Schroder UK Mid Cap Fund plc

Annual Report and Accounts

For the year ended
30 September 2017

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, which 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.

Key reasons to invest

- Strong capital return over 3, 5 and 10 years
- Dividend has tripled since 2007
- Exposure to financially prudent, growing businesses, many with significant overseas exposure
- Managed by Andy Brough, who has over 30 years' experience, and Jean Roche, who has over 18 years' experience

Contents

A glossary of terms used in this Annual Report may be found on the Company's webpages at www.schroders.co.uk/ukmidcap

Financial Highlights

1 and 10 year total returns[1] to 30 September 2017

+21.0%
2016: +6.5%
1 year NAV per share[2]

+23.6%
2016: –4.0%
1 year share price[2]

+14.2%
2016: +8.6%
1 year benchmark[3]

+10.7%
2016: +10.3%
10 year annualised NAV per share[2]

+10.7%
2016: +10.2%
10 year annualised share price[2]

+9.5%
2016: +9.3%
10 year annualised benchmark[3]

[1]Total return calculations assume that any dividends paid out during the year were reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

[2]Source: Morningstar.

[3]Source: Thomson Reuters. 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 Index, ex-FTSE 100.

Other financial information

	30 September 2017	30 September 2016	% Change
Shareholders' funds (£'000)	226,577	192,718	+17.6
Shares in issue	35,851,190	36,143,690	(0.8)
NAV per share (pence)	631.99	533.20	+18.5
Share price (pence)	524.50	435.38	+20.5
Share price discount to NAV per share (%)	17.0	18.3	
(Net cash)/gearing (%)[1]	(0.5)	1.5	

	Year ended 30 September 2017	Year ended 30 September 2016	% Change
Net revenue return after taxation (£'000)	5,031	4,455	+12.9
Return per share (pence)	13.96	12.33	+13.2
Dividends per share (pence)	13.10	11.25	+16.4
Ongoing Charges (%)[2]	0.92	0.95	

[1]Gearing represents borrowings used for investment purposes less cash, expressed as a percentage of net assets. Net cash represents cash exceeding borrowings (the Company had no borrowings).

[2]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

Ten Year Financial Record

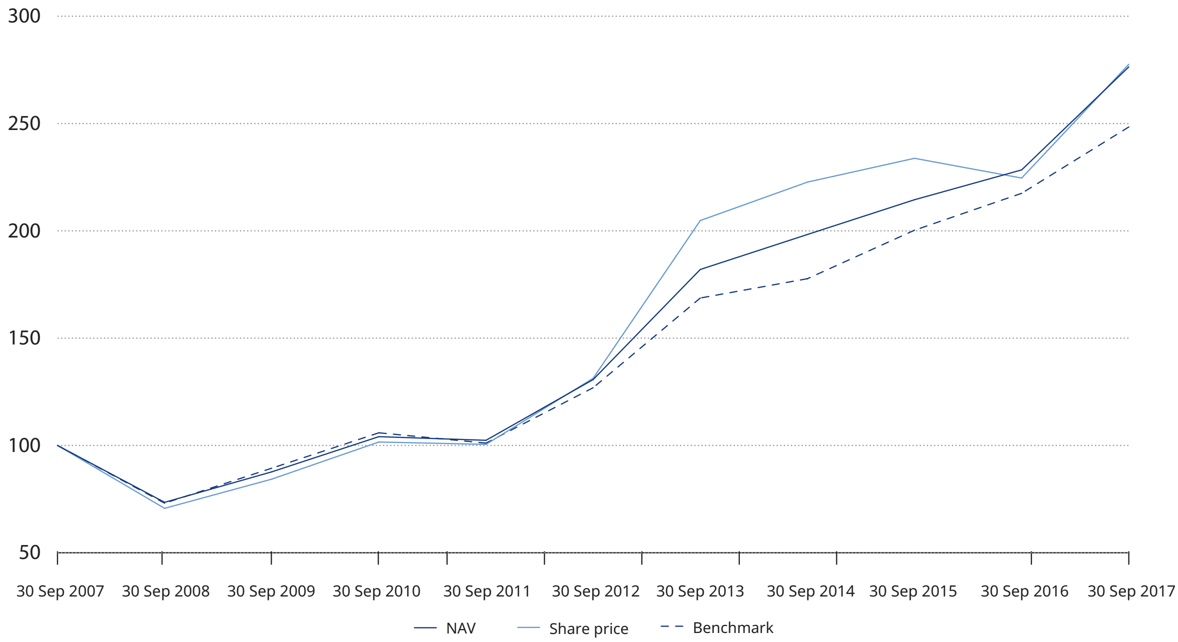
At 30 September	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Shareholders' funds (£'000)	73,556	85,109	98,750	95,269	118,942	161,739	173,327	184,260	192,718	226,577
NAV per share (pence)	203.5	235.5	273.2	263.6	329.1	447.5	479.6	509.8	533.2	632.0
Share price (pence)	168.0	192.8	225.5	218.0	277.0	420.0	448.9	462.5	435.4	524.5
Share price discount to NAV per share (%)	17.4	18.1	17.5	17.3	15.8	6.1	6.4	9.3	18.3	17.0
(Net cash)/gearing (%)[1]	(9.7)	(2.6)	3.1	2.8	3.7	2.0	(4.4)	(6.1)	1.5	(0.5)

For the year ended 30 September	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net revenue return after taxation (£'000)	2,253	1,880	2,156	2,437	2,789	3,096	3,506	3,549	4,455	5,031
Revenue return per share (pence)	6.22	5.20	5.96	6.74	7.72	8.57	9.70	9.82	12.33	13.96
Dividends per share (pence)	5.30	5.30	5.83	6.20	6.82	7.70	8.50	9.20	11.25	13.10
Ongoing Charges (%)[2]	1.15	1.19	1.21	1.12	1.11	1.01	0.94	0.93	0.95	0.92

Performance[3]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
NAV per share total return[4]	100.0	73.5	87.7	104.1	102.4	130.7	182.0	198.3	214.5	228.4	276.4
Share price total return	100.0	70.7	84.3	101.6	100.5	131.3	204.8	222.7	233.8	224.6	277.6
Benchmark[5]	100.0	73.1	89.4	105.9	101.1	126.9	168.7	177.7	200.3	217.5	248.4

[1]Gearing represents borrowings used for investment purposes less cash, expressed as a percentage of net assets. Net cash represents cash exceeding borrowings (the Company had no borrowings).
[2]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average daily NAVs 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 NAVs in the year.
[3]Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2007.
[4]Calculated using capital NAVs plus income reinvested for the period to 30 September 2008 and cum income net asset values plus income reinvested thereafter.
[5]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 Index, ex-FTSE 100. The return for 2011 is based on a combination of both of these indices, calculated on a pro-rata basis.

NAV per share, share price and Benchmark total returns for the 10 financial years ended 30 September



Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2007.

Chairman's Statement

Performance

This year, the net asset value ("NAV") per share total return of 21.0% outperformed the benchmark by 6.8%. Although it is very pleasing to see such strong performance, it is long-term performance that truly evidences the Company's delivery of its strategy. The Company has delivered strong capital returns over three, five and 10 years and both the Company's share price and NAV per share have nearly tripled since 2007 (including re-invested dividends).

Revenue and dividends

Revenue return per share increased by 13.2% and consequently the Directors recommend the payment of a final dividend of 10.0 pence per share for the year ended 30 September 2017, which, together with the interim dividend of 3.10 pence per share paid during the year, brings total dividends for the year to 13.10 pence per share, an increase of 16.4% over dividends declared in respect of the previous financial year.

It is a further measure of the Company's strong long-term performance that the amount of the dividend declared since 2007 has tripled.

A resolution approving the payment of the final dividend for the year ended 30 September 2017 will be proposed at the forthcoming Annual General Meeting. If the resolution is passed, the dividend will be paid on 9 February 2018 to shareholders on the register on 5 January 2018.

The Manager's Review on pages 6 to 8 provides greater detail on performance, market background and investment outlook for the Company.

Gearing facility

During the year, the Company renewed its £15 million revolving credit facility with Scotiabank (Europe) Plc. At the beginning of the year the Company's gearing was 1.5%. This changed to holding net cash of 0.5% at the year end.

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.

Share buy backs and discount management

The Company bought back 292,500 shares into treasury which had the effect of increasing the NAV per share. The Company's share price discount to NAV per share, while narrowing slightly during the year remained wide, at 17.0% at the year end. The average discount for the year was 17.7% and it ranged between 13.7% and 21.2%.

It is disappointing that the discount remains at 17.0% despite the return to outperformance this year. 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 marketing over the longer term, and a continuation of the Company's strong longer term 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 to purchase up to 14.99% of the Company's issued share capital for cancellation or holding in treasury be renewed at the forthcoming Annual General Meeting.

Outlook

This time a year ago the result of the Brexit referendum had adversely impacted many UK mid cap shares. Market attention had switched to more internationally-diversified large caps, amid concern over how UK companies might be affected by the negotiation process and the move out of the EU. A year later it would be optimistic to think that there's much more clarity on those big economic questions, but mid caps have bounced back into favour, returning to what has been a long-term trend of outperforming large caps. As importantly for us, the holdings in the portfolio have done particularly well.

We have always been optimistic about mid caps generally, but even more so for the opportunities to find well-managed niche companies with excellent growth prospects. If our Manager can keep finding these types of companies at the right price I will not be too worried about the effects of macro-economic uncertainties on the portfolio. The uncertainties are undeniable – and the first UK and US interest rate rises adds to them – but we have the advantage of investing in one of the most interesting parts of the UK corporate sector.

It is equally important to note that UK mid cap shares, including many of the Company's holdings, have significant overseas exposure. By holding and adding to its diversified portfolio of financially prudent, growing, mid cap companies I believe the Company should continue to generate the long-term performance shareholders have come to expect.

Chairman's Statement

Annual General Meeting

The Company's Annual General Meeting will be held at 12.00 noon on Wednesday, 31 January 2018 and shareholders are encouraged to attend. As mentioned in my Half Year Report statement, following the audit tender process, the Board selected KPMG LLP as the Company's Auditor and encourages shareholders to vote in favour of their re-appointment at the meeting. All Directors will be offering themselves for re-election, in line with the Board's policy and best practice. 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

19 December 2017

Manager's Review

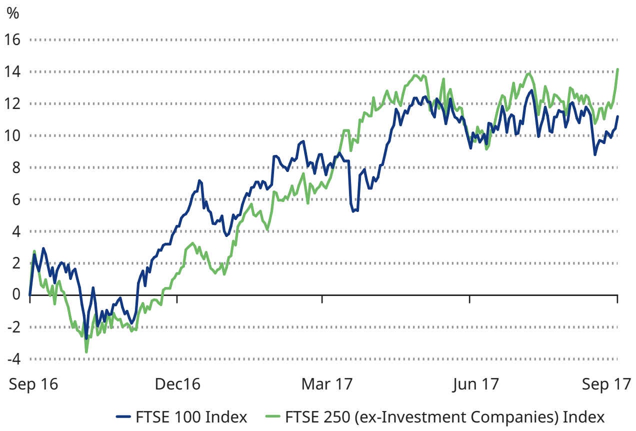
It has been a good year for your Company. The net asset value's total return of 21.0% compared to 14.2% for the benchmark. The share price returned 23.6% (Source: Morningstar).

UK equities performed well against a backdrop of stable global growth as the world economy benefited from a so-called "Goldilocks" environment, with activity neither too hot nor too cold and inflation remaining low. This allowed investors to overlook a comparatively turbulent geopolitical landscape and higher bond yields, which rose in response to more comments from central banks highlighting impending interest rate increases.

Many overseas-focused sectors continued to perform well against this backdrop. Domestic cyclical sectors also bounced as the worst fears of a Brexit-driven slowdown in the UK economy failed to materialise, and this helped drive an outperformance by mid caps. Mid caps were also supported by relatively more M&A activity and a strengthening of sterling against the US dollar. The benchmark's total return of 14.2% compares to a total return of 11.2% from the larger-cap FTSE 100 over the same period.

Corporate results were generally better than expected and the outlook for profits has improved. Meanwhile, barring some high-profile profit warnings, UK consumer-facing areas responded positively to generally in-line trading against very low expectations. Housebuilders continued their strong run as trading remained resilient, despite a slowing housing market.

UK market performance – FTSE 100 vs FTSE 250 ex ICs



Source: Thomson Reuters DataStream, total return 31 September 2016 to 30 September 2017

There was a recovery in sterling at the end of the period after the Bank of England indicated it could raise interest rates soon (it subsequently increased base rates in November by 0.25% to 0.5%). This capped off a volatile period for the currency, notably following the inconclusive result of the snap UK general election.

Portfolio performance

The outperformance of the NAV total return was chiefly due to stock selection.

The top contributor was engineering business Renishaw. The market has continued to reward the company as potential growth opportunities from its metrology products become apparent.

Travel food and beverage company SSP Group was another top contributor. The company, which is exposed to a key global structural growth trend of rising airline passenger numbers, published impressive results. The company continues to execute well, announcing new contracts and sustained positive like-for-like sales growth. The opening up of the American market and a new joint venture in India offer excellent growth prospects.

Home emergency company Homeserve demonstrated the value of having an entrepreneurial founder Chief Executive with a large shareholding. Recent moves such as the acquisition of Checkatrade (online tradesman directory) in the UK and further expansion in the US reflect what management thinks the opportunities are.

Veterinary products manufacturer Dechra Pharmaceuticals was also a notable performer as sales growth from recent acquisitions accelerated ahead of expectations, dovetailing with organic growth. This rare combination reflects a strong management team in a market which in turn continues to demonstrate structural growth.

Redrow, along with the rest of the housebuilding sector, has recovered strongly since the Brexit vote. The fundamentals of the sector remain strong with demand continuing to be fuelled by help to buy and limited supply.

The erstwhile holding in gold miner Acacia Mining, one of the top contributors last year, was the main detractor after a Tanzanian government report alleged the firm under-declared exported minerals. The company denied this, but given our view that resolution was unlikely to be swift, we sold the position.

The share price of IG Group, a provider of financial spread betting and contract for differences ("CFD") was negatively impacted by the Financial Conduct Authority's ("FCA") proposal to tighten regulation around the provision of CFD products to UK retail customers. There has been no follow up from the initial FCA announcement. Meanwhile, the share price has started to recover following results which showed continued growth in customer numbers.

Indivior fell after an adverse ruling from a US court about the introduction of potential competition to its main product. The company appealed and, since then, announced US Food and Drug Administration Panel Backing of its new monthly injectable product. The end market of the treatment of opioid addiction remains a problem of epic proportions in the US.

Lastly, the holding in Dunelm detracted from relative performance. The market is adopting a wait-and-see approach with regard to the 2016 acquisition of online retailer Worldstores, a deal designed to make Dunelm more competitive online. Whilst the homewares market has been weak, it appears that Dunelm is continuing to take market share. It has set an ambitious £2bn sales target, in tandem with a strong Q1 trading update. Dunelm has an above average and well underpinned dividend yield.

Stocks held – significant positive and negative contributions versus the benchmark

Positive contributor

	Portfolio weight %	Weight relative to index %	Absolute return[1]	Impact %
Renishaw	2.3	1.9	82.9	+1.2
SSP Group	3.1	2.4	70.3	+1.1
Homeserve	3.0	2.4	47.7	+0.8
Dechra	2.9	2.5	49.3	+0.8
Redrow	2.5	2.2	53.4	+0.8

Negative contributor

	Portfolio weight %	Weight relative to index %	Absolute return[1]	Impact %
Acacia Mining	0.9	0.7	–49.7	–0.8
IG Group	1.8	1.1	–22.0	–0.6
Berendsen	0.4	–0.2	–24.5	–0.5
Dunelm Group	1.2	1.0	–14.0	–0.4
Laird	0.6	0.5	–38.1	–0.3

Source: Schroders/Thomson Reuters, 30 September 2016 to 30 September 2017.

[1]Performance of stock whilst in the portfolio. Weights are averages over the period. Impact is the contribution to relative return.

Turning to stocks not held, the fund benefitted from avoiding Dixons Carphone and Carillion. Along with the AA and Tullow Oil, all four have relatively high levels of gearing, which has magnified the fall in equity value. Finally, security services company G4S was the main missed opportunity.

Stocks not held – significant positive and negative contributions versus the benchmark

Positive contributor

	Portfolio weight %	Weight relative to index %	Absolute return[1]	Impact %
Dixons Carphone	–	–0.4	–34.9	+0.5
Carillion	–	–0.3	–81.2	+0.3
AA	–	–0.5	–40.6	+0.3
Tullow Oil	–	–0.8	–13.7	+0.3
Greene King	–	–0.7	–25.9	+0.3

Negative contributor

	Portfolio weight %	Weight relative to index %	Absolute return[1]	Impact %
G4S	–	–1.0	43.7	–0.4
KAZ Minerals	–	–0.4	250.2	–0.4
Electrocomponents	–	–0.7	87.3	–0.4
Berkeley Group	–	–1.2	41.4	–0.3
NMC Health	–	–0.4	104.3	–0.3

Source: Schroders/Thomson Reuters, 30 September 2016 to 30 September 2017.

[1]Performance of stock whilst in the index. Weights are averages over the period. Impact is the contribution to relative return.

Portfolio activity

A number of new holdings were added to the portfolio, including services group Capita, cinema group Cineworld, industrial threads manufacturer Coats and telecoms operator TalkTalk.

We bought Capita shares after two years of poor performance following a series of profit warnings, culminating in the company's demotion to the FTSE 250 in the first quarter of 2017. In our opinion Capita will benefit over time from self-help measures being implemented, including steps to reduce balance sheet leverage. We initiated a position in Cineworld as we believe that the company can benefit from strong future growth from both the UK and Irish markets and its other less mature markets (mainly Israel, Poland and Romania). We started a position in industrial threads manufacturer Coats when it was outside the index as we saw the value in the company's reinvention. It has since been promoted to the FTSE 250.

We added Talk Talk Telecom to the portfolio after telecoms entrepreneur Charles Dunstone assumed the executive chairmanship and the dividend was cut to a more sustainable level.

Other new positions included oil and gas company Cairn Energy, where we see opportunities for growth in the North Sea as well as, potentially, Senegal, and as it begins to generate cash. Flexible workplace provider Workspace is, we believe, set to grow profitably from the burgeoning trend of co-working areas. Another addition was car auction company BCA Marketplace given an attractive valuation and long-term growth potential, in a scenario where winner may take all. We also have a new position in challenger bank Virgin Money, which has a high quality mortgage book and is free of the legacy issues of many other banking groups.

We sold out of holdings where we thought the investment case had played out or where recent developments meant the holding no longer fits with the investment strategy. These included soft drinks business A.G. Barr, as it faced further challenges to already weak top line growth in a contracting UK soft drinks market as a result of the introduction of the sugar tax, coupled with rising raw materials costs and unfavourable exchange rates.

Manager's Review

Other sales included Halfords, which we believe faces a number of obstacles including long-term concerns of durability and saturation of the bicycle market; hotels operator Millennium & Copthorne following serial underperformance at the operating level, though we acknowledge that it has since been bid for; building materials group SIG, given our concerns over the length of time it might take management to turn the business around, and engineering company Senior over concerns around pricing power and an over-reliance on two customers.

We sold the holdings in property company Segro and packaging company Smurfit Kappa on their promotions to the FTSE 100, in line with the investment strategy.

As anticipated in the Half Year report, inbound bid activity continued to pick up. The sale of design, engineering and project management company WS Atkins to a Canadian peer marked the end of the position, and, a bid for Kennedy Wilson Europe by its US parent meant that we ceased to hold the shares after the period end.

Outlook

A whole raft of FTSE 250 constituents are also exposed to global trends, with significant profits from outside the UK. For the Company's portfolio companies nearly half of their revenue is generated abroad. These companies, a lot of them in the industrial sector (e.g. Diploma), are benefiting from a pickup in global activity while companies exposed to the international consumer (e.g. SSP) are also benefiting from rising wealth and an increasing propensity to spend in countries which were previously less consumer-led.

The Budget has confirmed that the Government is continuing to focus on growing GDP by supporting the UK economy. This is evidenced by the increase in funding for the Help to Buy scheme and its extension into the next decade. In addition, the removal of stamp duty for first time buyers for properties up to £300,000 should begin to reduce the proportion of young people renting property. People who own their own homes are more likely to spend money on home improvements, which should in turn boost consumer facing companies exposed to this market. High levels of employment are finally starting to generate wage inflation, and as currency-related inflation begins to fall, this should also add to spending power.

Investment strategy

We continue to seek organic growth and pricing power, and avoid companies with too much debt. The strategy remains one of being highly selective in light of structural change caused by the evolution of the internet and e-commerce, which is disrupting a lot of traditional business models by driving down prices and in some cases offering better product or service. We endeavour to be on the right side of this trend: as well as looking for the next mid cap disruptor, we are always looking to avoid or reduce exposure to what we think might be the next industry to be disrupted. The gearing facility is available for when we see new opportunities.

10 largest overweight positions

	Portfolio weight %	Index weight %	Difference %
SSP Group	3.6	0.8	2.8
Homeserve	3.4	0.6	2.8
Renishaw	3.1	0.5	2.6
Dechra Pharmaceutical	3.0	0.6	2.4
Grainger	2.6	0.3	2.3
Redrow	2.4	0.4	2.0
Kennedy Wilson Europe	2.3	0.3	2.0
Northgate	1.9	0.0	1.9
Brewin Dolphin	2.1	0.3	1.8
SuperGroup	2.0	0.3	1.7

Source: Schroders, as at 30 September 2017.

We believe that the portfolio holdings are well placed to continue to generate superior long-term returns. In line with the Company's strategy of investing in financially prudent, growing mid cap companies, many of the portfolio holdings are enjoying a virtuous circle of earnings and dividend growth (examples of which, outside the top five contributors listed previously, include Diploma, Intermediate Capital and Safestore) whereby a rising stream of earnings is underpinning progressive dividend policies and simultaneously supporting reinvestment into the business to drive future growth.

Schroder Investment Management Limited
19 December 2017

The securities shown above are for illustrative purposes only and are not to be considered recommendations to buy or sell.

Investment Portfolio at 30 September 2017

Stocks in bold are the 20 largest investments, which by value account for 46.3% (30 September 2016: 46.8%) of total investments. Investments are all equities.

	£'000	%
Financials		
Grainger	**5,898**	**2.6**
Intermediate Capital	**5,389**	**2.4**
Kennedy Wilson Europe Real Estate	**5,168**	**2.3**
Phoenix	**4,986**	**2.2**
Brewin Dolphin	**4,703**	**2.1**
IG	**3,846**	**1.7**
Paragon	3,731	1.7
CLS	3,570	1.6
Safestore	3,485	1.6
Investec	3,173	1.4
Londonmetric Property	3,073	1.4
Man Group	2,767	1.2
Esure	2,112	0.9
Just Retirement	2,050	0.9
Workspace REIT	1,899	0.8
BCA Marketplace	1,842	0.8
Virgin Money	1,758	0.8
Aldermore	1,689	0.7
Total Financials	**61,139**	**27.1**
Industrials		
HomeServe	**7,650**	**3.4**
Renishaw	**7,105**	**3.1**
Bodycote International	**5,038**	**2.2**
Diploma	**4,403**	**2.0**
Northgate	**4,333**	**1.9**
Capita	**4,048**	**1.8**
Grafton	**3,740**	**1.7**
Halma	3,581	1.6
James Fisher	3,253	1.4
Keller	2,815	1.2
Paypoint	2,662	1.2
Howden Joinery	1,905	0.8
RPS	582	0.3
Total Industrials	**51,115**	**22.6**

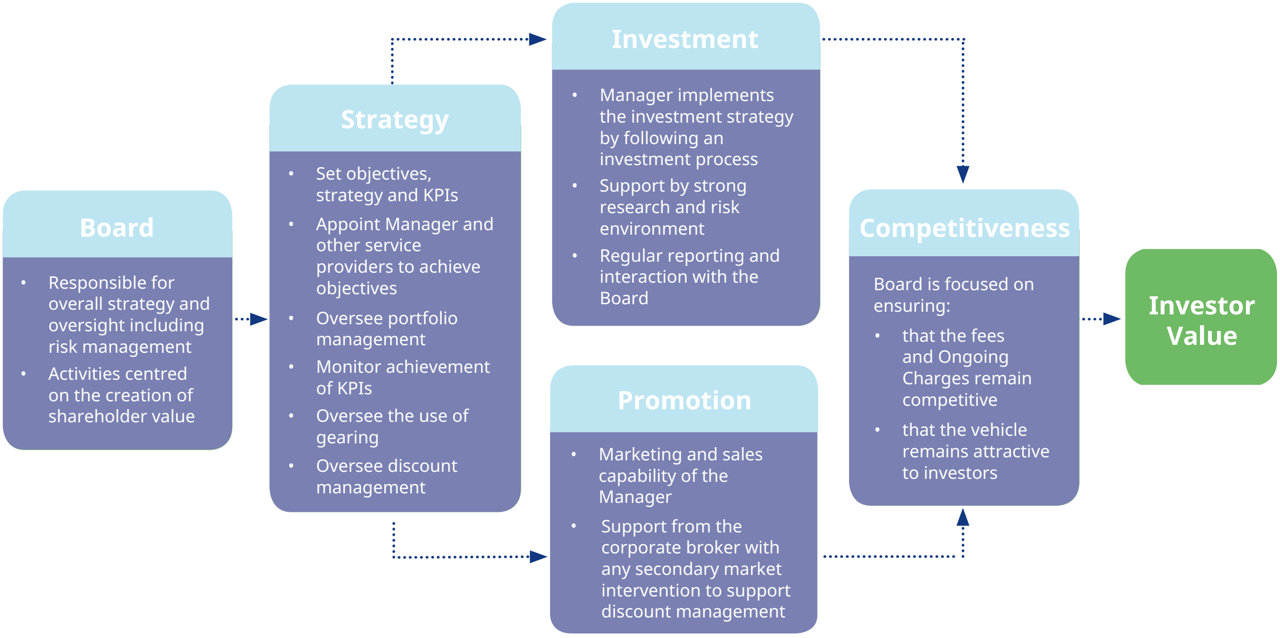
	£'000	%
Consumer Services		
Rightmove	**5,220**	**2.3**
Supergroup	**4,538**	**2.0**
Pets at Home	**4,360**	**1.9**
Auto Trader	3,729	1.7
Rank Group	3,728	1.7
Thomas Cook	3,726	1.7
J D Wetherspoon	3,453	1.5
Cineworld	3,126	1.4
Photo-me International	3,123	1.4
JD Sports	2,948	1.3
Brown (N)	2,800	1.2
Dunelm	2,708	1.2
Inchcape	2,587	1.1
Lookers	2,510	1.1
Restaurant Group	1,723	0.8
Total Consumer Services	**50,279**	**22.3**
Consumer Goods		
SSP	**8,055**	**3.6**
Redrow	**5,451**	**2.4**
Cranswick	**3,948**	**1.7**
Crest Nicholson	3,205	1.4
Coats	2,836	1.3
Total Consumer Goods	**23,495**	**10.4**
Basic Materials		
Synthomer	3,248	1.4
Elementis	2,843	1.3
Victrex	2,726	1.2
Anglo Pacific	1,866	0.8
Total Basic Materials	**10,683**	**4.7**
Healthcare		
Dechra Pharmaceuticals	**6,729**	**3.0**
Indivior	1,817	0.8
Total Healthcare	**8,546**	**3.8**

Investment Portfolio at 30 September 2017

	£'000	%
Oil & Gas		
Cairn Energy	2,689	1.2
Lamprell	1,682	0.7
Petrofac	1,473	0.7
Soco International	1,386	0.6
Total Oil & Gas	**7,230**	**3.2**
Technology		
SDL	3,302	1.5
Computacenter	2,270	1.0
Laird	1,065	0.5
Total Technology	**6,637**	**3.0**
Telecommunications		
Telecom Plus	3,604	1.6
Talk Talk	2,931	1.3
Total Telecommunications	**6,535**	**2.9**
Total investments	**225,659**	**100.0**

Strategic Review

Business model



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 it is intended that 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.

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

Investment objective and policy

Details of the Company's investment objective and policy may be found on the inside front cover.

The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the 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, cash, derivatives and other financial instruments as appropriate.

Gearing

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

The Company currently has in place a £15 million (2016: £15 million) revolving credit facility. As at 30 September 2017, it was undrawn (2016: £4 million drawn). In falling markets any reduction in NAV and share price would be amplified by the gearing. The Company's gearing continues to be operated within pre-agreed limits so that it does not exceed 25% of total assets. The flexibility to utilise gearing remains an important tool in allowing the Manager to pursue investment opportunities when appropriate.

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 long-term 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.

The team typically makes over 800 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.

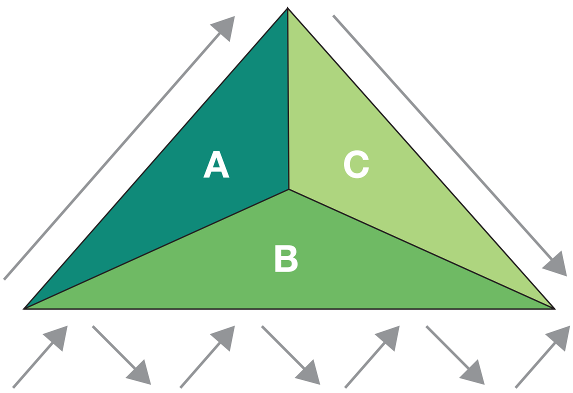
The team

Andy Brough is head of the team. He has been with Schroders for 30 years and is an FE (Financial Express) Alpha Manager and Chartered Accountant. Jean Roche became co-manager with Andy in September 2016. She has 18 years of investment experience and holds the CFA (Chartered Financial Analyst) designation.

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 reports 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 and mid 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 below.



- **'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 portfolio 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. 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 gross assets may be invested in other listed investment companies (including listed investment trusts); (d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (e) no holding may represent 20% or more of the equity capital of any company.

The investment portfolio on page 9 demonstrates that, as at 30 September 2017, the Company held 66 investments spread over a range of industry sectors. The largest investment, SSP, represented 3.6% of total investments. The Board therefore believes that the objective of spreading investment risk has been achieved.

Promotion

The Company promotes its shares to a broad range of investors who 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.

Promotion is focused via three channels:

– Discretionary fund managers. The Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.

– Execution-only investors. The Company promotes its shares including to retail investors via engaging with platforms and through its webpages. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.

– Institutional investors.

These activities consist of 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 Schroders' website. The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 4 and in the Explanation of Special Business of the AGM on page 46.

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objectives, which is considered to be the most significant key performance indicator for the Company.

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 the management fee, Directors' fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually.

Corporate and social responsibility

Board gender diversity

As at 30 September 2017, the Board comprised four men and one woman. 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 in terms of overall balance, skill set and experience.

Responsible investment policy

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The Board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The Board expects the Manager to exercise the Company's voting rights in consideration of these issues.

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The Board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The Board monitors the implementation of this policy through regular reporting by the Manager on its engagement activity, how it is integrated into the investment process, and the outcomes of the activity.

Anti-bribery and corruption policy

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

Greenhouse gas emissions

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

Principal risks and uncertainties

The Board is responsible for the Company’s system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company’s business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company’s strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2017.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review, except in respect of cyber risk relating to the Company's service providers, which has now been extended beyond the custodian. Cyber risk relating to all of the Company's key service providers is considered an increased threat in light of the rising propensity and impact of cyber attacks on businesses and institutions. To address the risk, the Board is seeking enhanced reporting on cyber risk mitigation and management from its key service providers to ensure that it is managed and mitigated appropriately.

Actions taken by the Board and, where appropriate, its Committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Risk	Mitigation and management
Strategic The Company’s investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	Appropriateness of the Company’s investment remit periodically reviewed and success of the Company in meeting its stated objectives monitored. Share price relative to NAV per share monitored and use of buy back authorities considered on a regular basis. Marketing and distribution activity actively reviewed.
The Company’s cost base could become uncompetitive, particularly in light of open ended alternatives.	Ongoing competitiveness of all service provider fees subject to periodic benchmarking against competitors. Annual consideration of management fee levels.
Investment management The Manager’s investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of: the Manager’s compliance with agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio’s risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager.
Financial The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company’s underlying investments.	Risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager.

Risk	Mitigation and management
Custody Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.	Depositary reports on safe custody of the Company's assets, including cash and portfolio holdings, independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. Annual report from the Depositary on its activities, including matters arising from custody operations.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of total assets.
Accounting, legal and regulatory 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. 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.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, subject to stringent review processes. Procedures established to safeguard against disclosure of inside information.
Service provider The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider, could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified from the Audit Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 19 on pages 41 to 44.

Strategic Review

Viability statement

The Directors have assessed the viability of the Company over a five year period to 30 September 2022, taking into account the Company's position at 30 September 2017 and the potential impacts of the principal risks and uncertainties it faces for the review period.

A period of five years has been chosen as the Board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 14 and 15 and in particular the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period.

Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council ("FRC") in 2014, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

19 December 2017

Board of Directors

Eric Sanderson

Status: Independent Non-Executive Chairman

Length of service: 6 years – appointed a Director in January 2011 and Chairman in June 2014
Experience: Mr Sanderson 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 BlackRock Greater Europe Investment Trust plc.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Nomination and the Management Engagement Committees)
Current remuneration: £35,250 per annum (effective 1 October 2017)
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Clare Dobie

Status: Independent Non-Executive Director

Length of service: 4 years – appointed a Director in September 2013
Experience: Mrs Dobie is a non-executive director of Alliance Trust PLC, 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 was a marketing consultant after holding 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.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £23,500 per annum (effective 1 October 2017)
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Andrew Page

Status: Independent Non-Executive Director

Length of service: 3 years – appointed a Director in October 2014
Experience: Mr Page was, until August 2014, the Chief Executive Officer of The Restaurant Group plc ("TRG"), a FTSE 250 company which operates 460 restaurants throughout the UK. He is chairman of Northgate plc, Senior Independent Director at Carpetright plc and a non-executive director of JP Morgan Emerging Markets Investment Trust 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.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Audit Committee).
Current remuneration: £28,200 per annum (effective 1 October 2017)
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Board of Directors

Robert Rickman

Status: Independent Non-Executive Director

Length of service: 6 years – appointed a Director in January 2011
Experience: Mr Rickman 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 ("LSE") 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.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £23,500 per annum (effective 1 October 2017)
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Robert Talbut

Status: Independent Non-Executive Director

Length of service: 1 year – appointed a Director in February 2016
Experience: Mr Talbut is Chairman of Shires Income plc and a director of JPMorgan American Investment Trust plc and Pacific Assets Trust plc. He is also the Chairman of EFG Asset Management (UK) Ltd, a member of the Independent Governance Committee of Aviva PLC and an external advisor to Hiscox PLC. He was formally the Chief Investment Officer of Royal London Asset Management and has over 30 years of financial services experience. He has represented the asset management industry through the chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. He was also a member of the Financial Conduct Authority's Listing Advisory Panel.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £23,500 per annum (effective 1 October 2017)
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other Directors of the Company: None

Directors' Report

The Directors submit their Report and the audited financial statements of the Company for the year ended 30 September 2017.

Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £5,031,000 (2016: £4,455,000), equivalent to a revenue return per share of 13.96 pence (2016: 12.33 pence).

For the year ended 30 September 2017, the Directors have declared an interim dividend of 3.10 pence per ordinary share and have recommended a final dividend of 10.00 pence per ordinary share which, subject to approval by shareholders at the forthcoming Annual General Meeting ("AGM"), will be paid on 9 February 2018 to shareholders on the register on 5 January 2018. 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 per share for the year ended 30 September 2017 to 13.10 pence (2016: 11.25 pence).

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 17 and 18. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 27.

Notwithstanding the provisions of the Company's Articles of Association and the UK Corporate Governance Code in respect of the periodic re-election of Directors, the Board considers that shareholders should be given the opportunity to vote on the re-election of all of its members on an annual basis. Accordingly, all of the Directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Re-appointment as a Director is not automatic and follows a formal process of evaluation of each Director's performance. Directors who have served for more than six years are subject to particularly rigorous assessment of their independence and contribution.

The Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment. Directors who have served for more than nine years on the Board may therefore continue to offer themselves for re-election at the AGM. The Board has assessed the independence of the Directors, all of whom are considered to be independent in character and judgment.

The Board, having taken all relevant matters into account, considers that all Directors continue to demonstrate commitment to their roles, provide valuable contributions to the deliberations of the Board, and remain free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of their re-election.

Share capital

As at the date of this Report, the Company had 36,143,690 ordinary shares of 25p in issue, including 292,000 shares held in treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 35,851,190.

Substantial share interests

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares as at 30 September 2017	% of total voting rights
East Riding of Yorkshire Council	2,500,000	6.92
Barclays plc	2,281,470	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	5.00
Charles Stanley Group plc	1,805,320	4.99
Standard Life Investments Ltd	1,377,785	3.81

There have been no notified changes to the above holdings since the year end.

Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this Report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, and administrative, accounting and company secretarial services to the Company under the AIFM 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 and administrative accounting and

Directors' Report

company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited ("SIM"). The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £419.6 billion (as at 30 September 2017) 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 is entitled to a fee of 0.7% per annum, paid quarterly in arrears on 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.

The management fee payable in respect of the year ended 30 September 2017 amounted to £1,472,000 (2016: £1,291,000). During the prior year, the management fee was tiered and a performance fee was in operation. This terminated on 1 April 2016.

The Manager is also entitled to receive a fee for providing administrative, accounting and company secretarial services to the Company. For these services, in the year ended 30 September 2017 it received a fee of £123,000 (2016: £121,000), including VAT. The fee continues to be subject to annual adjustment in line with changes in the Retail Prices Index.

Details of all amounts payable to the Manager are set out in note 16 on page 40.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM agreement, details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a Depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- 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.

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.

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 trust 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 in April 2016 (the "Code") which applies to accounting periods beginning on or after 17 June 2016 and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

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 set out on page 25 and the viability statement and going concern statement set out on page 16, indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes 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 of the Board

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 page 17. He has no conflicting relationships.

Role and operation 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 is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the

Board and acts within the parameters set by it in respect of any gearing.

A formal schedule of matters specifically reserved for decision by the 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 relevant management, regulatory and financial information in a timely manner and that they 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, its sector and the wider investment trust industry, 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 regularly provided 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. Training and development needs are included as part of the evaluation process and are agreed with the Chairman.

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, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Audit Committee Chairman. 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 the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in September 2017.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for 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 and to the date of this report.

Directors' attendance at meetings

Five Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of discount of the Company's shares to underlying NAV per share; promotion of the Company; and services provided by third parties. Additional meetings of the Board are arranged as required.

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

Director	Board	Nomination Committee	Audit Committee	Management Engagement Committee
Eric Sanderson	5/5	2/2	3/3	1/1
Clare Dobie	5/5	2/2	3/3	1/1
Andrew Page	5/5	2/2	3/3	1/1
Robert Rickman	5/5	2/2	3/3	1/1
Robert Talbut	5/5	2/2	3/3	1/1

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

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpages and the Annual and Half Year Reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

The Chairmen of the Board and its committees attend the 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 20 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 outside back cover.

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 the Board.

Directors' Report

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees.

The Committees of the Board have defined terms of reference, setting out the Committees' duties and responsibilities, which are available on the Company's webpages at www.schroders.co.uk/ukmidcap. Membership of the Committees is set out on pages 17 and 18.

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 other diversity factors 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 Committee, which makes a recommendation to the Board.

To discharge its duties the Nomination Committee met on two occasions during the year to consider its terms of reference, Board balance, skills and succession planning.

Management Engagement Committee

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

To discharge its duties the Committee met once during the year to consider the management fee paid to the Manager, its terms of reference, the performance and suitability of the Manager, general terms and conditions of the AIFM agreement, the performance and suitability of other service providers, and the fees paid to Directors.

Audit Committee

The role and activities of the Audit Committee are set out overleaf in the Audit Committee Report which is incorporated into and forms part of the Directors' Report

By Order of the Board

Schroder Investment Management Limited
Company Secretary

19 December 2017

Report of the Audit Committee

This report sets out the work carried out by the Audit Committee during the year under review. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Audit Committee met three times during the year ended 30 September 2017. The Audit Committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager and Depositary;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditor;
- evaluating the Auditor's performance; and
- reviewing the principal risks and uncertainties faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 30 September 2017, the Audit Committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditor during its reporting:

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of portfolio holdings and assurance reports on controls from the Manager and Depositary.
– Recognition of investment income	– Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
– Overall accuracy of the Annual Report and Accounts	– Consideration of the draft Annual Report and Accounts and the letter from the Manager in support of the letter of representation to the Auditor.
– Calculation of the investment management fee	– Consideration of methodology used to calculate the fee, matched against the criteria set out in the AIFM agreement.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager, Depositary and Registrar, including assurance reports on their controls.
– Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 25.

Report of the Audit Committee

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 its 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 Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts is considered. Having reviewed the performance of the Auditor as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

There are no contractual obligations restricting the choice of independent auditor.

Change of Auditor

As announced during the year, KPMG LLP were appointed as the Company's Auditor. This follows completion of a tender process carried out as a consequence of EU audit regulations, which required the Company to replace the previous Auditor, Ernst & Young LLP as its statutory audit firm by 2020 due to length of tenure.

Four firms were invited to complete requests for proposals based on key criteria set by the Audit Committee. Three firms were shortlisted by the Chairman of the Audit Committee, and invited to present to the Committee members.

Two audit firms were recommended to the Board with a preference for KPMG LLP based on, amongst other factors, its depth of resource, technological competencies and experienced senior statutory auditors.

The Board agreed with the Audit Committee's recommendation.

Independent Auditor

KPMG LLP have indicated their willingness to continue to act as Auditor. Accordingly, resolutions to re-appoint KPMG LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

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.

Provision of non-audit services

The Audit Committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's Auditor. The Auditor may, if required, provide non-audit services however, and this will be judged on a case-by-case basis, having regard to recent restrictions introduced by the Statutory Audit Amending Directive and Regulation.

The Auditor has not provided any non-audit services to the Company during the year (2016: same).

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 Audit Committee will continue to monitor the Company's system of internal control in order to provide assurance that it operates as intended and the Directors will continue to annually review whether an internal audit function is needed.

Andrew Page
Audit Committee Chairman

19 December 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and 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 are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 its profit or loss 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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Eric Sanderson
Chairman

19 December 2017

Directors' 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 following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM to be held in 2020 and the policy provisions will continue to apply until that date. The below Directors' Remuneration Report 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 2017, 99.9% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour while 0.1% were against. 19,834 votes were withheld.

At the AGM held on 31 January 2017, 99.9% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Report for the year ended 30 September 2016 were in favour while 0.1% were against. 19,498 votes were withheld.

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 £200,000 per annum and any increase in this level requires approval by the Board and the Company's shareholders.

The Chairman of the Board and the Chairman of the Audit Committee each receives 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 a pension from the Company, and the Company has not, and does not intend to, operate a share scheme for Directors or 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. 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.

Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 30 September 2017.

Fees paid to Directors

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 2017 and the previous financial year:

Director	Fees 2017 £	Fees 2016 £	Taxable benefits[1] 2017 £	Taxable benefits[1] 2016 £	Total 2017 £	Total 2016 £
Eric Sanderson	**33,500**	33,500	**2,359**	1,443	**35,859**	34,943
Rachel Beagles[2]	**–**	9,740	**–**	855	**–**	10,595
Clare Dobie	**22,500**	22,500	**475**	747	**22,975**	23,247
Andrew Page[3]	**27,000**	24,247	**810**	271	**27,810**	24,518
Robert Rickman	**22,500**	22,500	**1,448**	523	**23,948**	23,023
Robert Talbut[4]	**22,500**	15,484	**334**	275	**22,834**	15,759
	128,000	127,971	**5,426**	4,114	**133,426**	132,085

[1]Comprises expenses incurred in carrying out business for the Company.
[2]Retired on 10 February 2016. Chairman of the Audit Committee until that date.
[3]Appointed Chairman of the Audit Committee on 10 February 2016.
[4]Appointed on 10 February 2016.

The information in the above table has been audited (see the Independent Auditor's Report on page 28).

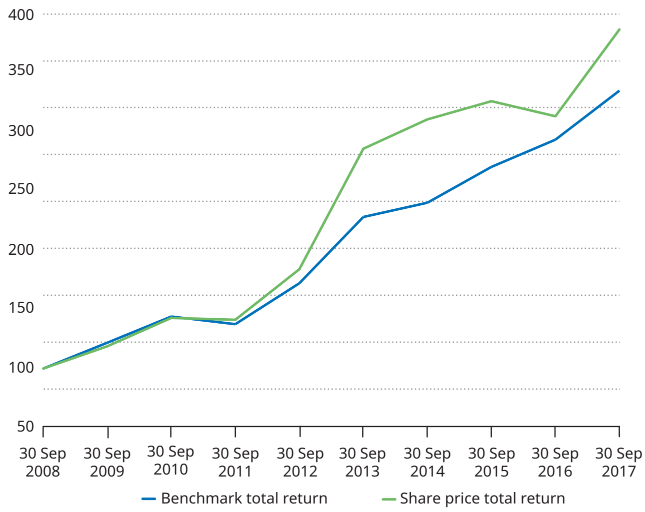
Directors' Remuneration Report

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Management Engagement Committee and the Board in September 2017. The members of the Board at the time that remuneration levels were considered were as set out on pages 17 and 18. The Management and Engagement Committee appointed Trust Associates Limited to provide independent advice in relation to Directors' remuneration. Trust Associates were paid a fee of £3,600. Their report made recommendations which were reviewed together with a peer group analysis provided by the corporate broker.

Following the annual review, the Board agreed that the fees paid to the Chairman would increase to £35,250 per annum, the fees paid to the Audit Committee chairman would increase to £28,200 and the fees paid to Directors would increase to £23,500. These increases took effect from 1 October 2017.

Nine year share price and Benchmark total returns



Source: Morningstar/Thomson Reuters. 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 Index, ex-FTSE 100. 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 remuneration and distributions to shareholders

The table below compares the remuneration payable to Directors to distributions made 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 objectives.

	Year ended 30 Sep 2017 £'000	Year ended 30 Sep 2016 £'000	Change (%)
Remuneration payable to Directors	133	132	0.8
Distributions paid to shareholders:			
Dividends	4,183	3,416	22.5
Share buy backs	1,543	–	N/a
Total distributions paid to shareholders	5,726	3,416	67.6

Directors' share interests

The Company's Articles of Association do not require Directors to own shares in the Company.

The interests of the Directors, including those of connected persons, in the Company's share capital at the beginning and end of the financial year ended 30 September 2017, all of which were beneficial, were as follows:

	Ordinary shares of 25p each 30 September 2017	Ordinary shares of 25p each 1 October 2016
Eric Sanderson	2,070	2,070
Clare Dobie	2,044	1,040
Andrew Page	4,000	4,000
Robert Rickman	4,300	4,300
Robert Talbut	5,064	2,500

There have been no changes notified since the year end.

The information in the above table has been audited (see Independent Auditor's Report on pages 28 to 31).

On behalf of the Board

Eric Sanderson
Chairman

19 December 2017

Independent auditor's report to the members of Schroder UK Mid Cap Fund plc

1. Our opinion is unmodified

We have audited the financial statements of Schroder UK Mid Cap Fund plc ("the Company") for the year ended 30 September 2017 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Directors on 21 June 2017. The period of total uninterrupted engagement is the 1 financial year ended 30 September 2017. We will fulfil our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: Financial statements as a whole	£2.28m 1% of total assets
Risk of material misstatement	
Recurring risk	Carrying amount of quoted equity investments

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. The matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Independent auditor's report
to the members of Schroder UK Mid Cap Fund plc

	The risk	Our response
Carrying amount of quoted equity investments (£225.7 million) *Refer to page 24 (Audit Committee Report), page 34 (accounting policy) and page 41 (financial disclosures)*	**Low risk, high value** The Company's portfolio of quoted equity investments makes up 99.1% of the Company's total assets (by value) and is considered to be the key driver of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgment because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: — **Control design:** Documenting and assessing the processes in place to record investment transactions and to value the portfolio; — **Tests of detail:** Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our results** — We found the resulting carrying amount of quoted equity investments to be acceptable.

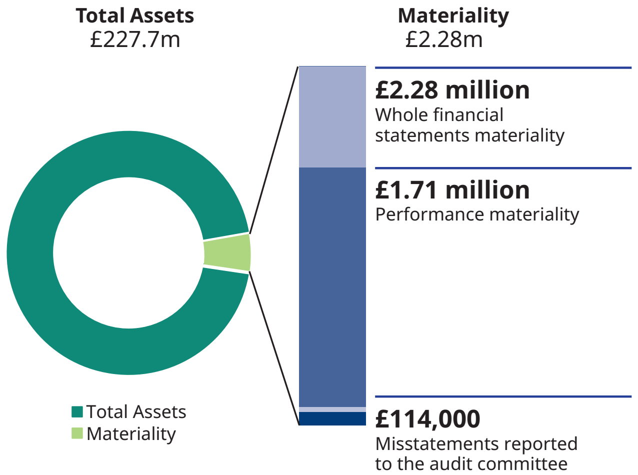
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £2.28m, determined with reference to a benchmark of total assets, of which it represents 1%.

In addition, we applied materiality of £252,000 to income from investments for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding £114,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the offices of HSBC Securities Services.



Financial

Independent auditor's report to the members of Schroder UK Mid Cap Fund plc

4. We have nothing to report on going concern

We are required to report to you if:

– we have anything material to add or draw attention to in relation to the Directors' statement in note 1(a) to the accounts on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

– if the related statement under the Listing Rules set out on page 16 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

– we have not identified material misstatements in the strategic report and the Directors' report;

– in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

– in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

– the Directors' confirmation within the Viability Statement on page 16 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

– the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and

– the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

– we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or

– the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Independent auditor's report to the members of Schroder UK Mid Cap Fund plc

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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 Directors' 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 25, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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 m embers 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.

Philip Merchant (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Castle Terrace
Edinburgh
EH1 2EG

19 December 2017

Financial

Income Statement
for the year ended 30 September 2017

	Note	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments held at fair value through profit or loss	2	–	35,316	35,316	–	7,975	7,975
Income from investments	3	5,933	274	6,207	5,320	361	5,681
Other interest receivable and similar income	3	–	–	–	3	–	3
Gross return		5,933	35,590	41,523	5,323	8,336	13,659
Investment management fee	4	(442)	(1,030)	(1,472)	(387)	(904)	(1,291)
Administrative expenses	5	(457)	–	(457)	(475)	–	(475)
Net return before finance costs and taxation		5,034	34,560	39,594	4,461	7,432	11,893
Finance costs	6	(3)	(6)	(9)	(6)	(13)	(19)
Net return on ordinary activities before taxation		5,031	34,554	39,585	4,455	7,419	11,874
Taxation on ordinary activities	7	–	–	–	–	–	–
Net return on ordinary activities after taxation		5,031	34,554	39,585	4,455	7,419	11,874
Return per share	9	13.96p	95.87p	109.83p	12.33p	20.53p	32.86p

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 other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

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 34 to 45 form an integral part of these accounts.

Statement of Changes in Equity
for the year ended 30 September 2017

	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 2015	9,036	13,971	220	2,184	15,477	138,304	5,068	184,260
Net return on ordinary activities	–	–	–	–	–	7,419	4,455	11,874
Dividends paid in the year	–	–	–	–	–	–	(3,416)	(3,416)
At 30 September 2016	9,036	13,971	220	2,184	15,477	145,723	6,107	192,718
Net return on ordinary activities	–	–	–	–	–	34,554	5,031	39,585
Repurchase of the Company's own shares into treasury	–	–	–	–	(1,543)	–	–	(1,543)
Dividends paid in the year	–	–	–	–	–	–	(4,183)	(4,183)
At 30 September 2017	9,036	13,971	220	2,184	13,934	180,277	6,955	226,577

The notes on pages 34 to 45 form an integral part of these accounts.

Statement of Financial Position at 30 September 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**225,659**	194,912
Current assets			
Debtors	11	**1,063**	1,088
Cash at bank and in hand		**1,020**	1,193
		2,083	2,281
Current liabilities			
Creditors: amounts falling due within one year	12	**(1,165)**	(4,475)
Net current assets/(liabilities)		**918**	(2,194)
Net assets		**226,577**	192,718
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	**13,934**	15,477
Capital reserves	14	**180,277**	145,723
Revenue reserve	14	**6,955**	6,107
Total equity shareholders' funds		**226,577**	192,718
Net asset value per share	15	**631.99p**	533.20p

These accounts were approved and authorised for issue by the Board of Directors on 19 December 2017 and signed on its behalf by:

Eric Sanderson
Chairman

The notes on pages 34 to 45 form an integral part of these accounts.

Registered in Scotland as a public company limited by shares

Company registration number: SC082551

Financial

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"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 November 2014 and updated in January 2017. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 September 2016.

(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 at 2400 hours on the accounting date, for investments traded in active markets.

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

The Company has early adopted an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016 regarding the categorisation of financial instruments into the fair value hierarchy in note 18 on page 41.

(c) Accounting for reserves

Gains and losses on sales of investments and the management fee or 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.

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.
- Expenses incidental to the purchase of an investment which are written off to capital at the time of acquisition. 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 page 38.

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with FRS 102.

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

Taxation on ordinary activities comprises amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

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.

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 accounting 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 102, dividends are included in the accounts in the year in which they are paid.

(k) Repurchases of shares into treasury

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is dealt with in the Statement of Changes in Equity and charged to "Share purchase reserve". Share repurchase transactions are accounted for on a trade date basis.

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

	2017 £'000	2016 £'000
Gains on sales of investments based on historic cost	10,116	13,091
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(8,473)	(8,927)
Gains on sales of investments based on the carrying value at the previous balance sheet date	1,643	4,164
Net movement in investment holding gains and losses	33,673	3,811
Gains on investments held at fair value through profit or loss	**35,316**	7,975

Notes to the Accounts

3. Income

Revenue:	2017 £'000	2016 £'000
Income from investments:		
UK dividends	5,680	5,076
UK property income distributions	212	244
Stock dividends	41	–
	5,933	5,320
Other interest receivable and similar income:		
Deposit interest	–	3
	5,933	5,323
Capital:		
Special dividends allocated to capital	274	361

4. Investment management fee

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Management fee	442	1,030	1,472	387	904	1,291

The basis for calculating the investment management fee is set out in the Directors' Report on page 19 and details of all amounts payable to the Manager are given in note 16 on page 40.

5. Administrative expenses

	2017 £'000	2016 £'000
Directors' fees	128	128
Secretarial fee	123	121
Auditor's remuneration for audit services[1]	23	23
Other administrative expenses	183	203
	457	475

[1]Includes £3,000 (2016: £3,000) irrecoverable VAT. The fees shown for the current year are payable to KPMG LLP as the Company's auditor, and those for the prior year are payable to E&Y LLP as the Company's preceding auditor.

6. Finance costs

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Interest on bank loans and overdrafts	3	6	9	6	13	19

Notes to the Accounts

7. Taxation on ordinary activities

	2017 £'000	2016 £'000
(a) Analysis of charge in the year:		
Taxation on ordinary activities	–	–

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: lower) than the Company's applicable rate of corporation tax for the year of 19.5% (2016: 20.0%)

The factors affecting the current tax charge for the year are as follows:

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net return on ordinary activities before taxation	5,031	34,554	39,585	4,455	7,419	11,874
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.5% (2016: 20.0%)	981	6,738	7,719	891	1,484	2,375
Effects of:						
Capital returns on investments	–	(6,886)	(6,886)	–	(1,595)	(1,595)
Income not chargeable to corporation tax	(1,109)	(53)	(1,162)	(1,015)	(72)	(1,087)
Unrelieved expenses	128	201	329	124	183	307
Taxation on ordinary activities	–	–	–	–	–	–

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,665,000 (2016: £4,635,000) based on a prospective corporation tax rate of 17% (2016: 18%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

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 its status 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.

8. Dividends

(a) Dividends paid and declared

	2017 £'000	2016 £'000
2016 final dividend of 8.50p (2015: 6.70p) paid out of revenue profits	3,072	2,422
Interim dividend of 3.10p (2016: 2.75p) paid out of revenue profits	1,111	994
Total dividends paid in the year	4,183	3,416

	2017 £'000	2016 £'000
2017 final dividend declared of 10.00p (2016: 8.50p) to be paid out of revenue profits	3,585	3,072

Notes to the Accounts

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

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 £5,031,000 (2016: £4,455,000).

	2017 £'000	2016 £'000
Interim dividend of 3.10p (2016: 2.75p)	1,111	994
Final dividend of 10.00p (2016: 8.50p)	3,585	3,072
	4,696	4,066

9. Return per share

	2017 £'000	2016 £'000
Revenue return	5,031	4,455
Capital return	34,554	7,419
Total return	39,585	11,874
Weighted average number of shares in issue during the year	36,043,409	36,143,690
Revenue return per share	13.96p	12.33p
Capital return per share	95.87p	20.53p
Total return per share	109.83p	32.86p

10. Investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Opening book cost	164,412	137,555
Opening investment holding gains	30,500	35,616
Opening valuation	194,912	173,171
Purchases at cost	39,786	52,687
Sales proceeds	(44,355)	(38,921)
Gains on sales of investments based on the carrying value at the previous balance sheet date	1,643	4,164
Net movement in investment holding gains and losses	33,673	3,811
Closing valuation	225,659	194,912
Closing book cost	169,959	164,412
Closing investment holding gains	55,700	30,500
Total investments held at fair value through profit or loss	225,659	194,912

All investments are listed on a recognised stock exchange.

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

	2017 £'000	2016 £'000
On acquisitions	221	324
On disposals	43	45
	264	369

Notes to the Accounts

11. Debtors

	2017 £'000	2016 £'000
Securities sold awaiting settlement	**229**	150
Dividends and interest receivable	**825**	928
Other debtors	**9**	10
	1,063	1,088

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

12. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loan	**–**	4,000
Securities purchased awaiting settlement	**670**	–
Other creditors and accruals	**495**	475
	1,165	4,475

During the year, the Company extended its £15 million revolving credit facility with Scotiabank Bank to 9 July 2018. The facility was undrawn at the year end (2016: £4 million drawn down at an interest rate of 0.825% per annum). 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 complied with during the year. Further details of the facility are given in note 19(a) (i) on page 41.

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

13. Called-up share capital

	2017 £'000	2016 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 36,143,690 (2016: 36,143,690) shares of 25p each	**9,036**	9,036
Repurchase of 292,500 (2016: nil) shares into treasury	**(73)**	–
Subtotal of 35,851,190 (2016: 36,143,690) shares	**8,963**	9,036
292,500 (2016: nil) shares held in treasury	**73**	–
Closing balance[1]	**9,036**	9,036

[1]Represents 36,143,690 (2016: 36,143,690) shares of 25p each, including 292,500 (2016: nil) shares held in treasury. During the year, the Company purchased 292,500 of its own shares, nominal value £73,000 to hold in treasury for a total consideration of £1,543,000 representing 0.81% of the shares outstanding at the beginning of the year. The reason for these share repurchases was to seek to manage the volatility of the share price discount to NAV per share.

Notes to the Accounts

14. Reserves

	Share premium[1] £'000	Capital redemption reserve[1] £'000	Merger reserve[1] £'000	Share purchase reserve[2] £'000	Capital reserves Gains and losses on sales of investments[2] £'000	Capital reserves Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	13,971	220	2,184	15,477	115,223	30,500	6,107
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	1,643	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	33,673	–
Transfer on disposal of investments	–	–	–	–	8,473	(8,473)	–
Repurchase of the Company's own shares into treasury	–	–	–	(1,543)	–	–	–
Management fee allocated to capital	–	–	–	–	(1,030)	–	–
Special dividend allocated to capital	–	–	–	–	274	–	–
Finance costs allocated to capital	–	–	–	–	(6)	–	–
Dividends paid	–	–	–	–	–	–	(4,183)
Retained revenue for the year	–	–	–	–	–	–	5,031
Closing balance	13,971	220	2,184	13,934	124,577	55,700	6,955

[1]These reserves are not distributable. The "Merger reserve" represents the premium over the nominal value of shares issued following a merger in 1989.
[2]These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends. 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.
[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.
[4]The revenue reserve may distributed as dividends or used to repurchase the Company's own shares.

15. Net asset value per share

	2017	2016
Net assets attributable to the Ordinary shareholders (£'000)	226,577	192,718
Ordinary shares in issue at the year end, excluding shares held in treasury	35,851,190	36,143,690
Net asset value per share	631.99p	533.20p

16. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee and a company secretarial fee. Details of the basis of these calculations are given in the Report of the Directors on page 20. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the management fee calculation and therefore incur no fee.

The management fee payable in respect of the year ended 30 September 2017 amounted to £1,472,000 (2016: £1,291,000) of which £400,000 (2016: £344,000) was outstanding at the year end. The secretarial fee payable for the year amounted to £123,000 (2016: £121,000) including VAT, of which £31,000 (2016: £31,000) 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.

17. Related party transactions

Details of the remuneration payable to Directors are given in the Remuneration Report on page 26 and details of Directors' shareholdings are given in the Remuneration Report on page 27. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2016: nil).

18. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below. Note that the criteria used to categorise investments include an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016, and which the Company has early adopted.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 34.

At 30 September 2017, all investments in the Company's portfolio are categorised as Level 1 (2016: same).

19. 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 with financing the Company's operations.

(a) Market risk

The fair value or 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. However any drawings on the credit facility are normally for one-month periods at a fixed rate of interest and therefore exposure to interest rate risk is not significant.

Notes to the Accounts

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:

	2017 £'000	2016 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**1,020**	1,193
Other payables: drawings on the credit facility	**–**	(4,000)
Total exposure	**1,020**	(2,807)

Interest receivable on cash balances is at a margin below LIBOR (2016: same).

During the year, the Company extended its £15 million revolving credit facility with Scotiabank Bank to 9 July 2018. The facility is unsecured but subject to covenants and restrictions which are customary for a facility of this nature. 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 was undrawn at the year end (2016: £4.0 million drawn down at an interest rate of 0.825% per annum).

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

	2017 £'000	2016 £'000
Maximum credit interest rate exposure during the year – net cash	**7,024**	14,888
Maximum debit interest rate exposure during the year – net debt	**(3,808)**	(3,588)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2016: 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 accounting date with all other variables held constant.

	2017		2016	
	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	**5**	**(5)**	–	–
Capital return	**–**	**–**	(14)	14
Total return after taxation	**5**	**(5)**	(14)	14
Net assets	**5**	**(5)**	(14)	14

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 particular industry sectors. The investment management team 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:

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	225,659	194,912

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 9. This shows that the portfolio principally comprises investments listed in the UK. Accordingly there is a concentration of exposure to this 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% (2016: 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.

	2017		2016	
	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	(95)	95	(82)	82
Capital return	44,910	(44,910)	38,791	(38,791)
Total return after taxation and net assets	44,815	(44,815)	38,709	(38,709)
Percentage change in net asset value	19.8	(19.8)	20.1	(20.1)

(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 financial liabilities, based on the earliest date on which payment can be required are as follows:

	Three months or less 2017 £'000	Three months or less 2016 £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	–	4,002
Securities purchased awaiting settlement	670	–
Other creditors and accruals	495	475
	1,165	4,477

(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

Where possible, 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.

Exposure to the Custodian

The Custodian of the Company's assets is HSBC Bank plc which has Long-Term Credit Ratings of AA- with Fitch and Aa3 with Moody's. 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 of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the Custodian as banker and held on the Custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the Custodian in respect of cash balances.

Credit risk exposure

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the current and comparative year end.

	2017		2016	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	1,063	1,054	1,088	1,078
Cash at bank and in hand	1,020	1,020	1,193	1,193
	2,083	2,074	2,281	2,271

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 Statement of Financial Position at fair value or the amount is a reasonable approximation of fair value.

20. Capital management policies and procedures

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

The Company's capital structure comprises the following:

	2017 £'000	2016 £'000
Debt		
Bank loan	–	4,000
Equity		
Called-up share capital	9,036	9,036
Reserves	217,541	183,682
	226,577	192,718
Total debt and equity	226,577	196,718

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. If the amount so calculated is negative, this is shown as a "net cash" position.

	2017 £'000	2016 £'000
Borrowings used for investment purposes, less cash	(1,020)	2,807
Net assets	226,577	192,718
(Net cash)/gearing	(0.5)%	1.5%

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 the Company's own shares for cancellation or to hold in treasury, which takes into account the share price discount to net asset value per share;
- the opportunities for issues of new shares or reissue of shares out of treasury; 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 Wednesday, 31 January 2018 at 12.00 noon. The formal Notice of Meeting is set out on page 47.

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 11 – Directors' authority to allot ordinary shares (ordinary resolution) and resolution 12 – power to disapply pre-emption rights (special resolution)

At the AGM held on 31 January 2017, 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 2017, 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 £448,139 (being 5% of the issued share capital (excluding any shares held in treasury) as at 19 December 2017). 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 £448,139 (being 5% of the Company's issued share capital (excluding any shares held in treasury) as at 19 December 2018). Pre-emption rights under the Companies Act 2006 apply to the reissue of treasury shares for cash as well as the allotment of new shares. Resolution 12 therefore relates to both issues of new shares and the sale of treasury shares.

The Directors intend to use the authorities to issue new ordinary shares or reissue shares from treasury whenever they believe it is advantageous both to new investors and to the Company's existing shareholders to do so. The authority will only be used to issue ordinary shares at a premium to NAV per share.

If renewed, both authorities will expire at the conclusion of the AGM in 2019 unless renewed or revoked earlier.

Resolution 13 – authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 31 January 2017, the Company was granted authority to make market purchases of up to 5,417,939 ordinary shares of 25p each for cancellation or holding in treasury. 292,500 shares have been bought back into treasury under this authority and the Company therefore has remaining authority to purchase up to 5,125,439 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 NAV per share 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 reissue. If renewed, the authority to be given at the 2018 AGM will lapse at the conclusion of the AGM in 2019 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 Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Mid Cap Fund plc will be held on Wednesday, 31 January 2018 at 12.00 noon at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2017.
2. To approve a final dividend of 10.00 pence per share for the year ended 30 September 2017.
3. To approve the Directors' Annual Report on Remuneration for the year ended 30 September 2017.
4. To re-elect Mr Eric Sanderson as a Director of the Company.
5. To re-elect Mrs Clare Dobie as a Director of the Company.
6. To re-elect Mr Andrew Page as a Director of the Company.
7. To re-elect Mr Robert Rickman as a Director of the Company.
8. To re-elect Mr Robert Talbut as a Director of the Company.
9. To re-appoint KPMG LLP as Auditor of the Company.
10. To authorise the Directors to determine the remuneration of KPMG LLP as Auditor of the Company.
11. 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 £448,139 (representing 5% of the share capital in issue on 19 December 2017); 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."
12. To consider and, if thought fit, to pass, the following resolution as a special resolution:

    "That, subject to the passing of resolution 11 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 11 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 £448,139 (representing 5% of the aggregate nominal amount of the share capital in issue on 19 December 2017); 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."
13. 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 5,374,093, representing 14.99% of the issued share capital as at 19 December 2017;

    (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 per share;

    (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

19 December 2017

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

Registered number: SC82551

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 overseas 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 overseas 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 6.30 p.m. on 29 January 2018, or 6.30 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 6.30 p.m. on 29 January 2018 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

Explanatory Notes to the Notice of Meeting

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 re-election are set out on pages 17 and 18 of the Company's Annual Report and Accounts for the year ended 30 September 2017.

7. As at 19 December 2017, 36,143,690 ordinary shares of 25 pence each were in issue of which 292,500 shares were held in treasury; accordingly, the total number of voting rights in the Company as at 19 December 2017 is 35,851,190. Treasury shares are not counted for the purposes of the issued share capital for the percentages referred to in resolutions 11, 12 and 13.

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.schroders.co.uk/ukmidcap.

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.

Key Terms

Benchmark

A measure against which the performance of an investment company is compared or against which it sets its objective. The Company's benchmark is the FTSE 250 (ex-Investment Companies) Index.

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

Net asset value ("NAV") per share

The NAV per share represents the net assets attributable to equity shareholders divided by the number of shares in issue, excluding any shares held in treasury. The NAV per share is published daily.

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

Total assets

Total assets are the total value of all a company's investments before deducting any liabilities or borrowings used for gearing/investment purposes.

Total return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/ukmidcap. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, terms of reference of Committees and other governance arrangements. In addition, the webpages 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 NAV per share 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 the Company's webpages.

The Manager publishes monthly and quarterly updates on the Company and other Schroders investment trusts, which may be found under the "Literature" section on the webpages www.schroders.co.uk/ukmidcap.

Association of Investment Companies

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

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs 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.

Financial calendar

Annual General Meeting	January
Final dividend paid	February
Half year results announced	May/June
Interim dividend paid	June
Financial year end	30 September
Annual results announced	December

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the webpage www.schroders.co.uk/its.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the webpage www.schroders.co.uk/its. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2017 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.1
Commitment method	2.0	1.1

Illiquid assets

As at the date of this Report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFMD information disclosure document published on the webpage www.schroders.co.uk/its.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, will soon be required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID will be published via a Regulatory Information Service and made available on its webpages, www.schroders.co.uk/ukmidcap, from 1 January 2018.

www.schroders.co.uk/ukmidcap

Advisers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 6501

Registered Office

1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

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

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.

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 the address above.

Corporate Broker

Panmure Gordon & Co
1 New Change
London EC4M 9AF

Independent Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Lawyers

Shepherd and Wedderburn
1 Exchange Crescent
Edinburgh EH3 8UL

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the address given above.

Dealing Codes

ISIN: GB0006108418
SEDOL: 0610841
Ticker: SCP

Global Intermediary Identification Number (GIIN)

9GN3DU.99999.SL.826

Legal Entity Identifier (LEI)

549300SOEWCYZTK2SP87

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