity shareholders' funds. The Board therefore believes that the objective of spreading investment risk has been achieved.

Performance and Developments during the Year under Review

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Chairman's Statement on pages 4 to 6 and the Manager's Review on page 7.

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and has put in place a robust framework of internal control which is designed to monitor those risks and to enable the Directors to mitigate them as far as possible. The matrix and the monitoring system, which have been in place throughout the year and which are reviewed annually by the Board, assist in determining the nature and extent of the risks the Board is willing to take in achieving its strategic objectives. The principal risks are considered to be as follows:

Strategic Report

Investment Activity and Performance
An inappropriate investment strategy (for example in terms of asset allocation or the level of gearing) may result in underperformance against the market and the companies in the peer group. The Board monitors at each Board meeting the Manager's compliance with the Company's investment restrictions.

Financial Risk
The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in the UK stock markets would have an adverse impact on the market value of the Company's underlying investments. The Board considers the portfolio's risk profile at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact of substantial changes in the market.

The Company has in place a credit facility, currently in the amount of £15 million, which increases the funds available for investment through borrowing. Therefore, in falling markets, any reduction in the net asset value and, by implication the consequent share price movement, is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. The Company's gearing continues to operate within pre-agreed limits so that gearing does not exceed 25%. As at 30 September 2014, the Company had net cash of 4.4% (2013: gearing of 2.0%). Details of the Company's credit facility are given in note 21 on page 38.

A full analysis of the financial risks facing the Company is set out in note 21 on pages 37 to 40.

Strategic Risk
Over time investment vehicles and asset classes can become out of favour with investors or may fail to meet their investment objectives. This may be reflected in a wide discount of the share price to underlying asset value. The Board considers the use of share buy backs on a regular basis and has adopted guidelines under which it is prepared to consider buying back the Company's shares. The Directors periodically review whether the Company's investment remit remains appropriate and continually monitor the success of the Company in meeting its stated objectives.

Accounting, Legal and Regulatory Risk
In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Should the Company not comply with these requirements, it might lose investment trust status and capital gains within the Company's portfolio could, as a result, be subject to Capital Gains Tax.

Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes and damage the Company's reputation. Breaches of controls by service providers, including the Manager, could also lead to reputational damage or loss.

The Board monitors at each Board meeting the Company's compliance with the UKLA Listing Rules, the Companies Act and other regulations with which the Company is required to comply.

Corporate Social and Environmental Policy
As an investment company, the Company has no direct social, environmental or human rights responsibilities; its policy is focused on ensuring that its portfolio is properly managed and invested. The Company has however adopted a Corporate Social and Environmental policy, details of which are set out in the Report of the Directors on page 17.

Future Developments
The future performance of the Company depends upon the success of the Company's investment strategy in light of economic factors and UK equity market developments. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on pages 4 to 6 and the Manager's Review on page 7.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

16 December 2014

Report of the Directors

The Directors present their annual Report and the audited financial statements for the year ended 30 September 2014.

Revenue and Dividend

The net revenue return for the year, after finance costs and taxation, was £3,506,000 (2013: £3,096,000), equivalent to a revenue return per Ordinary share of 9.70 pence (2013: 8.57 pence).

For the year ended 30 September 2014, the Directors have declared an interim dividend of 2.50 pence per Ordinary share and have recommended a final dividend of 6.00 pence per Ordinary share which, subject to approval by shareholders at the forthcoming Annual General Meeting, will be paid on 4 February 2015 to shareholders on the register on 30 December 2014. The dividend, if approved, will not be accounted for until it is paid. The payment of the final dividend, if approved by shareholders, will bring total dividends for the year ended 30 September 2014 to 8.50 pence per Ordinary share (2013: 7.70 pence per Ordinary share).

Directors and their Interests

All Directors of the Company and their biographical details can be found on the inside front cover of this Report. All Directors held office throughout the year under review with the exception of Mr Andrew Page, who was appointed as a Director on 1 October 2014. Peter Timms retired as a Director on 30 June 2014.

In accordance with the Company's Articles of Association, Mr Page will seek election at the forthcoming Annual General Meeting, this being the first Annual General Meeting since his appointment. Biographical details for Mr Page may be found on the inside front cover of this Report.

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

No Director has any material interest in any contract which is significant to the Company's business. The Board has assessed the independence of all Directors. All Directors are considered to be independent in character and judgement.

The Board, having reviewed its performance and the performance of individual Directors during the year under review, considers that each of Mrs Beagles and Mr Rickman continues to demonstrate commitment to her/his role and provides a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of the re-election of both Mrs Beagles and Mr Rickman. The Board also recommends that shareholders vote in favour of the election of Mr Page.

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 September 2014, all of which were beneficial, were as follows:

Director	Ordinary shares of 25p each 30 September 2014	Ordinary shares of 25p each 1 October 2013
Eric Sanderson	2,070	Nil
Rachel Beagles	11,176	11,066
Clare Dobie	1,001	Nil
Robert Rickman	2,035	Nil

Mr Page was appointed as a Director of the Company on 1 October 2014. He held no shares in the Company at the date of this Report.

The information in the above table has been audited (see Independent Auditor's Report on pages 25 and 26).

There have been no changes in the above holdings between the end of the financial year and the date of the Report.

Share Capital

There have been no changes to the Company's issued share capital during the year under review. As at the date of this Report, the Company had 36,143,690 Ordinary shares of 25p each in issue. No shares are held in Treasury. The total number of voting rights of the Company as at the date of this Report is 36,143,690.

Report of the Directors

Substantial Share Interests

As at the date of this report, the Company has received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital:

	Number of Ordinary shares	Percentage of total voting rights
East Riding of Yorkshire Council	2,500,000	6.92
Barclays Plc	2,281,420	6.31
Rathbone Brothers PLC	2,014,026	5.57
Smith & Williamson Holdings Ltd	1,821,654	5.04
Lloyds Banking Group plc	1,806,240	4.99
Standard Life Investments Ltd	1,377,785	3.81

Manager

In accordance with the AIFM Directive, the Company has, with effect from 17 July 2014, become an Alternative Investment Fund and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager Agreement ("AIFM Agreement"). The Manager has delegated investment management, accounting and company secretarial services to Schroder Investment Management Limited with effect from the same date. The Board has reviewed the performance of the Manager during the year under review and continues to consider that the Manager provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objective. The Board therefore considers that the Manager's continued appointment under the terms of the AIFM Agreement, further details of which are set out below, is in the best interests of shareholders.

The AIFM Agreement, which is governed by the laws of England & Wales, 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.

Under the terms of the AIFM Agreement, Schroders is entitled to a fee at a rate of 0.8% on defined assets up to and including £75 million, and 0.6% thereafter, payable quarterly in arrears. For the purpose of calculating the management fee and performance fee, defined assets means total assets less current liabilities other than short term borrowings, provided that if there are any short term borrowings, the value of cash up to the level of such borrowings is deducted from the calculation of assets. For the year ended 30 September 2014, a management fee of £1,216,000 (2013: £1,036,000) is payable under the terms of the AIFM Agreement, as shown in note 4 to the accounts on page 32.

An annual performance fee is in operation. The fee is calculated on an annual basis at 0.1% of average defined assets for each 1% outperformance of the benchmark (the FTSE 250 (ex-Investment Companies) Index) over and above 0.8%, to a maximum performance fee of 1% of average defined assets in any given year. For the year ended 30 September 2014, a performance fee of £470,000 (2013: £807,000) is payable under the terms of the AIFM Agreement, as shown in note 4 to the accounts on page 32.

The Manager is also entitled to a secretarial fee amounting to £117,000 (2013: £114,000) per annum including VAT. This fee continues to be subject to annual adjustment in line with changes in the Retail Prices Index.

Depositary

HSBC Bank plc, a public limited company incorporated in England and Wales, company registration number 00014259, registered office at 8 Canada Square, London E14 5HQ, has been appointed with effect from 17 July 2014 to carry out certain duties of a Depositary specified in the AIFM Directive in relation to the Company, including the following:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

In carrying out such functions the Depositary shall act honestly, fairly, professionally, independently and in the interests of the shareholders of the Company.

The Depositary is liable to the Company for the loss of any financial instrument held in custody, unless the Depositary is permitted to and has discharged such liability under the AIFM Directive and the Depositary Agreement. The Manager will inform investors of any changes with respect to the Depositary's liability for the loss of any financial instrument held in custody. The Depositary is also liable to the Company for all other losses suffered by it as a result of the Depositary's fraud, negligence and/or intentional failure to properly fulfil its duties. Under the Depositary Agreement, the Company has agreed to indemnify the Depositary against certain liabilities for direct losses suffered by the Depositary except in the case of any liability arising from applicable law or from the negligence, fraud or wilful default of the Depositary.

Report of the Directors

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Registrar

The Company has appointed Equiniti Limited to act as its Registrar. The services provided in its capacity as Registrar include share register maintenance, including the cancellation and allotment of shares as required; handling shareholder queries and correspondence; arranging for the payment of dividends, maintenance and reconciliation of associated bank accounts; meeting management for company meetings including registering of proxy votes and scrutineer services as and when required; and corporate action services.

Corporate Social and Environmental Policy

The Company's primary investment objective is to meet its investment objective for shareholders, within established risk parameters and regulatory constraints. Provided that this objective is not compromised in the process, the Board does, however, believe that it is also possible to develop a framework that, in the interests of 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 by the Manager when selecting or retaining investments.

Greenhouse Gas Emissions

As the Company outsources its operations to third parties, it has no greenhouse gas emissions to report.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Report of the Directors, the Corporate Governance Statement, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are set out in the inside front cover of this Report, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see note 21 to the accounts on pages 37 to 40), capital management policies and procedures (see note 22 to the accounts on page 40), expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Report of the Directors

Provision of Information to the Auditor

The Directors at the date of approval of this Report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

The Company's Auditor, Ernst & Young LLP, has expressed its willingness to remain in office and resolutions to re-appoint it as Auditor to the Company and to authorise the Directors to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code (the "Code"), which is applicable to the Company for the year under review. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The Board has noted the publication of the revised UK Corporate Governance Code in September 2014, which applies to financial years beginning on or after 1 October 2014 and is considering the Company's governance framework in light of the new provisions.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities and Going Concern statement set out above, indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control.

The Board considers that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment trust. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the Chairman of the Audit Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Operation and Composition of the Board

Composition

The Board has no executive directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depositary services and the provision of accounting and company secretarial services. The Company has no employees.

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on the inside front cover of this Report. He has no conflicting relationships.

Role of the Board

A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The 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 Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and Development

On appointment, Directors receive a full, formal and tailored induction. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars and training and development needs are included as part of the evaluation process and are agreed with the Chairman.

Report of the Directors

Conflicts of Interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Board Evaluation

In order to review the effectiveness of the Board, its Committees and individual Directors, a thorough appraisal process has been put in place. The last evaluation took place in July 2014. The evaluation takes place in two stages. Firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the chair of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the chair of the Audit Committee chairs this meeting. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees, the contribution of individual Directors and building and developing individual and collective strengths. As Mr Sanderson was appointed as Chairman on 1 July 2014, the Board did not deem it appropriate to evaluate his performance in this role during the year under review.

Directors' and Officers' Liability Insurance and Indemnity

Directors' and Officers' liability insurance cover was in place in respect of the Directors throughout the year. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. This indemnity was in place throughout the year under review.

Directors' Attendance at Meetings

Four Board meetings are usually scheduled each year (to increase to five in 2015) to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings; review of investment performance, the level of discount of the Company's shares to underlying net asset value and promotion of the Company; and an evaluation of service providers. In addition, a strategy meeting is held each year. Additional meetings of the Board may be arranged as required.

The number of meetings of the Board and its Committees held during the financial year and the attendance of individual Directors are shown below. Whenever possible all Directors attend the Annual General Meeting.

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Eric Sanderson	4/4	3/3	3/3	1/1
Rachel Beagles	4/4	3/3	3/3	1/1
Clare Dobie	4/4	3/3	3/3	1/1
Robert Rickman	4/4	3/3	3/3	1/1
Peter Timms[1]	2/3	2/2	2/3	N/A

[1]Mr Timms retired as a Director on 30 June 2014.

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

Board Committees and their Activities

Terms of Reference

The Committees of the Board have defined Terms of Reference which are available on the website www.schroderukmidcapfund.com. Membership of the Committees is set out on the inside front cover of this Report.

Audit Committee

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 Board considers each member of the Committee to be independent and has satisfied itself that at least one of the Committee's members has recent and relevant financial experience (see Directors' biographies on the inside front cover of this Report).

The Audit Committee met on three occasions during the year to consider its Terms of Reference, the operational controls maintained by the Manager and Depositary, the Half-Year and Annual Report and Accounts, the Audit Plan and Engagement letter, the need for an internal audit function, the independence of the Auditor and the Auditor's performance.

During its review of the Company's financial statements for the year ended 30 September 2014, the Audit Committee considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during their reporting:

Report of the Directors

Issue considered	How the issue was addressed
• Overall accuracy of the Annual Report and Accounts	• Consideration of the draft Annual Report, the letter from the Manager in support of the letter of representation to the Auditor and the Auditor's Report to the Audit Committee.
• Valuation and existence of holdings	• Review of portfolio holdings and assurance reports on controls from the Manager and Depositary.
• Calculation of investment management and performance fees	• Consideration of methodology used to calculate the fees matched against the criteria set out in the AIFM Agreement.
• Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	• Consideration of the Manager's report confirming compliance.
• Internal controls and risk management	• Consideration of several key aspects of internal controls operating within the Manager and Depositary.

Effectiveness of the Independent Audit Process

The Audit Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on their re-appointment at the forthcoming Annual General Meeting. This evaluation involved an assessment of the effectiveness of the Auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager on the audit process and the year end report from the Auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also met the Auditor without representatives of the Manager present.

Representatives of the Company's Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered. Having reviewed the performance of the external Auditor as described above, the Committee considered it appropriate to recommend the firm's re-appointment. The last audit tender took place during the year ended 30 September 2013 and it was agreed that the incumbent audit firm should remain engaged. The Audit Committee has noted that, under incoming legislation the Company will be required to engage an alternative audit firm by June 2020.

The Auditor is required to rotate the Senior Statutory Auditor every five years. This is the third year that the Senior Statutory Auditor has conducted the audit of the Company's financial statements.

Provision of Non-Audit Services

The Audit Committee has adopted a policy on the engagement of the Company's Auditor to supply non-audit services to the Company. No fees were payable to the Auditor for non-audit services during the year under review (2013: same). The Committee ensures that auditor objectivity and independence are safeguarded by a policy requiring pre-approval by the Committee for all non-audit services, which takes into consideration confirmation from the Auditor that they have adequate arrangements in place to safeguard their objectivity and independence in carrying out such work, within the meaning of the regulatory and professional requirements to which they are subject; the fees to be incurred, relative to the audit fees; the nature of the non-audit services; and whether the Auditor's skills and experience make it the most suitable supplier of such services and whether it is in a position to provide them.

Nomination Committee

The Nomination Committee is responsible for succession planning bearing in mind the balance of skills, knowledge, experience and diversity existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nomination Committee aims to maintain a balance of relevant skills, experience and length of service of the Directors serving on the Board, taking gender and age into account.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new Director. The Board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are drawn from suggestions put forward either from recommendation from within the Company or by the use of an external agency. Candidates are then interviewed by members of the Nomination Committee which makes a recommendation to the Board.

Report of the Directors

Once appointed as a Director, re-appointment is not automatic and follows a formal process of evaluation of each Director's performance by the Chairman. Any Director who is subject to annual re-election due to length of service is subject to particularly rigorous assessment of their contribution.

As noted below, the Committee considered the appointment of a new non-executive Director during the year under review. The Committee utilised the services of an external search consultancy, Trust Associates, in the selection of suitable candidates for a new Director. Trust Associates has also provided advice on Directors' remuneration.

The Committee also considered the appointment of a successor Chairman during the year under review. During this process, Mrs Beagles acted as chair of the Committee, following which the appointment of Mr Sanderson was recommended to the Board.

To discharge its duties, the members of the Committee met on three occasions during the year ended 30 September 2014 to consider its Terms of Reference, the composition and balance of the Board, the appointment of a new Chairman, Board succession planning and the selection of suitable candidates for a new Director, subsequent to which the appointment of a new non-executive Director, Mr Andrew Page, was recommended to the Board for approval.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Company's Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 30 September 2014 to consider its Terms of Reference, the performance and suitability of the Manager, the terms of the management contract, and services provided by other service providers. The Committee met without the Manager present when considering matters relating to the Manager's performance and fees.

Relations with Shareholders

The Half Year Report and the Annual Report aim to provide shareholders with a clear understanding of the Company's activities and its results. Directors may also attend investor lunches hosted by the Manager and/or Corporate Broker when possible.

The Chairmen of the Board and its Committees attend the Annual General Meeting ("AGM") and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least twenty working days notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the inside front cover of this Report.

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chairman or the Board are, in each case, considered by the Chairman and by the Board.

Exercise of Voting Powers and the UK Stewardship Code

The Company has delegated responsibility for voting to Schroders which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website. The Board considers the UK Stewardship Code to be an important tool in shareholder engagement. Schroders' compliance with the principles of the UK Stewardship Code is reported on its website at www.schroders.com.

Anti-Bribery Policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and to operate an anti-bribery policy.

Internal Audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Board will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Directors annually review whether a function equivalent to internal audit is needed.

Internal Control and Risk Management Systems

Information on the Company's internal control and risk management systems can be found in the Strategic Report on pages 13 and 14.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

16 December 2014

Remuneration Report

Introduction

This Report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Directors' Annual Report on Remuneration set out below is subject to shareholder approval.

Directors' Remuneration Policy

The determination of the Directors' fees is a matter dealt with by the Management Engagement Committee and the Board.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles of Association. This aggregate level of Directors' fees is currently set at £150,000 per annum and any increase requires approval by the Board and the Company's shareholders. The Chairman of the Board and the chairman of the Audit Committee each receive fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long term strategic objectives.

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to pensions, and the Company has not, and does not intend to, award any share options or long term performance incentives to any Director. No Director has a service contract with the Company however Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The Board did not seek the views of shareholders in setting this Remuneration Policy. Any comments on the Policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this Remuneration Policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the Directors. New Directors are subject to the provisions set out in this Remuneration Policy.

Annual Report on Implementation of the Directors' Policy on Remuneration

This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 30 September 2014.

Fees Paid to Directors

During the year ended 30 September 2014, the Chairman was paid a fee of £27,500 and the other members of the Board were each paid a fee of £20,000. The Chair of the Audit Committee received an additional £2,000 reflecting the additional time commitment for this role.

Remuneration Report

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 30 September 2014 and the previous financial year:

Director	Salary/fees 2014 £	Salary/fees 2013 £	Taxable benefits[1] 2014 £	Taxable benefits[1] 2013 £	Total 2014 £	Total 2013 £
Eric Sanderson[2]	21,875	20,000	1,817	1,878	23,692	21,878
Rachel Beagles	22,000	22,000	213	124	22,213	22,124
Clare Dobie[3]	20,000	1,096	189	–	20,189	1,096
Chris Jones[4]	–	6,589	–	–	–	6,589
Robert Rickman	20,000	20,000	379	816	20,379	20,816
Peter Timms[5]	20,646	27,500	4,437	6,834	25,083	34,334
	104,521	97,185	7,035	9,652	111,556	106,837

[1] Comprises amounts reimbursed for expenses incurred in carrying out business for the Company and which have been grossed up to include income tax and National Insurance Contributions.
[2] Appointed as Chairman on 1 July 2014.
[3] Appointed as a Director on 11 September 2013.
[4] Retired as a Director on 29 January 2013.
[5] Retired as a Director on 30 June 2014.

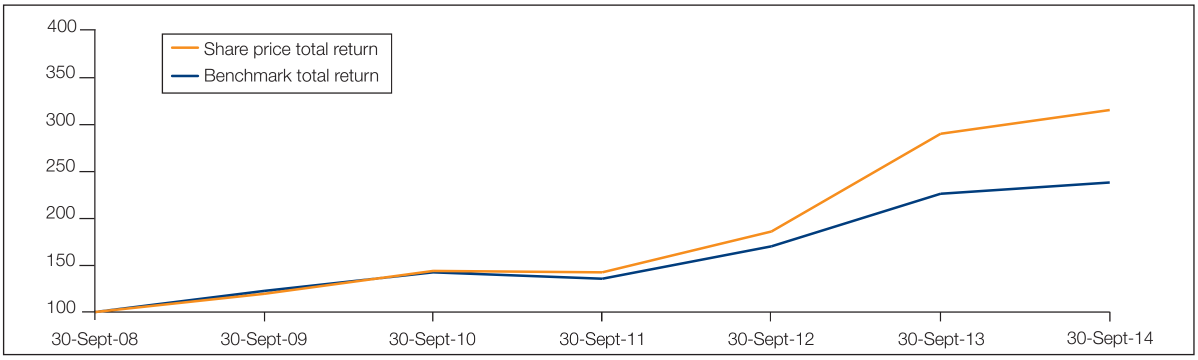
The information in the above table has been audited (see Independent Auditor's Report on page 26).

Consideration of Matters Relating to Directors' Remuneration

Directors' remuneration was last reviewed by the Management Engagement Committee and Board in October and November 2014. The members of the Committee at the time that remuneration levels were considered were as set out in the inside front cover of this Report. The Management Engagement Committee engaged an external firm in this process and recommended the following increases in Directors' fees to the Board, which were approved to take effect from 1 October 2014: the Chairman's fee has increased to £33,500 per annum, fees payable to the other members of the Board have increased to £22,500 per annum and the fee payable to the chair of the Audit Committee has increased to £27,000 per annum.

Performance Graph

A graph showing the Company's share price total return compared with its benchmark over the last six years is shown below.



Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 September 2008. With effect from 1 April 2011, the Company's benchmark has been the FTSE 250 (ex-Investment Companies) Index. Prior to that date, the benchmark was the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Index. The return for 2011 is based on a combination of both of these indices, calculated on a pro rata basis.

Expenditure by the Company on Directors' Remuneration compared with Distributions to Shareholders

The table below compares the remuneration payable to Directors to distributions paid to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective to provide a total return in excess of the FTSE 250 (ex-Investment Companies) Index.

Remuneration Report

	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	% Change
Remuneration payable to Directors[1]	112	107	4.7
Distributions payable to shareholders – dividends	3,073	2,783	10.1

[1]Fees increased during the year under review while there were six Directors on the Board. The number of Directors has since reduced to five.

Directors' Share Interests

The Company's Articles of Association do not require Directors to own shares in the Company. The shareholdings of Directors, including those of connected persons, at the beginning and end of the financial year under review are set out in the Report of the Directors on page 15. Such information has been audited.

The Company does not operate a share scheme for Directors nor does it award Directors share options.

Implementation of the Directors' Remuneration Policy for the year ending 30 September 2015

The Board does not intend to make any significant changes to the implementation of the Directors' Remuneration Policy as set out in this Report for the year ending 30 September 2015.

Shareholder Approval

Directors' Remuneration Policy

The above Remuneration Policy is currently in force and is subject to a binding vote every three years. The Policy was last approved by shareholders at the AGM held in January 2014, therefore the Policy provisions will remain in force until the AGM to be held in 2017 unless a revised Remuneration Policy is approved by shareholders prior to such AGM.

Directors' Annual Report on Remuneration

The above Report on Remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 31 January 2014, 98.2% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the year ended 31 August 2013 were in favour while 1.79% were against. 1,615 votes were withheld.

Eric Sanderson
Chairman
16 December 2014

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund plc

We have audited the financial statements of Schroder UK Mid Cap Fund plc for the year ended 30 September 2014 which comprise the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent, based on the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- the valuation of the investments; and
- the calculation of management and performance fees is in accordance with the AIFM Agreement between the Company and its Manager.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements on our audit and on the financial statements and in forming our audit opinion.

We determined materiality for the Company to be £1.73 million which is 1% of total equity shareholders' funds. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of materiality, namely £1.30 million. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We have agreed with the Audit Committee to report all audit differences in excess of £90,000, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund plc

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we agreed the year end prices to an independent source; and
- we agreed the calculation inputs to source data and independently recalculated management fee and performance fee calculations for the year with reference to contractual arrangements.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 17, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Amarjit Singh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London

16 December 2014

Income Statement

for the year ended 30 September 2014

	Note	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	2	–	12,323	12,323	–	44,409	44,409
Income from investments	3	4,353	–	4,353	3,619	132	3,751
Other interest receivable and similar income	3	15	–	15	154	–	154
Gross return		4,368	12,323	16,691	3,773	44,541	48,314
Investment management fee	4	(365)	(851)	(1,216)	(311)	(725)	(1,036)
VAT recoverable	4	–	–	–	106	69	175
Performance fee	4	–	(470)	(470)	–	(807)	(807)
Administrative expenses	5	(472)	–	(472)	(424)	–	(424)
Net return before finance costs and taxation		3,531	11,002	14,533	3,144	43,078	46,222
Finance costs	6	(19)	(46)	(65)	(43)	(99)	(142)
Net return on ordinary activities before taxation		3,512	10,956	14,468	3,101	42,979	46,080
Taxation on ordinary activities	7	(6)	–	(6)	(5)	–	(5)
Net return on ordinary activities after taxation		3,506	10,956	14,462	3,096	42,979	46,075
Return per share	9	9.70p	30.31p	40.01p	8.57p	118.91p	127.48p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

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 31 to 40 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2014

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2012	9,036	13,971	220	2,184	15,477	73,912	4,142	118,942
Net return on ordinary activities	–	–	–	–	–	42,979	3,096	46,075
Dividends paid in the year	–	–	–	–	–	–	(3,278)	(3,278)
At 30 September 2013	9,036	13,971	220	2,184	15,477	116,891	3,960	161,739
Net return on ordinary activities	–	–	–	–	–	10,956	3,506	14,462
Dividends paid in the year	–	–	–	–	–	–	(2,874)	(2,874)
At 30 September 2014	**9,036**	**13,971**	**220**	**2,184**	**15,477**	**127,847**	**4,592**	**173,327**

The notes on pages 31 to 40 form an integral part of these accounts.

Balance Sheet

at 30 September 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	165,837	164,359
Current assets			
Debtors	11	944	2,907
Cash and short term deposits		7,583	6,737
		8,527	9,644
Current liabilities			
Creditors: amounts falling due within one year	12	(1,037)	(12,264)
Net current assets/(liabilities)		7,490	(2,620)
Net assets		173,327	161,739
Capital and reserves			
Called-up share capital	13	9,036	9,036
Share premium	14	13,971	13,971
Capital redemption reserve	14	220	220
Merger reserve	14	2,184	2,184
Share purchase reserve	14	15,477	15,477
Capital reserves	14	127,847	116,891
Revenue reserve	14	4,592	3,960
Total equity shareholders' funds		173,327	161,739
Net asset value per share	15	479.55p	447.49p

These accounts were approved and authorised for issue by the Board of Directors on 16 December 2014 and signed on its behalf by:

Eric Sanderson
Chairman

The notes on pages 31 to 40 form an integral part of these accounts.

Registered in Scotland
Company registration number: SC082551

Cash Flow Statement

for the year ended 30 September 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	16	**1,192**	2,923
Servicing of finance			
Interest paid		**(70)**	(173)
Net cash outflow from servicing of finance		**(70)**	(173)
Taxation			
Taxation paid		**(6)**	(5)
Investment activities			
Purchases of investments		**(62,760)**	(55,742)
Sales of investments		**75,364**	57,244
Special dividend received allocated to capital		**–**	132
Net cash inflow from investment activities		**12,604**	1,634
Dividends paid		**(2,874)**	(3,278)
Net cash inflow before financing		**10,846**	1,101
Financing			
Bank loan repaid		**(10,000)**	–
Net cash outflow from financing		**(10,000)**	–
Net cash inflow in the year	17	**846**	1,101

The notes on pages 31 to 40 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in January 2009. All of the Company's operations are of a continuing nature.

Sterling is the Company's functional currency and the presentational currency of the accounts.

The policies applied in these accounts are consistent with those applied in the preceding year.

The accounts have been prepared on a going concern basis. The disclosures on going concern in the Report of the Directors on page 17 form part of the financial statements. The principal accounting policies adopted are set out below.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment objective and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments and the management fee, performance fee and finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves. Increases and decreases in the valuation of investments held at the year end, are included in the Income Statement and in capital reserves within "Investment holding gains and losses".

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

UK dividends are included net of tax credits.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Income Statement with the following exceptions:

- The management fee is allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on pages 34 and 35.

(f) Finance costs

Finance costs, including any premiums or discounts payable, and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of FRS 25 "Financial Instruments: Presentation" and FRS 26 "Financial Instruments: Measurement".

Finance costs are allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortised cost. They are recorded at the proceeds received net of direct issue costs.

(h) Taxation

Current tax is provided at the amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 19: "Deferred Tax".

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Notes to the Accounts

Tax relief is allocated to expenses charged to the capital column of the Income Statement on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Dividends payable

In accordance with FRS 21: "Events after the Balance Sheet Date", dividends are included in the accounts in the year in which they are paid.

2. Gains on investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Gains on sales of investments based on historic cost	**26,852**	15,129
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(17,840)**	(5,215)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**9,012**	9,914
Net movement in investment holding gains and losses	**3,311**	34,495
Gains on investments held at fair value through profit or loss	**12,323**	44,409

3. Income

	2014 £'000	2013 £'000
Revenue:		
Income from investments:		
UK dividends	**4,329**	3,565
UK property income distributions	**24**	54
Total income from investments	**4,353**	3,619
Other interest receivable and similar income:		
Deposit interest	**15**	20
VAT reclaim interest	**–**	134
Total other interest receivable and similar income	**15**	154
	4,368	3,773
Capital:		
Special dividends allocated to capital	**–**	132

4. Management and performance fees

	2014			2013		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fee[1]	**365**	**851**	**1,216**	311	725	1,036
VAT recoverable[2]	**–**	**–**	**–**	(106)	(69)	(175)
Performance fee[1]	**–**	**470**	**470**	–	807	807
	365	**1,321**	**1,686**	205	1,463	1,668

[1]The bases for calculating the management and performance fees are set out in the Report of the Directors on page 16.

[2]The VAT recoverable was in respect of the period 1 January 1990 to 4 December 1996.

Notes to the Accounts

5. Administrative expenses

	2014 £'000	2013 £'000
Administration expenses[1]	230	193
Directors' fees	105	97
Secretarial fee	117	114
Auditor's remuneration for audit services[2]	20	20
	472	424

[1] The increase in administration expenses is primarily due to the reimbursement of certain expenses to Directors which relate to prior years, amounting to £37,000, of which £17,000 relates to PAYE and National Insurance Contributions.

[2] Includes £3,000 (2013: £3,000) irrecoverable VAT.

6. Finance costs

	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	19	45	64	43	99	142
Loan breakage costs	–	1	1	–	–	–
	19	46	65	43	99	142

7. Taxation on ordinary activities

(a) Analysis of charge in the year:

	2014 £'000	2013 £'000
Irrecoverable overseas tax	6	5
Current tax charge for the year	6	5

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2013: lower) than the Company's applicable rate of corporation tax for the year of 22.0% (2013: 23.5%). The factors affecting the current tax charge for the year are as follows:

	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	3,512	10,956	14,468	3,101	42,979	46,080
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 22.0% (2013: 23.5%)	773	2,410	3,183	729	10,100	10,829
Effects of:						
Capital returns on investments	–	(2,711)	(2,711)	–	(10,436)	(10,436)
Income not chargeable to corporation tax	(953)	–	(953)	(850)	(31)	(881)
Unrelieved expenses	180	301	481	121	367	488
Irrecoverable overseas tax	6	–	6	5	–	5
Current tax charge for the year	6	–	6	5	–	5

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,505,000 (2013: £4,079,000) based on a prospective corporation tax rate of 20.0% (2013: 20.0%). The reduction in the standard rate of corporation tax was substantively enacted in July 2013 and is effective from 1 April 2015. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's intention to meet the conditions required to retain approval as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts

8. Dividends

(a) Dividends paid and declared

	2014 £'000	2013 £'000
2013 final dividend paid of 5.45p (2012: 6.82p)	**1,970**	2,465
Interim dividend of 2.50p (2013: 2.25)	**904**	813
Total dividends paid in the year	**2,874**	3,278

	2014 £'000	2013 £'000
2014 final dividend declared of 6.00p (2013: 5.45p)	**2,169**	1,970

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £3,506,000 (2013: £3,096,000).

	2014 £'000	2013 £'000
Interim dividend of 2.50p (2013: 2.25p)	**904**	813
Final dividend of 6.00p (2013: 5.45p)	**2,169**	1,970
	3,073	2,783

9. Return per share

	2014 £'000	2013 £'000
Revenue return	**3,506**	3,096
Capital return	**10,956**	42,979
Total return	**14,462**	46,075
Weighted average number of Ordinary shares in issue during the year	**36,143,690**	36,143,690
Revenue return per share	**9.70p**	8.57p
Capital return per share	**30.31p**	118.91p
Total return per share	**40.01p**	127.48p

10. Investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Opening book cost	**110,733**	97,539
Opening investment holding gains	**53,626**	24,346
Opening valuation	**164,359**	121,885
Purchases at cost	**62,404**	55,735
Sales proceeds	**(73,249)**	(57,670)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**9,012**	9,914
Net movement in investment holding gains and losses	**3,311**	34,495
Closing valuation	**165,837**	164,359
Closing book cost	**126,740**	110,733
Closing investment holding gains	**39,097**	53,626
Total investments held at fair value through profit or loss	**165,837**	164,359

All investments are listed on a recognised stock exchange.

Notes to the Accounts

The following transaction costs, comprising stamp duty and brokerage commission were incurred during the year:

	2014 £'000	2013 £'000
On acquisitions	344	341
On disposals	79	74
	423	415

11. Debtors

	2014 £'000	2013 £'000
Securities sold awaiting settlement	271	2,386
Dividends and interest receivable	663	515
Other debtors	10	6
	944	2,907

The Directors consider that the carrying amount of debtors approximates to their fair value.

12. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loan credit facility	–	10,000
Securities purchased awaiting settlement	151	507
Performance fee payable	470	807
Other creditors and accruals	416	950
	1,037	12,264

The Company's £15 million revolving credit facility with Scotiabank (Europe) PLC has been extended to 13 July 2015, but was undrawn at the year end. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been met. Further details of the credit facility are given in note 21 on page 38. The bank loan at the prior year end represented £10 million drawn down on this facility.

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

13. Called-up share capital

	2014 £'000	2013 £'000
Ordinary shares allotted, called-up and fully paid:		
36,143,690 (2013: 36,143,690) shares of 25p each	9,036	9,036

Notes to the Accounts

14. Reserves

	Share premium £'000	Capital redemption reserve £'000	Merger reserve[1] £'000	Share purchase reserve[2] £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	13,971	220	2,184	15,477	63,265	53,626	3,960
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	9,012	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	3,311	–
Transfer on disposal of investments	–	–	–	–	17,840	(17,840)	–
Management fee and finance costs allocated to capital	–	–	–	–	(897)	–	–
Performance fee	–	–	–	–	(470)	–	–
Dividends paid	–	–	–	–	–	–	(2,874)
Retained revenue for the year	–	–	–	–	–	–	3,506
Closing balance	**13,971**	**220**	**2,184**	**15,477**	**88,750**	**39,097**	**4,592**

[1]The "Merger reserve" represents the premium over the nominal value of shares issued following a merger in 1989.
[2]The "Share purchase reserve" is for the purpose of financing share buy-backs and was created following the cancellation of the "Warrant reserve" in 2003.

15. Net asset value per share

	2014	2013
Net assets attributable to the Ordinary shareholders (£'000)	**173,327**	161,739
Ordinary shares in issue at the year end	**36,143,690**	36,143,690
Net asset value per share	**479.55p**	447.49p

16. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2014 £'000	2013 £'000
Total return on ordinary activities before finance costs and taxation	**14,533**	46,222
Less capital return on ordinary activities before finance costs and taxation	**(11,002)**	(43,078)
Increase in accrued dividends and interest receivable	**(148)**	(58)
(Increase)/decrease in other debtors	**(4)**	7
(Decrease)/increase in accrued expenses	**(529)**	645
Management fee allocated to capital	**(851)**	(656)
Performance fee paid	**(807)**	(159)
Net cash inflow from operating activities	**1,192**	2,923

17. Analysis of changes in net funds/debt

	At 30 September 2013 £'000	Cash flow £'000	**At 30 September 2014 £'000**
Cash at bank and in hand	6,737	846	**7,583**
Bank loan	(10,000)	10,000	**–**
Net (debt)/cash	(3,263)	10,846	**7,583**

Notes to the Accounts

18. Transactions with the Manager

The Company has appointed Schroder Unit Trusts Limited (the "Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting and company secretarial services. If the Company invests in funds managed or advised by the Manager or any of its associated companies, those funds are excluded from the assets used for the purposes of the management fee calculation and therefore attract no fee. Under the terms of the AIFM Agreement, the Manager is also entitled to receive a secretarial fee and a performance fee. Details of these calculations are given in the Report of the Directors on page 16.

The management fee payable in respect of the year ended 30 September 2014 amounted to £1,216,000 (2013: £1,036,000) of which £300,000 (2013: £801,000) was outstanding at the year end. The secretarial fee payable for the year amounted to £117,000 (2013: £114,000) including VAT, of which £30,000 (2013: £85,000) was outstanding at the year end. A performance fee amounting to £470,000 (2013: £807,000) is payable for the year and the whole of this amount (2013: same) was outstanding at the year end.

No Director of the Company served as a director of any member of the Schroder Group, at any time during the year.

19. Related party transactions

The Company has no related parties other than its Directors. Details of remuneration receivable by Directors are given in the Remuneration Report on page 23, and details of Directors shareholdings are given on page 15.

20. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

The Company's policy on the valuation of investments is given in note 1(b) on page 31.

At 30 September 2014, the Company's investment portfolio comprised entirely Level 1 investments (2013: same).

There have been no transfers between Levels 1 and 2 or 3 during the year (2013: nil).

21. Financial instruments' exposure to risk and risk management policies

The Company's investment objective is to invest in Mid Cap equities with the aim of providing a total return in excess of the FTSE 250 (ex-Investment Companies) Index. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy. The Company has no significant exposure to foreign exchange risk.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

– investments in shares which are held in accordance with the Company's investment objective;

– short term debtors, creditors and cash arising directly from its operations; and

– a Sterling credit facility with Scotiabank, the purpose of which is to assist in financing the Company's operations.

(a) Market risk

The fair value of future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) to this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when interest rates are re-set.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes less cash, expressed as a percentage of net assets.

Notes to the Accounts

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the credit facility. However, amounts drawn down on this facility are for short term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2014 £'000	2013 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**7,583**	6,737
Creditors: amounts falling due within one year – borrowings on the credit facility	**–**	(10,000)
Total exposure	**7,583**	(3,263)

Interest receivable on cash balances is at a margin below LIBOR (2013: same).

During the year, the Company extended its £15 million revolving credit facility with Scotiabank (Europe) PLC to 13 July 2015. Under the terms of this facility, interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. The facility has been utilised during the year but was undrawn at the year end. At the prior year end, £10 million was drawn down on this facility at an interest rate of 1.35% per annum.

The above year end amounts are not representative of the exposure to interest rates during the year as the level of cash balances and drawings on the credit facility have fluctuated. The maximum and minimum exposure during the year was as follows:

	2014 £'000	2013 £'000
Maximum credit interest rate exposure during the year – net cash/loan balances	**7,583**	223
Minimum credit/maximum debit interest rate exposure during the year – net cash balances	**1,724**	(8,339)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2013: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2014		2013	
	0.5% increase in rate £'000	**0.5% decrease in rate £'000**	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**38**	**(38)**	19	(19)
Capital return	**–**	**–**	(35)	35
Total return after taxation	**38**	**(38)**	(16)	16
Net assets	**38**	**(38)**	(16)	16

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and drawings on the credit facility.

(ii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with the portfolio. The Manager has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 30 September comprises the following:

	2014 £'000	2013 £'000
Investments held at fair value through profit or loss	**165,837**	164,359

The above data is broadly representative of the exposure to market price risk during the year.

Notes to the Accounts

Concentration of exposure to market price risk
An analysis of the Company's investments is given on pages 8 and 9. This shows that the portfolio principally comprises investments' listed in the UK. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Market price risk sensitivity
The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 20% (2013: 20%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure through its investments and includes the impact on the management fee, but assumes that all other variables are held constant.

	2014		2013	
	20% increase in fair value £'000	**20% decrease in fair value £'000**	20% increase in fair value £'000	20% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**(60)**	**60**	(59)	59
Capital return	**33,027**	**(33,027)**	32,734	(32,734)
Total return after taxation and net assets	**32,967**	**(32,967)**	32,675	(32,675)
Percentage change in net asset value	**19.0**	**(19.0)**	20.2	(20.2)

(b) Liquidity risk
This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk
Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of a credit facility. The Board's policy is for the Company to remain fully invested in normal market conditions and that the credit facility be used to manage working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure
Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

	Three months or less 2014 £'000	Three months or less 2013 £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	**–**	10,011
Securities purchased awaiting settlement	**151**	507
Performance fee payable and other creditors and accruals	**886**	1,752
	1,037	12,270

(c) Credit risk
Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk
This risk is not significant and is managed as follows:

Portfolio dealing
The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

Cash
Counterparties are subject to daily credit analysis by the Manager. Cash balances will only be deposited with reputable banks with high quality credit ratings.

Exposure to the custodian
The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership is clear and they are therefore protected. However cash balances deposited with the custodian may be at risk in this instance, as the Company would rank alongside other creditors.

Notes to the Accounts

Credit risk exposure

The following amounts shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

	2014 Balance sheet £'000	2014 Maximum exposure £'000	2013 Balance sheet £'000	2013 Maximum exposure £'000
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	**944**	**934**	2,907	2,901
Cash at bank and in hand	**7,583**	**7,583**	6,737	6,737
	8,527	**8,517**	9,644	9,638

No debtors are past their due date and none have been written down or deemed to be impaired.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

22. Capital management policies and procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding year.

The Company's debt and capital structure comprises the following:

	2014 £'000	2013 £'000
Debt		
Bank loan credit facility	**–**	10,000
Equity		
Called-up share capital	**9,036**	9,036
Reserves	**164,291**	152,703
	173,327	161,739
Total debt and equity	**173,327**	171,739

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes less cash, expressed as a percentage of net assets.

	2014 £'000	2013 £'000
Borrowings used for investment purposes, less cash	**(7,583)**	3,263
Net assets	**173,327**	161,739
(Net cash)/gearing	**(4.4)%**	2.0%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes into account the Manager's views on the market;

– the need to buy back equity shares, which takes into account the share price discount;

– the opportunities for issues of new shares; and

– the amount of dividends to be paid, in excess of that which is required to be distributed.

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Friday, 30 January 2015 at 12.00 noon. The formal Notice of Meeting is set out on page 42.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Special Business to be Proposed at the AGM

Resolution 9 – Directors' Authority to Allot Ordinary Shares (Ordinary Resolution) and Resolution 10 – Power to Disapply Pre-emption Rights (Special Resolution)

At the AGM held on 31 January 2014, the Directors were granted authority to allot a limited number of new Ordinary shares or shares held in Treasury for cash. No shares have been allotted under this authority, which will expire at the forthcoming AGM. At the AGM held in January 2014, power was also given to the Directors to allot a limited number of new shares, or shares held in Treasury, other than pro rata to existing shareholders. This power will also expire at the forthcoming AGM and resolutions to renew both authorities will be proposed at the forthcoming AGM, the details of which are set out in full in the Notice of Meeting.

An ordinary resolution will be proposed to authorise the Directors to allot shares for cash up to a maximum aggregate nominal amount of £451,796 (being 5% of the issued share capital as at 16 December 2014). A special resolution will also be proposed to give the Directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £451,796 (being 5% of the Company's issued share capital (excluding any shares held in Treasury) as at 16 December 2014). Pre-emption rights under the Companies Act 2006 apply to the resale of Treasury shares for cash as well as the allotment of new shares. Resolution 10 therefore relates to both issues of new shares and the re-sale of Treasury shares.

If renewed, both authorities will expire at the conclusion of the AGM in 2016 unless renewed or revoked earlier.

Resolution 11: Authority to Make Market Purchases of the Company's Own Shares (Special Resolution)

At the AGM held on 31 January 2014, the Company was granted authority to make market purchases of up to 5,417,939 Ordinary shares of 25p each for cancellation. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 5,417,939 Ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe 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 share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in Treasury for potential re-issue. If renewed, the authority to be given at the 2015 AGM will lapse at the conclusion of the AGM in 2016 unless renewed or revoked earlier.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions and the other resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Mid Cap Fund plc will be held at 12.00 noon on Friday, 30 January 2015 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 9 will be proposed as Ordinary Resolutions and resolutions 10 and 11 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2014.
2. To approve a final dividend of 6.00 pence per share for the year ended 30 September 2014.
3. To approve the Directors' Annual Report on Remuneration for the year ended 30 September 2014.
4. To elect Mr Andrew Page as a Director of the Company.
5. To re-elect Mrs Rachel Beagles as a Director of the Company.
6. To re-elect Mr Robert Rickman as a Director of the Company.
7. To re-appoint Ernst & Young LLP as Auditor of the Company.
8. To authorise the Directors to determine the remuneration of Ernst & Young LLP as Auditor of the Company.
9. To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:
   "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with Section 551 of the Companies Act 2006 (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 £451,796 (representing 5% of the share capital in issue on 16 December 2014); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
10. To consider and, if thought fit, to pass, the following resolution as a Special Resolution:
    "That, subject to the passing of Resolution 9 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in Treasury) (as defined in Section 560 of the Act) pursuant to the authority given by Resolution 9 above and/or where such allotment constitutes an allotment of equity securities by virtue of Section 560(2) of the Act as if Section 560(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 £451,796 (representing 5% of the aggregate nominal amount of the share capital in issue on 16 December 2014); and provided that this power shall expire at the conclusion 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."
11. To consider and, if thought fit, to pass, the following resolution as a Special Resolution:
    "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 5,417,939, representing 14.99% of the issued share capital as at 16 December 2014;
    (b) the minimum price which may be paid for a share is 25p;
    (c) the maximum price which may be paid for a share is an amount equal to the greater of (i) 105% 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, and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
    (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 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 or revoked 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."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Number: SC82551
16 December 2014

Registered Office:
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend and vote at the Meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the Meeting.

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 (or +44 121 415 0207 for oversees shareholders), or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   On a vote by show of hands, every Ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every Ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

   The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the Meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 48 hours before the time fixed for the meeting, or an adjourned Meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44 121 415 0207 for oversees shareholders).

   If an Ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

   Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Meeting. Please contact the Registrar if you need any further guidance on this.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of Ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by Ordinary shareholders of 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 6.00 p.m on 28 January 2015, or 6.00 p.m. two days prior to the date of an adjourned Meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 28 January 2015 shall be disregarded in determining the right of any person to attend and vote at the Meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and 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 during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for election and re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 30 September 2014.

7. As at 16 December 2014, 36,143,690 Ordinary shares of 25 pence each were in issue. No shares were held in Treasury; accordingly, the total number of voting rights in the Company as at 16 December 2014 is 36,143,690.

8. A copy of this Notice of Meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from www.schroderukmidcapfund.com.

9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Company Summary and Shareholder Information

The Company

Schroder UK Mid Cap Fund plc was launched in 1983 under the name of Murray Technology Investments plc. It is an independent investment trust, whose shares are listed on the London Stock Exchange.

As at 16 December 2014, the Company had 36,143,690 Ordinary shares of 25 pence each in issue. No shares were held in Treasury as at this date and each share carries one voting right. The Company's assets are managed and it is administered by Schroders, which took over investment management of the Company on 1 May 2003.

Website and Price Information

The Company has a dedicated website, which may be found at www.schroderukmidcapfund.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 the Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of the Board's 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".

The Company releases its net asset value on both a cum and ex-income basis 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 Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from UK landlines.

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. Please visit www.shareview.co.uk for more details.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on this association can be found on its website, www.theaic.co.uk.

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its shares (with ISIN GB0006108418 and ticker SCP) can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Alternative Investment Fund Managers Directive – Periodic Disclosure

Preferential Treatment of Investors

The Company's investors purchase shares on the open market and therefore the Company is not in a position to influence the treatment of investors. No investor receives preferential treatment.

Liquidity Risk Management

The Company's shares are traded on the London Stock Exchange through market intermediaries. There are no special rights to redemption.

Periodic and Regular Disclosure under the Directive

(a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;

(b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place;

(c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Report; and

(d) the total amount of leverage employed by the Company may be found in the Strategic Report.

Any changes to the following information will be provided through a regulatory news service without undue delay and in accordance with the Directive:

(a) any changes to the maximum level of leverage which the Manager may employ on behalf of the Company; and

(b) any changes to the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

www.schroderukmidcapfund.com

www.schroders.co.uk/its

Schroders