

Schroder

UK Mid & Small Cap Fund plc

Half-Yearly Report to 31 March 2009



Schroders

Investment Objective

The Company's investment objective is to invest in Mid and Small Cap Equities with the aim of providing a total return in excess of the FTSE All-Share, ex-investment companies, ex-FTSE 100, Total Return Index.

Directors

Peter Timms (Chairman)
Rachel Beagles
Malcolm Coubrough
Chris Jones
Maxwell Packe

Advisers

Investment Manager and Company Secretary

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

Registered Office

33 Bothwell Street
Glasgow G2 6NL

Banker

ING Bank N.V.
60 London Wall
London EC2M 5TQ

Custodian

JP Morgan Chase Bank, N.A.
1 Chaseside
Bournemouth
Dorset BH7 7DB

Independent Auditors

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

Registrar

Equiniti Limited
1st Floor
34 South Gyle Crescent
South Gyle Business Park
Edinburgh EH12 9EB

Shareholder Helpline: 0871 384 2713*
www.shareview.co.uk

*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Solicitors

Tods Murray LLP
33 Bothwell Street
Glasgow G2 6NL

Stockbrokers

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Contents

Financial Highlights and Ten Largest Investments	2
Chairman's Statement	3
Investment Manager's Review	4
Income Statement	6
Reconciliation of Movements in Shareholders' Funds	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Accounts	10
Company Summary	12

Financial Highlights

	31 March 2009	30 September 2008	% Change
Net asset value per ordinary share	163.75p	203.51p	(19.54)
Share price	142.00p	168.00p	(15.48)
Share price discount	13.3%	17.4%	
Total assets* (£'000)	59,184	73,556	(19.54)
Shareholders' funds (£'000)	59,184	73,556	(19.54)
	Six months ended 31 March 2009	Six months ended 31 March 2008	
Earnings per share	1.81p	2.12p	
FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index**	(19.7)%	(10.7)%	
Net asset value total return***	(16.0)%	(8.9)%	

* Total assets less current liabilities (excluding short term borrowings)

** Source: Thomson Financial Datastream

*** Source: Fundamental Data (with net income reinvested)

Ten Largest Investments

As at 31 March 2009

Company and Activities	Market Value of Holding £'000	% of Shareholders' Funds
Dechra Pharmaceuticals		
Manufacturer of pharmaceutical products and equipment for veterinary industry	1,660	2.80
Premier Oil		
Oil and gas exploration development and production	1,382	2.34
CSR		
Designs and manufactures single-chip radio devices	11,224	2.07
Greggs		
Retails sandwiches, savouries and other bakery-related products	1,206	2.04
Fidessa Group		
Supplies computer software products to customers in the financial trading systems market	1,190	2.01
Homeserve		
Provider of home emergency repair insurance coverage	1,162	1.96
Carillion		
Infrastructure, building and business services	1,088	1.84
Babcock International		
Support services to defence, energy and transport sectors	1,074	1.81
Cranswick		
Manufacturer of pork products	1,062	1.79
Fisher (James)		
Suppliers of maritime services	1,021	1.73
Total	12,069	20.39

At 30 September 2008, the ten largest investments represented 20.08% of Shareholders' Funds.

Chairman's Statement

Performance

The turbulence in financial markets continued during the six months ended 31 March 2009. There was a negative total return of 16.0% in the NAV of the Company during the period, compared to a fall in the FTSE All-Share, ex-Investment Companies, ex FTSE 100 Total Return Index of 19.7%. Meanwhile, the share price fell by 15.5%, from 168.00 pence to 142.00 pence, as the share price's discount to net asset value narrowed from 17.4% to 13.3%.

Full details of investment performance, as well as portfolio activity, policy and outlook, may be found in the Investment Manager's Review.

Gearing Facility

The Company had in place a revolving credit facility of £10 million during the period under review. The facility was undrawn throughout the period and remains undrawn at the date of this Report. Parameters for the use of gearing have been established and these are reviewed regularly by the Board.

Share Purchases

The Company did not purchase any shares for cancellation or holding in treasury during the period under review. Your Board will continue to consider whether share purchases should be made on a regular basis.

Peter Timms

Chairman

29 May 2009

Investment Manager's Review

Investment Philosophy

We have adopted a 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 us as your Manager, carrying out our own research with numerous company contacts. When analysing stocks, we look for companies with strong management teams with a proven record, good future prospects and a strong business franchise within their markets.

Performance

Over the six months to 31 March 2009, the Company's net asset value on a total return basis fell by 16.0%. This compared to a fall of 19.7% in the FTSE All Share, ex Investment Companies, ex FTSE 100, Total Return Index over the same period. In a difficult equity market some of the best performances came from companies operating in defensive sectors, such as Dechra (veterinary supplies) and Greggs (takeaway food retailing). In addition, there were strong performances from our investments in the oil exploration and production sector, where the holding in Venture Production was sold to Centrica at a useful premium, and Premier Oil announced a sizeable increase in its UK acreage with the acquisition of Oilexco North Sea. The single most significant contribution came from pub operator JDWetherspoon, which has been gaining market share thanks to its low priced offer.

Disappointments came in the main from companies with high levels of debt, such as E2V Technologies (electronic components), Shanks (waste management), and Speedy Hire (tool hire).

Market Background

The UK equity market has been extremely volatile in recent months. The credit crunch has affected consumers and corporates alike and its consequences have been seen throughout the world. A severe bout of supply chain de-stocking has been particularly challenging for manufacturers, while consumers have lacked the confidence to spend and activity levels in financial markets have in many instances seized up. Credit markets remain difficult, and whilst most quoted companies in the UK are achieving successful refinancings of bank debt, the cost of that debt has risen sharply. There is some evidence that UK consumers in employment are now better off financially as a result of falling fuel and mortgage costs. There is also some pick-up in residential property transactions and equity markets as investors redeploy low yielding cash from deposit accounts.

Portfolio Update

New purchases in the past six months have added UK consumer exposure in the form of Persimmon (housebuilding), Paragon (buy to let mortgages) and Stagecoach (public transport), and oil services exposure through Wellstream and Wood Group. Cash is also in the process of being deployed to support various equity issues, notably Inchcape (motor retailing), SIG (building materials), Premier Oil (acquisition of North Sea assets) and William Hill (betting). Complete disposals have included Balfour Beatty upon promotion to the FTSE 100 Index, Venture Production where our stake was sold to Centrica, and WSP (consulting engineers). The company has no gearing presently.

Outlook

The combination of low interest rates and falling energy prices means that a UK consumer with a job and a mortgage will be significantly better off in 2009 than in 2008 in terms of disposable income. However, unemployment will continue to rise throughout this year. On balance, we expect slowly improving overall demand from the UK consumer as confidence returns. The recent budget moves may stimulate specific areas such as automotive purchases, but only in the short term.

UK Government finances are in their weakest state arguably since World War II, and sterling could weaken further if gilt auctions struggle. Although some infrastructure projects will be pursued, in the medium term, realistically after the next

general election, government spending will have to be reined in, for the first time in over a decade. Although UK inflation looks set to fall this year, quantitative easing is likely to fuel inflation further out, boosting equity markets. There has been some modest M&A activity already in 2009 and several equity refinancings. More of both are likely, but some of the most heavily indebted companies will still be forced into debt for equity swaps.

The recession will reduce capacity and competition in many sectors, and our focus is on investing in companies that will benefit from this trend.

Schroders

29 May 2009

Income Statement

	(Unaudited) For the six months ended 31 March 2009			(Unaudited) For the six months ended 31 March 2008			(Audited) For the year ended 30 September 2008			
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Losses on investments held at fair value	–	(12,899)	(12,899)	–	(9,872)	(9,872)	–	(27,465)	(27,465)	
Income	2	870	–	870	990	–	990	2,645	–	2,645
Investment management fee	3	(23)	(210)	(233)	(35)	(313)	(348)	(65)	(588)	(653)
VAT recoverable		–	–	–	–	–	–	35	315	350
Performance fee		–	–	–	–	–	–	–	(92)	(92)
Administrative expenses		(194)	–	(194)	(174)	–	(174)	(352)	–	(352)
Net loss before finance costs and taxation		653	(13,109)	(12,456)	781	(10,185)	(9,404)	2,263	(27,830)	(25,567)
Interest payable and similar charges	3	–	–	–	(8)	(70)	(78)	(10)	(69)	(79)
Net loss on ordinary activities before taxation		653	(13,109)	(12,456)	773	(10,255)	(9,482)	2,253	(27,899)	(25,646)
Taxation on ordinary activities		–	–	–	(3)	–	(3)	–	–	–
Net loss attributable to equity shareholders		653	(13,109)	(12,456)	770	(10,255)	(9,485)	2,253	(27,899)	(25,646)
Net loss per ordinary share	4	1.81p	(36.27)p	(34.46)p	2.12p	(28.30)p	(26.18)p	6.22p	(77.03)p	(70.81)p

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

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

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

Reconciliation of Movements in Shareholders' Funds

For the six months ended 31 March 2008 (Unaudited)

	Called up Share capital £'000	Capital re- demption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
Balance at 30 September 2007	9,060	196	13,971	2,184	15,638	57,507	2,296	100,852
Net loss on ordinary activities	-	-	-	-	-	(10,255)	770	(9,485)
Ordinary dividend paid	-	-	-	-	-	-	(1,489)	(1,489)
Purchase of shares for cancellation	-	-	-	-	2	-	-	2
At 31 March 2008	9,060	196	13,971	2,184	15,640	47,252	1,577	89,880

For the year ended 30 September 2008 (Audited)

	Called up Share capital £'000	Capital re- demption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
Balance at 30 September 2007	9,060	196	13,971	2,184	15,638	57,507	2,296	100,852
Net loss on ordinary activities	-	-	-	-	-	(27,899)	2,253	(25,646)
Ordinary dividend paid	-	-	-	-	-	-	(1,489)	(1,489)
Purchase of shares for cancellation	(24)	24	-	-	(161)	-	-	(161)
At 30 September 2008	9,036	220	13,971	2,184	15,477	29,608	3,060	73,556

For the six months ended 31 March 2009 (Unaudited)

	Called up Share capital £'000	Capital re- demption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
At 30 September 2008	9,036	220	13,971	2,184	15,477	29,608	3,060	73,556
Net loss on ordinary activities	-	-	-	-	-	(13,109)	653	(12,456)
Ordinary dividend paid	-	-	-	-	-	-	(1,916)	(1,916)
At 31 March 2009	9,036	220	13,971	2,184	15,477	16,499	1,797	59,184

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

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

Balance Sheet

	(Unaudited) At 31 March	(Unaudited) At 31 March	(Audited) At 30 September
Note	2009 £'000	2008 £'000	2008 £'000
Fixed assets			
Investments held at fair value through profit or loss	53,146	84,229	65,570
	53,146	84,229	65,570
Current assets			
Debtors	444	908	1,721
Cash at bank and short-term deposits	6,414	6,261	7,167
	6,858	7,169	8,888
Current liabilities			
Creditors – amounts falling due within one year	(820)	(1,518)	(902)
	6,038	5,651	7,986
Net current assets	6,038	5,651	7,986
Net assets	59,184	89,880	73,556
Capital and reserves			
Called-up share capital	9,036	9,060	9,036
Capital redemption reserve	220	196	220
Share premium account	13,971	13,971	13,971
Merger reserve	2,184	2,184	2,184
Share purchase reserve	15,477	15,640	15,477
Capital reserves	16,499	47,252	29,608
Revenue reserve	1,797	1,577	3,060
Equity shareholders' funds	59,184	89,880	73,556
Net asset value per ordinary share	163.75p	248.02p	203.51p

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

Cash Flow Statement

	(Unaudited) For the six months ended 31 March 2009	(Unaudited) For the six months ended 31 March 2008	(Audited) For the year ended 30 September 2008
Net cash inflow from operating activities	497	319	865
Net cash outflow from servicing of finance	–	(89)	(91)
Total tax paid	(3)	(3)	(11)
Net cash inflow from investment activities	669	10,026	10,561
Equity dividends paid	(1,916)	(1,489)	(1,489)
Net cash (outflow)/inflow before financing	(753)	8,764	9,835
Net cash outflow from financing	–	(4,998)	(5,163)
Net cash (outflow)/inflow	(753)	3,766	4,672
Reconciliation of net cash flow to movement in net funds/(debt)			
Net cash (outflow)/inflow	(753)	3,766	4,672
Movement in bank loan	–	5,000	5,000
Net funds/(debt) brought forward	7,167	(2,505)	(2,505)
Net funds at period end	6,414	6,261	7,167

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

Notes to the Accounts

1. Accounting Policies and Responsibility Statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice: Financial Statements of Investment Companies (SORP) issued in January 2009 and the Interim Management Report in the form of the Chairman's Statement and Investment Manager's Review include a fair review of the information required by DTR 4.2.7 and 4.2.8 of the FSA's Disclosure and Transparency Rules.

The financial information for each of the six month periods ended 31 March 2009 and 31 March 2008 comprises non-statutory accounts within the meaning of section 240 of the Companies Act 1985 and sections 434 - 436 of the Companies Act 2006 as appropriate. The financial information for the year ended 30 September 2008 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified.

The Company's principal risks and uncertainties remained unchanged to those described in the Report and Accounts for the year ended 30 September 2008.

The Company's accounting policies have not varied from those described in the Report and Accounts for the year ended 30 September 2008.

2. Income

	(Unaudited) For the six months ended 31 March 2009 £'000	(Unaudited) For the six months ended 31 March 2008 £'000	(Audited) For the year ended 30 September 2008 £'000
Income from investments held at fair value through profit or loss:			
Franked dividends	756	831	2,285
Unfranked dividends	15	14	65
Stock dividends	–	9	9
Interest on deposits	93	136	286
Other income	6	–	–
	870	990	2,645

3. Management fees and interest payable

The investment management fee and any finance costs on borrowings for investment purposes are apportioned 10% to the revenue return and 90% to the capital return.

4. Loss per ordinary share

	(Unaudited) For the six months ended 31 March 2009	(Unaudited) For the six months ended 31 March 2008	(Audited) For the year ended 30 September 2008
Revenue (£'000)	653	770	2,253
Capital (£'000)	(13,109)	(10,255)	(27,899)
Total	(12,456)	(9,485)	(25,646)
Weighted average number of ordinary shares in issue	36,143,690	36,238,690	36,215,589
Revenue	1.81p	2.12p	6.22p
Capital	(36.27)p	(28.30)p	(77.03)p
Total	(34.46)p	(26.18)p	(70.81)p

5. Creditors: Amounts falling due within one year

The balance as at 31 March 2009 represents purchases awaiting settlement and accrued charges.

The Company has in place a 364 day £10 million unsecured loan facility with ING Bank N.V., of which £nil was drawn down at the period end (31 March 2008 and 30 September 2008: £nil).

6. Net asset value per ordinary share

	(Unaudited) At 31 March 2009	(Unaudited) At 31 March 2008	(Audited) At 30 September 2008
Net assets attributable to ordinary shareholders (£'000)	59,184	89,880	73,556
Ordinary shares in issue at end of period	36,143,690	36,238,690	36,143,690
Net asset value per ordinary share	163.75p	248.02p	203.51p

7. Contingent asset

HM Revenue and Customs (HMRC) has declared its acceptance that fund management services to investment trusts are exempt from VAT. The Manager has confirmed that it has lodged claims with HMRC to recover VAT paid on management and any performance fees for the period 1 May 2003 to 31 October 2007, for which £350,000 was recognised in the accounts for the year ending 30 September 2008.

There are three further periods, 1994-96, 1996-2001 and 2001-03, for which further recovery may be achieved but this remains uncertain and no recognition has been made in these accounts.

8. Related party transactions

There have been no related party transactions that have materially affected the financial position or performance of the Company.

Company Summary

The Company

Schroder UK Mid & Small Cap Fund plc was established in April 1983 under the name of Murray Technology Investments plc. and Schroders took over management of the Company in May 2003, at which point its name was changed to Schroder UK Mid & Small Cap Fund plc. The Company is an investment trust with ordinary shares in issue that are listed on the London Stock Exchange. It is one of a number of investment trusts managed and administered by Schroders.

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

Website and Price Information

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

The Company releases its net asset value to the market daily on both a cum and ex income basis.

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

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at 1st Floor, 34 South Gyle Crescent, South Gyle Business Park, Edinburgh EH12 9EB. The helpline telephone number of Equiniti Registrars is 0871 384 2713 (calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary).

Equiniti maintains a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers.

Shareholders will be invited to enter their name, shareholder reference (account number) and postcode and will be able to view information on their own holding. Please visit www.shareview.co.uk for more details.

Association of Investment Companies

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

www.schroderukmidandsmallcapfund.com