

Schroder

UK Growth Fund plc

Report and Accounts to 30 April 2011



Schroders

Investment Objective

The Company's principal investment objective is to achieve capital growth predominantly from investment in UK equities, with the aim of providing a total return in excess of the FTSE All-Share Index.

Directors

Alan Clifton (Chairman)*†

Aged 64, Chairman since 5 August 2002, was appointed as a Director on 18 June 2001 and was previously the Managing Director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc. He is currently Chairman of JP Morgan Fleming Japanese Smaller Companies Investment Trust plc and a Director of International Biotechnology Trust plc and a number of other investment companies.

Keith Niven†

Aged 62, was appointed as a Director on 28 January 1994. He is Chairman of Matrix Income & Growth VCT PLC and a Director of two other investment trusts, Schroder Income Growth Fund plc and Impax Environmental Markets plc. He is also an investment adviser to the Rolls-Royce Pension Fund. Mr Niven was previously a Vice Chairman of Schroder Investment Management Limited.

David Ritchie*†

Aged 66, was appointed as a Director on 6 August 2001. He is Chairman of Cornelian Asset Management Group Limited and a Director of AMEC Staff Pensions Trustee Limited. He is a former Executive Chairman of Scottish Widows Investment Management Limited and Chairman of Edinburgh New Income Trust plc.

Andrew Hutton*†

Aged 53, was appointed as a Director on 3 September 2008. He is an independent investment advisor and Director of A.J. Hutton Ltd. Prior to setting up his own business in 2007, he was Head of Investment Management at Coutts and subsequently joint-MD of RBS Asset Management. He has also worked for JP Morgan from 1979 to 1997 in London, Melbourne, New York and Singapore.

Stella Pirie OBE*†

Aged 60, was appointed as a Director on 5 August 2002. She is currently a Director of Avon Rubber plc and Highcross Group Limited. She is Chair of Governors of Bath Spa University and was previously a Director of GCap Media Plc.

*Member of the Audit and Management Engagement Committees

†Member of the Nomination Committee

Mr Clifton is Chairman of the Nomination and Management Engagement Committees

Mr Ritchie is Chairman of the Audit Committee

Advisers

Investment Manager

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Company Secretary and Registered Office

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

Contents

Financial Highlights and Portfolio Sector Distribution	2
Ten-Year Record	3
Chairman's Statement	4
Investment Manager's Review	6
Investment Portfolio	8
Report of the Directors	9
Remuneration Report	17
Corporate Governance	18
Independent Auditors' Report	23
Income Statement	24
Reconciliation of Movements in Shareholders' Funds	25
Balance Sheet	26
Cash Flow Statement	27
Notes to the Accounts	28
Notice of Meeting	41
Explanatory Notes	43
Company Summary and Shareholder Information	Inside Back Cover

Financial Highlights

	30 April 2011	30 April 2010	% Change
Net asset value per share (undiluted)	148.90p	128.38p	16.0
Net asset value per share (diluted)	144.24p	125.78p	14.7
Net asset value per share (excluding undistributed current year revenue)	147.38p	127.16p	15.9
Ordinary share price	137.12p	117.25p	16.9
Subscription share price	16.25p	11.25p	44.4
Ordinary share price discount (based on NAV excluding undistributed current year revenue)	4.9%	6.8%	
Total assets*	£257.1m	£222.1m	15.8
Loans	£25.0m	£25.0m	–
Shareholders' funds	£232.1m	£197.1m	17.8
Market capitalisation (excluding subscription shares)	£213.8m	£180.0m	18.8
Ordinary shares in issue	155.9m	153.5m	1.6
Subscription shares in issue	28.8m	31.2m	(7.7)
	Year Ended 30 April 2011	Year Ended 30 April 2010	
Dividends per share	3.00p	2.75p	9.1
Net Asset Value total return**	17.1%	46.6%	
FTSE All-Share Index total return***	13.7%	36.6%	
Total Expense Ratio****	0.70%	0.75%	

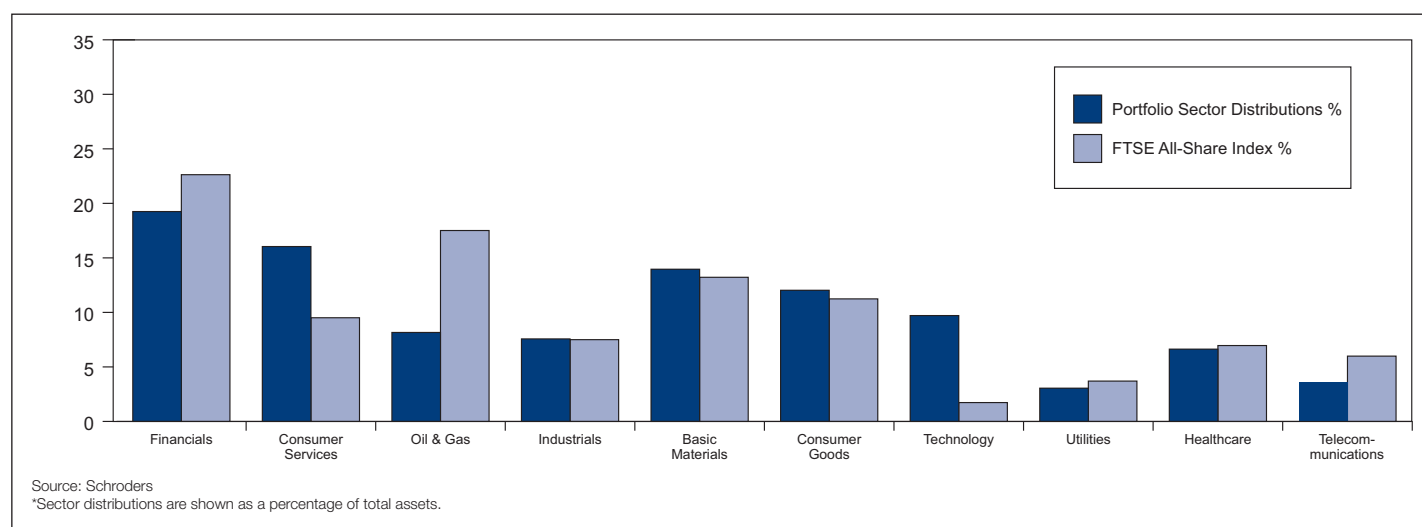
*Calculated in accordance with AIC guidance and comprises shareholders funds plus borrowings used for investment purposes.

**Source: Morningstar.

***Source: Thomson Financial Datastream.

****Calculated in accordance with AIC guidance. Based on operating costs, excluding performance fee, finance costs and back dated VAT recoverable (if applicable), and expressed as a percentage of average monthly net assets.

Comparison of Portfolio Sector Distribution with the FTSE All-Share Index* at 30 April 2011



Ten-Year Record

As at 30 April	Total assets £	Shareholders' funds* £	Diluted NAV per Ordinary share**	Undiluted NAV per Ordinary share**	Market price of Ordinary shares
2011	257.1m	232.1m	144.24p***	148.90p	137.12p
2010	222.1m	197.1m	125.78p***	128.38p	117.25p
2009	176.4m	141.4m	N/A	90.16p	83.50p
2008	267.8m	225.3m	N/A	143.59p	134.25p
2007	279.5m	244.5m	N/A	155.36p	143.75p
2006	257.1m	229.1m	N/A	139.59p	123.00p
2005	204.3m	179.3m	N/A	108.90p	94.00p
2004	192.9m	172.9m	N/A	102.92p	93.50p
2003	161.7m	141.7m	N/A	84.24p	77.75p
2002	240.0m	210.0m	117.41p**	119.73p	100.50p

*From 1 May 2001 to 30 April 2011, the Company purchased 38,461,772 shares for cancellation, at a cumulative cost of £42.2 million.

**Warrants expired 2 September 2002.

***Diluted NAV represents impact of subscription shares if taken up.

For the year ended 30 April	Return per Ordinary share	Net dividends per Ordinary share	Cost of running trust ¹ £'000	Actual gearing ratio ² %
2011	2.78p	3.00p	1,436	1.09
2010	2.18p ³	2.75p	1,292 ³	1.06
2009	3.66p	3.85p	979	1.12
2008	4.11p ³	3.85p	1,489 ³	1.14
2007	3.94p	3.50p	1,539	1.14
2006	3.36p	3.35p	1,366	1.12
2005	3.20p	3.15p	1,208	1.13
2004	2.96p	3.00p	1,159	1.10
2003	2.91p	3.00p	1,057	1.13
2002	3.42p	3.50p	1,531	1.14

¹Operating expenses before tax relief (excl. performance fees and interest payable).

²Total assets less cash divided by shareholders' funds.

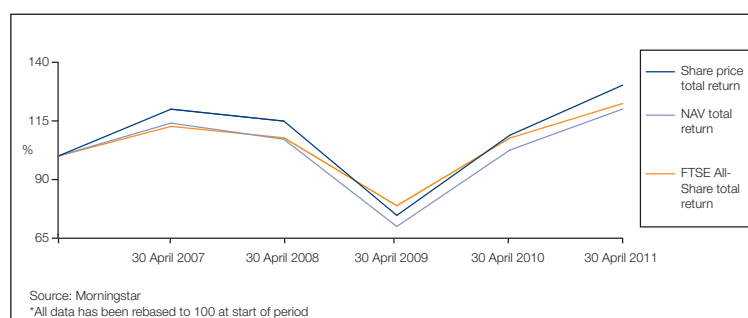
³Excludes back dated VAT recovered on management fees and associated simple interest thereon.

Ten-Year Total Returns to 30 April 2011

	Share price %	NAV %	FTSE All- Share Index %
1 Year	19.62	17.08	13.68
2 Years	74.30	71.54	55.29
3 Years	13.34	12.03	13.55
4 Years	8.53	5.26	8.65
5 Years	30.25	20.07	22.42
6 Years	75.51	58.12	62.04
7 Years	82.24	69.69	79.34
8 Years	126.60	113.90	119.21
9 Years	83.01	59.26	70.94
10 Years	51.74	33.71	53.66

Source: Morningstar

Five-Year Share Price and NAV Performance*



Chairman's Statement

Performance

The twelve months ended 30 April 2011 was another positive year for the Company both in absolute and relative terms. During the year, the Company's net asset value produced a total return of 17.1%, while the share price produced a total return of 19.6%. These compare with a total return of 13.7% produced by the FTSE All-Share Index over the same period.

Further comment on performance and investment policy may be found in the Investment Manager's Review.

Earnings and Dividends

The Company's focus continues to be on total return without constraining the Manager to deliver any given level of investment income. When the Company's investment policy was altered in November 2006, we indicated that the concentration of the portfolio might impact on the Company's ability to pay an increasing dividend stream.

For the year under review, income from the portfolio increased by just over 10% when compared to the previous year.

The Directors have declared a second interim dividend of 1.75p per share, making a total of 3.00p per share for the year as a whole, an increase of 9.1% over total dividends paid for the previous year. As last year, part of the dividend will be financed from the Company's revenue reserve. The second interim dividend will be payable on 29 July 2011 to shareholders on the Register on 8 July 2011.

Gearing Policy

During the year, the Company maintained its borrowing facility at £35 million and drawings at £25 million.

The effective net gearing level (which takes account not only of the borrowings but any cash held by the Investment Manager) at the beginning of the year was 5.6% and had increased to 9.5% by the end of the year. The average effective net gearing level during the year under review was 7.2%. The Company's gearing continues to operate within pre-agreed limits so that net effective gearing does not represent more than 20% of shareholders' funds. It should be noted that the effect of gearing is to exaggerate underlying investment performance.

Management Fees

Following a review of fees, the Board has agreed to a change in management fee structure. By way of background, the current performance fee was put in place in 1999 following a long period of under-performance, and the current base fee arrangements were put in place in 2001. Following the change in strategy in 2006, we have now seen an improving trend in performance and the Board therefore believed that the time was right to review fees paid to the Manager. The performance fee was introduced in order to incentivise the Manager in view of the relatively low base fee. However, the Board feels that the performance fee structure adds a layer of unnecessary complexity to the management fee arrangements, and does not necessarily help to align the interests of the Manager with those of shareholders. Furthermore, the Manager has, to date, received fees based on gross assets (before the deduction of borrowings) and we believe that best practice in the industry is moving away from that position.

The Board has therefore agreed a new fee structure, which will take effect from 1 May 2011. The performance fee arrangements will be terminated, the base management fee will increase to 0.65%, and the basis on which that fee is calculated will be amended so that management fees are not paid on assets financed by borrowings.

Discount Management Policy

The Board continued to operate a formal discount management policy during the year under review under which the Company seeks to maintain the discount to the net asset value at which its shares are quoted on the London Stock Exchange at no greater than 5% over the long-term.

This policy was broadly effective during the year ended 30 April 2011 and the average discount during the period was 5.5%. A total of 41,000 shares were purchased for cancellation during the year in support of the Board's policy.

Chairman's Statement

The Directors are seeking authority from shareholders for a renewal of the required authorities to purchase shares for cancellation and to hold shares in treasury for re-issue at a premium to net asset value, to assist with achieving the target longer-term discount level established by the formal discount management policy.

From time to time, it will be necessary for the Board to review target levels should general market conditions dictate.

Issue of Subscription Shares

A total of 2,416,046 subscription shares were converted into ordinary shares during the year ended 30 April 2011 and there are now 28,769,892 subscription shares in issue.

The subscription price, if subscription share rights are exercised on 1 August 2011, will be 119p, and will increase to 129p if exercised on each of the remaining subscription dates of 31 January and 31 July 2012, when the subscription shares expire.

A Circular, reminding shareholders of the next subscription date on 1 August 2011, outlining procedures for subscription and setting out the base costs for the subscription shares for capital gains tax purposes, will be sent to all subscription shareholders with the Annual Report.

We would urge all subscription shareholders to consider whether they wish to convert their subscription shares into ordinary shares on 1 August 2011. By way of reference, for the period between 30 April 2011 (the Company's financial year-end) and 21 June 2011, the ordinary shares traded at prices between 130p and 138.25p per share. The current subscription price is 119p per share, and this will increase to 129p per share for the remaining subscription dates on 31 January 2012 and 31 July 2012. Investors should seek independent financial advice if they are unsure about what action to take.

Outlook

Since my last annual report to shareholders a year ago, UK economic growth has been less and inflation higher than expected – yet the Company's net asset value is up by more than a tenth. Helpful as this is for shareholders looking for opportunities to convert subscription shares issued in 2009, it is a reflection of how well many of the companies in the portfolio had been doing, despite the difficult environment.

That market environment may remain uncertain, so the emphasis of portfolio management is likely to stay on the performance of individual companies and what, in the view of the Investment Manager, are relatively attractive share valuations. Your Board continues to believe that a strategy concentrated in the Manager's high-conviction ideas is an excellent way of outperforming in this challenging economic world.

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Monday 1 August 2011, and shareholders are encouraged to attend. I hope as many of you as possible will be able to come along. The meeting, as in previous years, will include a presentation by the Investment Manager on the prospects for the UK market and the Company's investment strategy.

Alan Clifton

Chairman

24 June 2011

Investment Manager's Review

Performance

Over the 12 months to 30 April 2011, the total return on the Company's net asset value was 17.1%, compared to the total return from the FTSE All-Share index of 13.7% (source: Morningstar).

Market and Economic Background

Despite a series of negative economic and political headlines at home and overseas, the UK stock market performed well in the last twelve months, with an increase above that of most other UK assets. Expectations of a sustained economic recovery, both in the UK and its key export markets, offset concern about rising domestic inflation, higher commodity prices, continued sovereign debt problems in parts of the Eurozone, and geo-political uncertainty in the Middle East and North Africa.

The support for the market came from continued evidence of UK companies recovering from the traumas of 2008-09; large numbers of companies reported good profits growth for 2010, usually with positive comments about the outlook for 2011. At a time when the global picture remains uncertain – not least in Japan, after the terrible events following the tsunami in March – it is reassuring that most of the companies in the portfolio seem to be performing at least as well as expected.

Performance Review

The net asset value's continued outperformance of the broader market came from many of the same factors as last year, from some of the same holdings – eg longterm successes such as Burberry, Virgin Media, ICAP and Misys – and from the Company being geared through its bank facility. The portfolio also benefitted relative to the benchmark from not holding BP, a large component of the benchmark whose share price has not fully recovered from last April's oil spill in the Gulf of Mexico. The Company's oil exposure has been instead in Royal Dutch Shell and Dana Petroleum, with the latter adding to performance when it received a bid.

The disappointments in the portfolio were largely shares affected by concern over the domestic UK economy, such as some of the high street retailers held (Debenhams and Home Retail) and the domestic banks (Barclays and Lloyds). We continue to believe that these companies' recovery potential is material, so – as noted later – we have used some of that share price weakness to add to the portfolio's holdings.

Outlook

We expect the global economic recovery to continue at a sluggish pace though, as ever, there are risks. A disconnect in monetary policy, with the European Central Bank signalling policy tightening while the US Federal Reserve deploys a looser strategy, has historically caused issues for markets. The Eurozone debt crisis is ongoing and continues to have the capacity to unnerve investors.

Encouragingly, the stock market has shown resilience despite the bad news. In general, the profitability of companies remains resilient and balance sheets are in good shape. When conditions do improve and perceived risk subsides, the corporate sector is in a position to increase spending and hiring, ensuring that the UK continues to grow this year, albeit in uneven fashion.

We therefore continue to be cautiously optimistic, believing that the broader market will be volatile but produce positive returns over the medium term. Policy for the portfolio continues to focus on companies believed to be able to prosper in a tough environment (eg selected software companies and others benefitting from management change) or where valuations reflect near term uncertainties (eg the domestic banks). One increase in the portfolio's exposure in the last six months has been in the latter category, with additions to selected high street retailers. It is clear that the UK consumer is struggling as disposable income is eroded by tax increases, higher energy costs and uncertainty over public sector job cuts, but some of the market valuations look compelling on a medium term view. Elsewhere the holding in Tesco was sold, and a new holding started in Reed Elsevier.

Investment Manager's Review

The resulting portfolio is, as before, a concentrated list of our strongest conviction ideas. The holdings that are most overweight versus the benchmark are Virgin Media, Tate & Lyle, Burberry, Resolution and Misys, while the portfolio does not hold many of the large components of the benchmark such as HSBC, Vodafone, BP, and British American Tobacco. The gearing at the end of April was 9.5%, to reflect both our optimism about the market and the attractiveness of the holdings in the portfolio.

Schroder Investment Management Limited

24 June 2011

Investment Portfolio

As at 30 April 2011

Company	Sector Classification	Principal Activity	Market Value of Holding £'000	% of Shareholders' Funds
Xstrata	Basic Materials	Global diversified mining group	11,898	5.13
Royal Dutch Shell 'B'	Oil & Gas	Integrated oil group	10,613	4.57
BG Group	Oil & Gas	Oil and gas exploration and production group	10,042	4.33
Rio Tinto	Basic Materials	Global mining company	9,471	4.08
Burberry Group	Consumer Goods	Designs and sources apparels and accessories	9,347	4.03
Virgin Media	Telecommunications	Telecommunications and media services provider	9,145	3.94
Tate & Lyle	Consumer Goods	Corn and sugar refiner	8,981	3.87
BHP Billiton	Basic Materials	Global mining company	8,896	3.83
Resolution	Financials	Speciality finance	8,830	3.80
Shire	Healthcare	International speciality pharmaceutical company	8,542	3.68
Lloyds Banking Group	Financials	Banking and financial services group	8,245	3.55
GlaxoSmithKline	Healthcare	International pharmaceutical company	8,226	3.54
Standard Chartered	Financials	Banking and financial services group	7,675	3.31
Misys	Technology	Global application and software services provider	7,545	3.25
Carnival	Consumer Services	Global cruise company	7,410	3.19
Legal & General	Financials	UK financial services group	7,222	3.11
Barclays	Financials	Banking and financial services group	7,035	3.03
Experian Group	Industrials	Credit and marketing services	6,932	2.99
International Airlines Group	Consumer Services	International airline	6,851	2.95
Taylor Wimpey	Consumer Goods	House building company	6,365	2.74
Twenty largest investments			169,271	72.92
Charter International	Industrials	International engineering firm	6,337	2.73
Invensys	Technology	Energy resource management services	6,252	2.69
Centrica	Utilities	National energy provider	6,117	2.63
ICAP	Financials	Interdealer broker	6,102	2.63
Autonomy	Technology	Enterprise software company	6,060	2.61
Rolls Royce	Industrials	Power systems provider	5,880	2.53
Unilever	Consumer Goods	Consumer goods group	5,752	2.48
Debenhams	Consumer Services	UK fashion, accessories and homeware retailer	5,699	2.45
Next	Consumer Services	UK fashion and accessories	5,601	2.41
Reed Elsevier	Consumer Services	Professional publishing company	5,522	2.38
Vallar	Basic Materials	Mining and resources company	5,053	2.18
Whitbread	Consumer Services	Leisure group	4,855	2.09
Logica	Technology	Technology solutions company	4,704	2.03
Home Retail Group	Consumer Services	Home and general merchandising retailer	4,301	1.85
Royal Bank of Scotland	Financials	Banking and financial services group	3,592	1.55
Drax Group	Utilities	Power generation company	1,608	0.69
Ladbrokes	Consumer Services	Betting and gaming company	342	0.15
Rolls Royce 'C'	Industrials	Power systems provider	88	0.04
Total investments			253,136	109.04
Net current liabilities			(20,995)	(9.04)
Total equity shareholders' funds			232,141	100.00

At 30 April 2010, the twenty largest investments represented 70.59% of Shareholders' Funds.

Report of the Directors

Business Review

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of section 833 of the Companies Act 2006. In order to continue to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 1158 of the United Kingdom Corporation Tax Act 2010. The last accounting period for which the Company has been treated as approved by HMRC is the year ended 30 April 2010 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

Investment Objective

The principal investment objective of the Company is to achieve capital growth predominantly from investment in UK equities, with the aim of providing a total return in excess of the FTSE All-Share Index.

Investment Policy

The Company invests in a concentrated portfolio of stocks principally selected for their potential to provide attractive absolute returns for shareholders. The investment policy is to invest primarily in UK equities, including convertible securities and equity-related derivatives. The yield on the Company's investment portfolio is of secondary importance.

The Directors expect that, with the objective of maximising returns to shareholders, some form of gearing may be employed by the Company from time to time, but they do not anticipate gearing levels in excess of 20% of Shareholders' funds. The Company may also hold up to 20% of Shareholders' funds in cash or cash equivalents.

The Board has delegated management of the Company's portfolio to Schroder Investment Management Limited (the "Manager"). The Company invests in a portfolio of stocks principally selected for their potential to provide attractive absolute returns for shareholders. The Company's portfolio is not constructed along index-relative lines (the market capitalisation of a stock for example has no bearing on whether it is held in the portfolio or in what size). Instead, a relatively concentrated portfolio of between 20 and 40 large and mid-cap stocks is selected on the basis of the Manager's investment conviction that they will provide attractive absolute returns. The size of individual stock holdings depends on the Manager's degree of conviction, not the stock's weight in any index. The underlying investment philosophy and process adopted in the research and selection of stocks has not changed. This investment approach places more emphasis on generating attractive absolute returns than a more traditional index-relative one.

The Board and the Manager believe that this more flexible investment approach provides greater scope for the Company to benefit from truly active stock-picking.

The investment approach is in line with the approach adopted by the Manager's open-ended unit trust – The Schroder UK Alpha Plus Fund.

Resources

The Company has no employees; its investments are managed by Schroder Investment Management Limited, which also acts as Company Secretary and provides accounting and administration services to the Company. The principal terms of the Investment Management Agreement are set out on page 13.

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 on an on-going basis with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Investment Portfolio on page 8 demonstrates that, as at 30 April 2011, the Manager held 38 investments spread over 10 sectors. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Investment Manager's Review.

Report of the Directors

Measuring Success – Key Performance Indicators

The Board has adopted three key performance indicators (“KPIs”) which assist it in measuring the development and success of the Company’s business. The KPIs focus on the following areas: the measurement of the success of the Company’s investment objective, the management of the discount and the rate of expenses incurred by shareholders in the running of the Company.

Investment Performance

The Board considers that monitoring the relative success of the Company’s investment performance, measured against its established benchmark, is one of its most important roles. Performance against peer group companies is also reviewed.

Quarterly reports, including commentary on its view of markets, the impact of stock selection decisions and other attribution analysis, portfolio activity and strategy and outlook for the portfolio are provided by the Manager and form the basis of discussions at every board meeting. On a regular basis, the Board also reviews the investment processes of the Manager and considers reports from its broker on the perception of shareholders and the market on the Manager’s performance, and the Company’s strategy.

For the year ended 30 April 2011, the Company produced a total return on net asset value of 17.1% compared to a total return of 13.7% for the benchmark. Charts showing the Company’s five-year performance and sector distribution measured against the benchmark as at 30 April 2011 can be found on pages 2 and 3.

Each year the Board conducts an assessment of the Manager in the light of the performance achieved. Explanations of the factors behind the performance for the year under review are set out in statements from the Chairman and Investment Manager in the Report and Accounts. The Board remains supportive of the Manager and believes that it has the depth of resource in its management team to enable the Company to out-perform over the longer-term, backed by strong distribution capabilities and administration.

Discount Management

The shares of the Company often trade at a discount to net asset value and the management of this discount is a key factor for the Board. The Board has therefore adopted a second KPI, which measures the success of the Board’s strategy to limit volatility in the discount.

As the discount is a function of the balance between the supply and demand for the Company’s shares, a principal objective for the Board is to ensure that, through Schroders’ marketing team and the Company’s stockbrokers, potential shareholders and their advisers continue to be kept informed of the Company’s progress and the ways they can invest in it.

Share buy-backs are a more direct way of managing the discount. The discount of the Company’s share price to its underlying net asset value and the discounts of peer group companies, are monitored on a daily basis. The Board introduced a formal discount management policy to take effect once the change in investment policy had been approved by shareholders in November 2006, under which the Company will seek to maintain the discount to the net asset value at which shares are quoted on the London Stock Exchange at no greater than 5% over the long-term, subject to adverse market conditions. From time to time, it will be necessary for the Board to review target levels should general market conditions change.

An authority allowing the Company to re-issue shares held in treasury at or above the prevailing net asset value per share was approved at the Annual General Meeting held in August 2010.

During the year under review the share price discount averaged 5.5%. The Directors utilised the Company’s share buy-back powers during the year under review and a total of 41,000 (2010: 3,533,772) ordinary shares were bought back for cancellation. At 30 April 2011, the Company’s share price stood at a discount of 4.9% to net asset value, which compared with that of the peer group average discount, which stood at 9.8% (source: AIC).

Control of Total Expenses

One of the advantages of closed ended vehicles is their relatively low running costs compared with other investment vehicles. The Board has adopted a third KPI which assists the Board in keeping the total expense ratio (“TER”) of the Company under review.

Report of the Directors

An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. The Management Engagement Committee, comprised entirely of independent directors, considers the terms of the management agreement with the Manager, including fees, on an annual basis. Services (including costs) provided by most other providers including bankers, auditors, insurance providers and printers are also reviewed annually.

The TER for the Company for the year to 30 April 2011 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year) was 0.70%.

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks to enable the Directors to mitigate them as far as possible. A full analysis of the Directors' system of internal control and its monitoring system is set out in the Corporate Governance Statement. The principal risks are considered to be as follows:

Financial Risk

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

A full analysis of the financial risks facing the Company is set out in note 20 on pages 36 to 39.

The Company utilises a credit facility, currently in the amount of £35 million, which increases the funds available for investment ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the share price is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. In the Circular to shareholders dated 23 October 2006, the Directors indicated that some form of gearing may be employed by the Company from time to time, but they do not anticipate gearing levels in excess of 20% of shareholders' funds. They also indicated that the Company may hold up to 20% of shareholders' funds in cash or cash equivalents. The Company's gearing continues to operate within pre-agreed limits so that actual gearing does not represent more than 20% of shareholders' funds.

Strategic Risk

Over time, investment vehicles and asset classes can become out of favour with investors or may fail to meet their investment objectives. This may be reflected in a wide discount of the share price to underlying asset value. Directors periodically review whether the Company's investment remit remains appropriate and they continually monitor the success of the Company in meeting its stated objectives. Further details may be found under "Investment Performance" and "Discount Management" above.

Accounting, Legal and Regulatory Risk

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

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

The Board's system of internal control seeks to mitigate the potential impact of these risks and it also relies on its Manager and other advisers to assist it in ensuring continued compliance.

Report of the Directors

The Directors submit their Report and the Audited Accounts for the year ended 30 April 2011.

Revenue and Earnings

The net revenue return before finance costs and taxation for the year was £4,477,000 (2010: £4,153,000). After deducting interest charges and taxation the amount available for distribution to shareholders was £4,300,000 (2010: £3,828,000), equivalent to net revenue of 2.78p (2010: 2.45p) per ordinary share.

Dividend Policy

Having already paid a first interim dividend of 1.25p per share, the Board has now declared a second interim dividend of 1.75p per share for the year ended 30 April 2011 which is payable on 29 July 2011 to shareholders on the Register on 8 July 2011. Thus, dividends for the full year amount to 3.00p per share (2010: 2.75p per share). As in previous years, the dividend is declared as an interim to enable payment at the end of July, ahead of the Company's Annual General Meeting in August.

The Company's focus is on total return without constraining the Manager to deliver any given level of investment income. Prior to the change in investment policy in 2006, the Board aimed to provide shareholders with a stable stream of income rising over the long term. As stated in the Circular to shareholders dated 23 October 2006, income from investee companies may be somewhat more volatile in future.

The Directors of the Company intend to continue to pay dividends at the end of January and July in each year. Although it is their intention to distribute substantially all of the Company's net income after expenses and taxation, the Company is permitted to retain up to a maximum of 15% of its gross income from shares and securities in each year as a revenue reserve. The Company may take advantage of this to facilitate a consistent dividend policy.

Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover. All Directors held office throughout the year under review.

In accordance with the Company's Articles of Association and the Company's policy on tenure as outlined in the Corporate Governance Statement, Mrs Pirie, Mr Clifton, Mr Niven and Mr Ritchie will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board has assessed the independence of all Directors. Mrs Pirie, Mr Clifton and Mr Ritchie are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years. Mr Niven is not deemed independent because he is a Director of Schroder Income Growth Fund plc, another investment trust managed by Schroders.

The Board, having reviewed its performance, considers that Mrs Pirie, Mr Clifton, Mr Niven and Mr Ritchie continue to demonstrate commitment to their roles and provide valuable contributions to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections.

No Director has any material interest in any contract which is significant to the Company's business.

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 April 2011, all of which were beneficial, were as follows:

Director	Ordinary shares of 25p each 30 April 2011	Subscription shares of 1p each 30 April 2011	Ordinary shares of 25p each 1 May 2010	Subscription shares of 1p each 1 May 2010*
Alan Clifton	42,000	–	35,000	7,000
Andrew Hutton	50,000	–	26,333	5,266
Keith Niven	47,379	–	39,124	7,662
Stella Pirie	27,729	–	22,827	4,438
David Ritchie	49,000	–	40,000	8,000

* The subscription shares were issued on 7 August 2009.

There have been no changes in the above holdings between the end of the financial year and 24 June 2011.

As at the date of this Report, the Company had 155,907,095 ordinary shares of 25p each and 28,769,892 subscription shares of 1p each in issue (no shares were held in treasury). The subscription shares carry no voting rights; the ordinary shares each carry one voting right. Accordingly, the total number of voting rights of the Company as at the date of this Report is 155,907,095.

Report of the Directors

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Rensburg Sheppards Investment Management Limited	12,514,981	8.03
Legal & General Group Plc	6,160,643	3.95
Barclays plc	6,018,095	3.86
East Riding of Yorkshire Council	5,000,000	3.21

The Company has received no notifications in respect of interests in voting rights attaching to the Company's issued subscription share capital.

Investment Manager

During the year under review the Board considered the services provided by the Investment Manager, Schroder Investment Management Limited. Explanations of the factors behind the performance for the year under review are set out in the Chairman's Statement and the Investment Manager's Review. The Board continues to consider that the Manager has the appropriate depth of resource to achieve above-average returns in the longer-term. The Board therefore considers that the Manager's continued appointment under the terms of the current Investment Management Agreement, further details of which are set out below, remains in the interests of shareholders as a whole.

The Investment Manager provides investment management and company secretarial services to the Company in accordance with an Investment Management Agreement. The investment management agreement can be terminated by either party on 3 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. Fees (excluding performance fees) payable to the Investment Manager under the Agreement are based on 0.4% of the Company's net assets. Net assets are defined as total assets less all current liabilities other than short term borrowings. The value of cash up to the level of short term borrowing is deducted from this calculation of net assets. The Manager is also entitled to receive an annual performance fee, capped at £500,000, provided that the total return generated by the Company's net asset value out-performs the FTSE All-Share Index by at least 0.50% per annum. The performance fee equating to 10% of the amount of the out-performance will be calculated annually but averaged and accumulated over a rolling three-year period. The amount of management fees payable in respect of the year ended 30 April 2011 is shown in note 5 to the accounts. No performance fee is payable in respect of the year ended 30 April 2011 (2010: nil).

With effect from 1 May 2011 a flat management fee of 0.65% on the net assets of the Company (defined as total assets less all current liabilities) is being charged and the performance fee arrangements have ended.

Under the Investment Management Agreement, Schroder Investment Management Limited is entitled to a secretarial fee amounting to £78,000 (inclusive of VAT) for the year ended 30 April 2011. This fee increases/decreases each year in line with the Retail Price Index.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 30 April 2011 (2010: nil).

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the accounts in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;

Report of the Directors

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

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

- the accounts, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Going Concern

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in accordance with the Financial Reporting Council's ("FRC") "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" in the preparation of the accounts as the assets of the Company consist predominantly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out on pages 18 to 22 and forms part of the Report of the Directors.

Environmental Policy

As an investment trust, the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement.

Independent Auditors

The Company's Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to remain in office and resolutions to reappoint them as Auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP and therefore has not considered it necessary to require an independent tender process. The auditors are required to rotate the audit partner every five years and this is the fourth year that the current audit partner has been in place.

The Audit Committee has adopted a pre-approval policy on the engagement of the Auditors to supply non-audit services to the Company. The Auditors did not supply non-audit services during the year under review (2010: £75,000).

Provision of Information to Auditors

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

Report of the Directors

Annual General Meeting (“AGM”)

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.

The AGM will be held on Monday 1 August 2011 at 12 noon. The formal notice of the AGM is set out on pages 41 and 42.

Special Business to be proposed at the AGM

Resolutions relating to the following items of special business will be proposed at the AGM:

Resolution 9 – Authority to allot shares (ordinary resolution) and Resolution 10 – Power to disapply pre-emption rights (special resolution)

At the AGM held on 5 August 2010, 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 August 2010, 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 £1,948,838 (being 5% of the issued share capital as at 24 June 2011). 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 £1,948,838 (being 5% of the Company's issued share capital (excluding any shares held in treasury) as at 24 June 2011). Pre-emption rights under the Companies Act 2006 apply to the resale of treasury shares for cash as well as the allotment of new shares. Resolution 10 therefore relates to both issues of new ordinary shares and the re-sale of treasury shares.

The Directors intend to use the authorities to issue shares 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 shares at a premium to net asset value at the time of issue.

If renewed, both authorities will expire at the conclusion of the AGM in 2012 unless renewed or revoked earlier.

Resolution 11 – Authority to make market purchases of the Company's own Ordinary shares (special resolution)

At the AGM on 5 August 2010, the Company was granted authority to make market purchases of up to 23,008,308 ordinary shares of 25p each for cancellation. A total of 41,000 ordinary shares have been bought back under this authority, which will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue at 24 June 2011. 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. The authority to be given at the 2011 AGM will lapse on the date of the next AGM, unless renewed earlier.

The maximum purchase price that may be paid for an ordinary share will not be more than the greater of 5% above the average of the middle market values of the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase and the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price will be 25p, being the nominal value per ordinary share. The resolution to be put to shareholders will also authorise the Company to hold up to 5% of the issued share capital bought back in treasury on the condition that such treasury shares would only be sold at a premium to net asset value. Shares held in treasury may be

Report of the Directors

reissued or cancelled at a future date rather than simply cancelled at the time of acquisition. Any shares held in treasury for 12 months will be cancelled.

Resolution 12 – Authority to make market purchases of the Company's own Subscription shares (special resolution)

At the AGM held on 5 August 2010, the Company was granted authority to make market purchases of up to 4,674,772 subscription shares of 1p each for cancellation. No shares have been bought back under this authority, which 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 subscription shares in the market. 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 subscription shares in issue at 24 June 2011. The Directors will exercise this authority only if the Directors consider that the 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. The authority to be given at the 2011 AGM will lapse on the date of the next AGM, unless renewed earlier.

The maximum purchase price that may be paid for a subscription share will not be more than the greater of 5% above the average of the middle market values of the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase and the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price will be 1p, being the nominal value per subscription share.

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.

By Order of the Board
Alan Clifton
Chairman

24 June 2011

Remuneration Report

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

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors carry out in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. For the year ended 30 April 2011, Directors received fees at the rate of £20,000 per annum and the Chairman received fees at the rate of £30,000 per annum to reflect his more onerous role. The chairman of the Audit Committee received an additional fee rate of £2,500 per annum.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors. No element of the Directors' remuneration is performance related.

The Board believes that the principles of Provision B of the Combined Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting ("AGM").

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. Thereafter Directors retire by rotation at least every three years and as required by the Company's policy on tenure. The Chairman meets with each Director before such Director is proposed for re-election and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for such Directors to seek an additional term.

When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the Combined Code, including the appropriateness of refreshing the Board and its Committees.

Performance Graph

A graph showing the Company's net asset value and share price total return compared with its benchmark, the FTSE All-Share Index, over the last 5 years is shown on page 3.

Remuneration

The following amounts were paid by the Company for services as non-executive Directors:

	For the year ended 30 April 2011	For the year ended 30 April 2010
Alan Clifton	£30,000	£27,500
Andrew Hutton	£20,000	£18,250
Keith Niven	£20,000	£18,250
Stella Pirie	£20,000	£18,250
David Ritchie	£22,500	£20,500
	£112,500	£102,750

The information in the above table has been audited (see the Independent Auditors' Report on page 23).

By order of the Board
Schroder Investment Management Limited
Company Secretary
24 June 2011

Corporate Governance

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 Combined Code 2008 (the "Code"). The Code is published by the FSA and is available to download from www.fsa.gov.uk.

The Board has noted the publication of the UK Corporate Governance Code in May 2010, which applies to financial years beginning on or after 29 June 2010.

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 pages 13 and 14, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of 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 leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of Code Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Role of the Board

The Board determines and monitors the Company's investment objectives and policy, and considers the future strategic direction of the Company. Matters specifically reserved for decision by the Board have been adopted. The Board is responsible for presenting a balanced and understandable assessment of the Company's position and, where appropriate, future prospects in annual and half-yearly accounts and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, *inter alia*, for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Composition and Independence

The Board currently consists of five non-executive Directors. The biographies of each of these Directors, including their age and length of service, are set out on the inside front cover of this Report. The Board considers each of the Chairman, Mr Hutton, Mrs Pirie and Mr Ritchie to be independent. Mr Niven is not deemed independent because he is a Director of Schroder Income Growth Fund plc, another investment trust managed by Schroders. The independence of each Director is considered on a continuing basis.

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

The Board is satisfied that it is of sufficient size with an appropriate balance of skills and experience, and that no individual or group of individuals is, or has been, in a position to dominate decision making.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees are available on the Company's website at www.schroderukgrowthfund.com. Details of membership of the Committees at 30 April 2011 may be found on the inside front cover of this report and information regarding attendance at Committee Meetings during the year under review may be found on page 20.

Corporate Governance

Audit Committee

The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have recent and relevant financial experience.

To discharge its duties, the Committee met on two occasions during the year ended 30 April 2011 and considered the annual and half-yearly accounts, the external Auditors' year-end report, management representation letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Management Engagement Committee

The role of the Committee is to review the terms of the management contract with the Investment Manager. In addition, the Committee reviews Directors' fees and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 30 April 2011 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

The role of the Committee is to consider and make recommendations to the Board on its composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board. The Board considers each member of the Committee, with the exception of Mr Niven, to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 30 April 2011 and considered the composition and balance of the Board.

Before the appointment of a new Director, the Nomination Committee will prepare a description of the role and capabilities required for a particular appointment, having evaluated the balance of skills, knowledge and experience of the Board. When considering whether to replace a Director, the Company's policy on tenure is also taken into account. In light of this evaluation, the Nomination Committee will consider a range of candidates sourced either from recommendation from within the Company or by using external consultants.

The Nomination Committee will assess potential candidates on merit against a range of criteria including experience, knowledge, professional skills and personal qualities as well as independence, if this is required for the role. Candidates' ability to commit sufficient time to the business of the Company is also key, particularly in respect of the appointment of the Chairman. The Chairman of the Nomination Committee is primarily responsible for interviewing suitable candidates and a recommendation will be made to the Board for final approval.

Tenure

The Directors have adopted a policy on tenure that is considered appropriate for an investment company. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager or necessarily affects a Director's independence of character or judgement. Therefore, the independence of Directors will continue to be assessed on a case by case basis. In order to give shareholders the opportunity to endorse this policy, and in accordance with the provisions of the Code, any Director who has served for more than nine years will thereafter be subject to annual re-election by shareholders.

Induction and Training

The Board has adopted a full, formal and tailored induction programme for new Directors, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice. Advisers to the Company also prepare reports for the Board from time to time. In addition, Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment trust industry.

Corporate Governance

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The evaluation takes place in two stages, firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the chairman of the Audit Committee chairs this meeting.

Evaluation is conducted utilising a questionnaire combined with one to one meetings if appropriate. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director and the responsibilities, composition and agenda of the Committees and of the Board itself.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation.

Meetings and Attendance

The Board meets at least five times each year and, in addition, meets specifically to discuss strategy once each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the five scheduled Board meetings and at Committee meetings held during the year under review is as follows:

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Alan Clifton	5/5	2/2	1/1	1/1
Andrew Hutton	5/5	2/2	1/1	1/1
Keith Niven	5/5	N/A	1/1	N/A
Stella Pirie	5/5	2/2	1/1	1/1
David Ritchie	5/5	2/2	1/1	1/1

Information Flows

The Chairman ensures that all Directors receive in a timely manner relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Investment Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

Directors' and Officers' Liability Insurance

During the year, the Company has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Directors' Indemnities

The Company provides a Deed of Indemnity to each Director to the extent permitted by United Kingdom law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably.

Conflicts of Interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, the 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.

Major Shareholders

Details of the Company's major shareholders are set out in the Report of the Directors on page 13.

Corporate Governance

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. It has, since its launch, sought engagement with investors. The Chairman, and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report and Accounts is, when possible, made available to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by the full Board of Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the Chairmen of the Board, Audit and Management Engagement Committees at the Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and on the Company's website as soon as reasonably practicable after the meeting.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year-end and holding the earliest possible Annual General Meeting is valuable. The Notice of Meeting on pages 41 and 42 sets out the business of the meeting.

Environmental Policy

The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Providing that this objective is not compromised in the process the Board does however, believe that it is also possible to develop a framework that, in the interests of our shareholders, allows a broader range of considerations, including environmental and social issues, to be taken into account when selecting and retaining investments. The investment process therefore contains a review of research into the environmental, social and ethical stance of companies. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration when selecting or retaining investments.

Exercise of Voting Rights and the UK Stewardship Code

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

Internal Control

The Code requires the Board to at least annually conduct a review of the adequacy of the Company's systems of internal control and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance for Directors on the Combined Code, as revised in October 2005 (the "Turnbull Guidance"), under which the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually.

The Board believes that the key risks identified and the implementation of an on-going system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. Risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, 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 during the course of the year and up to the date of this report, from our on-going risk assessment.

Corporate Governance

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 Company does not have an internal audit function as it employs no staff and delegates to third parties most of its operations. The Board will continue to monitor its system of internal control and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

Independent Auditors' Report

We have audited the accounts of Schroder UK Growth Fund plc for the year ended 30 April 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 13 and 14, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Report and Accounts to 30 April 2011 to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the Company's affairs as at 30 April 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Directors for the financial year for which the accounts are prepared is consistent with the accounts; and
- the information given in the Corporate Governance Statement set out on pages 18 to 22 with respect to internal control and risk management systems and about share capital structures is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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 accounts and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 14, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Jeremy Jensen (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors London
24 June 2011

Notes:

- (a) The maintenance and integrity of the Schroder UK Growth Fund plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Income Statement

	Note	For the year ended 30 April 2011			For the year ended 30 April 2010		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value	2	–	33,158	33,158	–	62,168	62,168
Other currency gains	3	–	32	32	–	–	–
Income	4	5,280	–	5,280	4,794	–	4,794
Investment management fee	5	(271)	(633)	(904)	(227)	(529)	(756)
VAT recoverable	5	–	–	–	122	284	406
Administrative expenses	6	(532)	–	(532)	(536)	–	(536)
Net return before finance costs and taxation		4,477	32,557	37,034	4,153	61,923	66,076
Interest payable and similar charges	7	(153)	(357)	(510)	(229)	(534)	(763)
Net return on ordinary activities before taxation		4,324	32,200	36,524	3,924	61,389	65,313
Taxation on ordinary activities	8	(24)	–	(24)	(96)	–	(96)
Net return attributable to equity shareholders		4,300	32,200	36,500	3,828	61,389	65,217
Net return per ordinary share (undiluted)	10	2.78p	20.83p	23.61p	2.45p	39.21p	41.66p
Net return per ordinary share (diluted)	10	2.76p	20.69p	23.45p	2.45p	39.21p	41.66p

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 28 to 40 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Note	Called-up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
At 1 May 2009		39,219	18,050	985	85,234	417	(8,568)	6,106	141,443
Net return from ordinary activities		–	–	–	–	–	61,389	3,828	65,217
Ordinary dividends paid	9	–	–	–	–	–	–	(5,413)	(5,413)
Purchase and cancellation of ordinary shares		(883)	883	–	(4,112)	–	–	–	(4,112)
Bonus issue of subscription shares		314	–	(314)	–	–	–	–	–
Subscription shares issue costs		–	–	(245)	–	–	–	–	(245)
Issue of ordinary shares on exercise of subscription shares		45	–	168	–	–	–	–	213
At 30 April 2010		38,695	18,933	594	81,122	417	52,821	4,521	197,103
At 1 May 2010		38,695	18,933	594	81,122	417	52,821	4,521	197,103
Net return from ordinary activities		–	–	–	–	–	32,200	4,300	36,500
Ordinary dividends paid	9	–	–	–	–	–	–	(4,235)	(4,235)
Purchase and cancellation of ordinary shares		(11)	11	–	(33)	–	–	–	(33)
Issue of ordinary shares on exercise of subscription shares		580	–	2,226	–	–	–	–	2,806
At 30 April 2011		39,264	18,944	2,820	81,089	417	85,021	4,586	232,141

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

The notes on pages 28 to 40 form an integral part of these accounts.

Balance Sheet

	Note	At 30 April 2011 £'000	At 30 April 2010 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	253,136	207,538
		253,136	207,538
Current assets			
Debtors	12	1,495	1,089
Cash at bank and short-term deposits	18	3,196	14,103
		4,691	15,192
Current liabilities			
Creditors – amounts falling due within one year	13	(25,686)	(25,627)
Net current liabilities		(20,995)	(10,435)
Net assets		232,141	197,103
Capital and reserves			
Called-up share capital	14	39,264	38,695
Capital redemption reserve	15	18,944	18,933
Share premium account	15	2,820	594
Share purchase reserve	15	81,089	81,122
Warrant exercise reserve	15	417	417
Capital reserves	15	85,021	52,821
Revenue reserve	15	4,586	4,521
Equity shareholders' funds		232,141	197,103
Net asset value per ordinary share (undiluted)	16	148.90p	128.38p
Net asset value per ordinary share (diluted)	16	144.24p	125.78p

These accounts were approved and authorised for issue by the Board of Directors on 24 June 2011 and signed on its behalf by:

Alan Clifton

Chairman

The notes on pages 28 to 40 form an integral part of these accounts.

Cash Flow Statement

	Note	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Operating activities			
Dividends received from investments		4,390	3,803
Interest received on deposits and other income		76	316
Investment management fee paid		(860)	(706)
VAT on management fees recovered from HMRC		–	1,206
Administrative expenses paid		(626)	(450)
Net cash inflow from operating activities	17	2,980	4,169
Servicing of finance			
Bank loan interest paid		(518)	(769)
Net cash outflow from servicing of finance		(518)	(769)
Taxation			
Overseas tax paid		(48)	(19)
Recoverable overseas tax received		30	–
Total tax paid		(18)	(19)
Investment activities			
Acquisition of investments		(38,397)	(51,631)
Disposal of investments		26,691	63,257
Net cash (outflow)/inflow from investment activities		(11,706)	11,626
Equity dividends paid			
Ordinary shares		(4,235)	(5,413)
Net cash (outflow)/inflow before financing		(13,497)	9,594
Financing			
Purchase of shares for cancellation		(248)	(3,913)
Issue of ordinary shares on conversion of subscription shares		2,806	213
Subscription shares issue costs		–	(245)
Bank loan repaid		–	(10,000)
Net cash inflow/(outflow) from financing		2,558	(13,945)
Net cash outflow		(10,939)	(4,351)

Reconciliation of Net Cash Flow to Movement in Net Debt

		For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Net cash outflow		(10,939)	(4,351)
Net exchange gain on currency transactions		32	–
Movement in borrowings		–	10,000
Movement in net (debt)/funds resulting from cash flows		(10,907)	5,649
Net debt at 1 May		(10,897)	(16,546)
Net debt at 30 April	18	(21,804)	(10,897)

The notes on pages 28 to 40 form an integral part of these accounts.

Notes to the Accounts

1. Accounting policies

The principal accounting policies have been applied consistently throughout the year ended 30 April 2011, are unchanged from 2010 and are set out below.

a Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of investments and in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009 by The Association of Investment Companies (AIC).

b Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

c Income

Dividends receivable from equity shares are taken to revenue on an accruals basis and are recorded on an ex-dividend basis, except where in the opinion of the Directors, the dividend is capital in nature in which case it is taken to capital. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital reserve.

Underwriting commission is recognised as revenue in so far as it relates to shares the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, an equal proportion of the commission received is offset against the cost of the shares taken up.

Interest receivable from bank deposits and other income is recognised on an accruals basis.

d Expenses and interest payable

All expenses, including the investment management fee and interest payable are accounted for on an accruals basis.

The investment management fee and finance costs on borrowings for investment purposes are apportioned 30% to revenue and 70% to capital. Performance fees are charged entirely to capital as they are primarily attributable to the capital performance of the Company's investments.

All other expenses are charged through revenue except those expenses incidental to the acquisition or disposal of investments which are charged to capital. This allocation is in accordance with the Board's expected long-term split of returns in the form of capital and income profits respectively.

e Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value is assumed to be the bid value of investments at the close of business on the relevant date.

Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

f Foreign exchange

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company.

Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling at the date of such transactions. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, and the resulting gains or losses are taken to capital.

g Taxation

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Due to the company's status as an investment trust company, and the intention to continue to meet the conditions required by Section 1158 of the UK Corporation Tax Act 2010 to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

h Dividends payable

Under FRS21 final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the Balance Sheet date. Interim dividends should not be accrued in financial statements unless they have been paid. Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend and become a liability of the Company.

i Called-up share capital

Represents the nominal value of authorised and allocated, called up and fully paid ordinary and subscription shares issued.

Notes to the Accounts

j Capital redemption reserve

The nominal value of ordinary share capital repurchased for cancellation is transferred out of share capital and into the capital redemption reserve.

k Share Premium

Represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued.

l Share Purchase Reserve

The cost of repurchasing ordinary shares including related stamp duty and transaction costs are taken directly to share purchase reserve and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share purchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of the called-up share capital and into the capital redemption reserve.

m Warrant Exercise Reserve

The premium arising on issue of shares where there are warrants attached was apportioned between shares and warrants as part of shareholders' funds on the basis of the market values of the shares and warrants as on the first day of dealing. The warrant element was referred to as the warrant reserve. On exercise of these warrants, the premium relating to the warrants exercised is transferred from the warrant reserve to a warrant exercise reserve, a non-distributable reserve.

n Capital Reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- investment holding gains and losses held at the year end;
- other capital charges and credits charged to this account in accordance with the above policies;
- realised exchange gains of a capital nature.

o Financial instruments

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

Other debtors and creditors do not carry any interest, are short-term in nature and are recognised initially at fair value and subsequently held at amortised cost.

2. Gains on investments held at fair value

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Net gains/(losses) on disposal at historic cost	4,982	(3,599)
Less fair value adjustments in earlier years	(1,716)	15,928
Gains based on carrying value at previous balance sheet date	3,266	12,329
Investment holding gains during the year	29,892	49,839
	33,158	62,168

3. Other currency gains

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Realised exchange gains	32	–

Notes to the Accounts

4. Income

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Income from investments:		
UK franked dividend income	3,569	3,542
UK unfranked dividend income	1,230	647
Stock dividends	406	300
	5,205	4,489
Interest on deposits	47	69
Interest overpaid in prior year	–	(165)
VAT reclaim interest from HMRC	–	291
Underwriting commission	28	110
	5,280	4,794

5. Investment management fee

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Management fee		
– charged to revenue	271	227
– charged to capital	633	529
	904	756
Back dated VAT recovered		
– credited to revenue	–	(122)
– credited to capital	–	(284)
	–	(406)
	904	350

The bases for calculating the investment management fee and the performance fee are set out in the Report of the Directors on page 13.

With effect from 1 May 2011, a flat management fee of 0.65% on the net assets (defined as total assets less all current liabilities) of the Company is being charged and the performance fee arrangements have ended.

6. Administrative expenses

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Allocated to revenue:		
General expenses	320	262
Directors' fees	113	103
Secretarial fee	78	75
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	21	21
Fees payable to the Company's auditors and its associates for other services*	–	75*
	532	536

* Paid to PricewaterhouseCoopers LLP in relation to taxation services.

Notes to the Accounts

7. Interest payable and similar charges

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Bank loan interest payable	510	763
	510	763
– charged to revenue	153	229
– charged to capital	357	534
	510	763

8. Taxation on ordinary activities

(a) Analysis of charge in the year:

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Irrecoverable overseas tax	24	96
Total current tax charge for the year (note 8 (b))	24	96

The Company has no Corporation Tax liability for the year to 30 April 2011 (2010: £nil).

(b) Factors affecting tax charge for the year

No provision has been made for taxation on any realised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 1158 of the UK Corporation Tax Act 2010.

The tax assessed for the period is lower (2010: lower) than the standard rate of Corporation Tax in the UK of 26% (2010: 28%).

Approved investment trust companies are exempt from tax on capital gains within the Company.

The differences are explained below:

	For the year ended 30 April 2011			For the year ended 30 April 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit on ordinary activities before tax	4,324	32,200	36,524	3,924	61,389	65,313
Profit on ordinary activities multiplied by standard rate of:						
corporation tax in the UK of 28% (2010: 28%)	1,110	8,265	9,375	1,099	17,189	18,288
corporation tax in the UK of 26%	94	698	792	–	–	–
Effects of:						
Capital returns on investments	–	(9,238)	(9,238)	–	(17,407)	(17,407)
Income not chargeable to corporation tax	(1,450)	–	(1,450)	(1,257)	–	(1,257)
Expenses not deductible for tax purposes	2	–	2	–	–	–
Expenses not utilised in the year	244	275	519	158	218	376
Total overseas tax	24	–	24	96	–	96
Total current tax for the year	24	–	24	96	–	96

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior year.

(d) Factors that may affect future tax charges

The Company has deferred tax assets in respect of unutilised management expenses of £6,224,000 (2010: £6,183,000) and non-trading deficits of £1,841,000 (2010: £1,980,000) which have not been recognised as it is not certain that the Company will have sufficient taxable profits in the future to utilise these amounts.

Notes to the Accounts

9. Dividends

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Amounts recognised as distributions in the period:		
Second interim dividend of prior year of 1.50p (2010: 2.20p)	2,302	3,452
First interim dividend of 1.25p (2010: 1.25p)	1,933	1,961
Total dividends of 2.75p (2010: 3.45p) per ordinary share	4,235	5,413

The second interim dividend of the prior year of 1.50 pence per share (2010: 2.20 pence per share) is based on 153,491,049 (2010: 156,876,900) ordinary shares in issue.

The first interim dividend of 1.25 pence per share (2010: 1.25 pence per share) is based on 154,643,542 (2010: 156,876,900) ordinary shares in issue.

The total dividend payable in respect of the financial year, which is the basis of the requirements of Section 1158 of the UK Corporation Tax Act 2010 are considered, is set out below:

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
First interim dividend of 1.25p (2010: 1.25p)	1,933	1,961
Second interim dividend of 1.75p (2010: 1.50p)	2,728	2,302
Total dividends of 3.00p (2010: 2.75p) per ordinary share	4,661	4,263

The second interim dividend of 1.75 pence per share (2010: 1.50 pence per share) is based on 155,907,095 (2010: 153,491,049) ordinary shares in issue.

10. Return per ordinary share

	For the year ended 30 April 2011	For the year ended 30 April 2010
Revenue (£'000)	4,300	3,828
Capital (£'000)	32,200	61,389
Total (£'000)	36,500	65,217
Undiluted:		
Weighted average number of shares	154,605,824	156,562,761
Revenue	2.78p	2.45p
Capital	20.83p	39.21p
Total	23.61p	41.66p
Diluted:		
Number of dilutive shares	1,052,060	–
Diluted number of shares in issue	155,657,884	156,562,761
Revenue	2.76p	2.45p
Capital	20.69p	39.21p
Total	23.45p	41.66p

The calculation of the diluted total, revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard No. 22, "Earnings per Share". For the purposes of calculating diluted returns per ordinary share, the number of ordinary shares is the weighted average used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all subscription shares by reference to the average share price of the ordinary shares during the year.

The Company has in issue 28,769,892 (2010: 31,185,938) subscription shares which are convertible into ordinary shares on 31 July 2011, and at the end of each six month period thereafter until 31 July 2012. The subscription shares were issued on 7 August 2009. As at 30 April 2011, there was dilution to earnings per share of 0.16p (2010: nil) per ordinary share in respect of the conversion rights attaching to the subscription shares.

Notes to the Accounts

11. Investments held at fair value through profit or loss

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	196,212	209,682
Acquisitions at cost	39,131	51,869
Proceeds of disposals	(26,691)	(61,740)
Net gains/(losses) on disposals	4,982	(3,599)
Book cost	213,634	196,212
Unrealised investment holding gains	39,502	11,326
Valuation of investments	253,136	207,538

All investments are listed on a recognised stock exchange.

The following transaction costs, including stamp duty and broker commissions were incurred during the year:

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
On acquisitions	192	233
On disposals	22	86
	214	319

12. Debtors

	At 30 April 2011 £'000	At 30 April 2010 £'000
Accrued income	1,448	1,054
Tax recoverable	13	12
Prepaid expenses and other debtors	34	23
	1,495	1,089

13. Creditors – amounts falling due within one year

	At 30 April 2011 £'000	At 30 April 2010 £'000
Bank loan	25,000	25,000
Purchases for future settlement	328	–
Share buyback for future settlement	–	210
Accrued expenses	358	417
	25,686	25,627

The Company has a £35 million revolving credit facility with ING Bank N.V., of which £25 million (2010: £25 million) was drawn down at 30 April 2011. The facility is secured on the assets of the Company and is not subject to any early termination charges.

Notes to the Accounts

14. Called-up share capital

	At 30 April 2011 £'000	At 30 April 2010 £'000
Authorised:		
1,271,244,984 ordinary shares of 25p each	317,811	317,811
31,375,400 subscription shares of 1p each	314	314
Allotted, Called-up and Fully paid:		
Ordinary shares in issue:		
Opening balance of 153,532,049 (2010: 156,876,900) ordinary shares of 25p each	38,383	39,219
Purchase and cancellation of 41,000 (2010: 3,533,772) ordinary shares	(11)	(883)
Issue of 2,416,046 ordinary shares on exercise of subscription shares (2010: 188,921)	604	47
Closing balance of 155,907,095 (2010: 153,532,049) ordinary shares of 25p	38,976	38,383
Subscription shares of 1p each:		
Opening balance 31,185,938 (2010: nil)	312	–
Bonus issue of 31,374,859 subscription shares	–	314
Exercise of 2,416,046 (2010: 188,921) subscription shares converted into ordinary shares	(24)	(2)
Closing balance of 28,769,892 (2010: 31,185,938) subscription shares of 1p	288	312
Total share capital	39,264	38,695

The subscription shares were issued as a bonus issue to the ordinary shareholders on 7 August 2009 on the basis of one subscription share for every five ordinary shares. Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share on 31 January and at the end of each six-month period thereafter until 31 July 2012 when the rights under the subscription shares will lapse.

The conversion prices have been determined as follows:

- (a) If exercised on either 31 January 2010 or 31 July 2010, 113 pence.
- (b) If exercised on either 31 January 2011 or 31 July 2011, 119 pence.
- (c) If exercised on either 31 January 2012 or 31 July 2012, 129 pence.

15. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve gains and (losses) £'000	Capital reserve holding gains and (losses) £'000	Revenue reserves £'000
Balance brought forward 1 May 2010	18,933	594	81,122	417	41,495	11,326	4,521
Gains on disposal of investments	–	–	–	–	3,266	–	–
Net change in investment holding gains	–	–	–	–	–	29,892	–
Transfer on disposal of investments	–	–	–	–	1,716	(1,716)	–
Management fees paid, allocated to capital	–	–	–	–	(633)	–	–
Loan interest allocated to capital	–	–	–	–	(357)	–	–
Exchange gain	–	–	–	–	32	–	–
Dividends paid	–	–	–	–	–	–	(4,235)
Net revenue return for the year	–	–	–	–	–	–	4,300
Purchase and cancellation of ordinary shares	11	–	(33)	–	–	–	–
Issue of ordinary shares on exercise of subscription shares	–	2,226	–	–	–	–	–
Balance carried forward 30 April 2011	18,944	2,820	81,089	417	45,519	39,502	4,586

Notes to the Accounts

16. Net asset value per ordinary share

	At 30 April 2011	At 30 April 2010
Undiluted:		
Net assets attributable to ordinary shareholders (£'000)	232,141	197,103
Ordinary shares in issue at end of period	155,907,095	153,532,049
Net asset value per ordinary share (undiluted)	148.90p	128.38p
Diluted:		
Net assets attributable to ordinary shareholders (£'000)	266,377	232,343
Ordinary shares in issue at end of period if subscription shares converted	184,676,987	184,717,987
Net asset value per ordinary share (diluted)	144.24p	125.78p

The diluted net asset value per ordinary share has been calculated on the assumption that 28,769,892 (2010: 31,185,938) subscription shares in issue are fully converted at 119 pence per share (2010: 113 pence per share), resulting in a total number of shares in issue of 184,676,987 (2010: 184,717,987).

17. Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

	For the year ended 30 April 2011 £'000	For the year ended 30 April 2010 £'000
Net return before finance costs and taxation	37,034	66,076
Gains on investments held at fair value	(33,158)	(62,168)
Stock dividends received	(406)	(300)
Increase in accrued income (gross)	(408)	(374)
(Increase)/decrease in prepayments and other debtors	(11)	803
(Decrease)/increase in accrued expenses (excluding interest and stamp duty)	(39)	132
Net exchange gain on currency transactions	(32)	–
Net cash inflow from operating activities	2,980	4,169

18. Analysis of changes in net debt

	At 30 April 2010 £'000	Cash flow £'000	Exchange movement £'000	At 30 April 2011 £'000
Cash at bank and short-term deposits	14,103	(10,939)	32	3,196
Net cash at 30 April	14,103	(10,939)	32	3,196
Bank loan	(25,000)	–	–	(25,000)
Net debt	(10,897)	(10,939)	32	(21,804)

19. Related party transactions

The Company has appointed Schroder Investment Management Limited, a wholly owned subsidiary of Schroders plc to provide investment management, accounting, secretarial and administration services.

Details of the management and secretarial fee arrangements for these services are given in the Report of the Directors on page 13.

The total management fee payable under this agreement to Schroder Investment Management Limited in respect of the year ended 30 April 2011 was £904,000 (2010: £756,000), of which £245,000 (2010: £201,000) was outstanding at the year-end. The total secretarial fee (including VAT) payable to Schroder Investment Management Limited in respect of the year ended 30 April 2011 as disclosed in note 6 was £78,000 (2010: £75,000), of which £25,000 (2010: £22,000) was outstanding at the year end.

In addition to the above services, Schroder Investment Management Limited also provided investment trust dealing services. The Schroder Investment Trust Dealing Service has now been closed. The total cost to the Company of this service payable to Equiniti Limited, for the year ended 30 April 2011 was £5,000 (2010: £4,000), of which £6,000 (2010: £2,000) was outstanding at the year end.

Notes to the Accounts

Current account facilities were provided during the year by Schroder & Co Limited. At 30 April 2011, the balance held at Schroder & Co Limited was nil (2010: nil).

At 23 June 2011 Schroders had an interest in 51,640,950 ordinary shares, representing 33.1% of the Company's issued share capital on that date, which are held by investors in a Schroder Personal Equity Plan/ISA.

20. Financial Instruments

Risk management policies and procedures

The Company's principal investment objective is to achieve capital growth predominantly from investment in UK equities. Consistent with that objective, the Company's financial instruments largely comprise UK equity investments. In addition, the Company holds cash and short term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of potential revenue profits available for dividend.

The Company did not enter into derivative contracts or purchase convertible securities during the year ended 30 April 2011 (2010: nil).

As an investment trust, the Company invests in securities for the long term. Accordingly, it is the Company's policy that no trading in investments or other financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is market price risk. The Board reviews and agrees policy for managing this risk, as summarised below. This policy has remained substantially unchanged throughout the current and preceding year.

1. 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 three elements – price risk, interest rate risk and currency risk.

The Company's investment 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.

a. Price Risk

The Company's exposure to other price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on page 8. Investments are valued in accordance with the Company's accounting policies as stated in Note 1. Uncertainty arises as a result of future changes in the market prices of the Company's equity investments.

Management of the risk

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and comparable investment trusts. The Company does not generally hedge against the effect of changes in the underlying prices of the investments, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board.

Price risks exposure

The Company's exposure to changes in market prices on its quoted equity investments was as follows:

	At 30 April 2011 £'000	At 30 April 2010 £'000
Fixed asset investments at fair value through profit or loss	253,136	207,538

Concentration of exposure to price risk

Although there is a concentration of exposure to the UK, it should be noted that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

Notes to the Accounts

	At 30 April 2011		At 30 April 2010	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	–	–	–	–
Effect on capital return	25,314	(25,314)	20,754	(20,754)
Effect on total return and on net assets	25,314	(25,314)	20,754	(20,754)
Percentage change in net asset value	11%	(11%)	10.5%	(10.5%)

b. Interest Rate Risk

The Company will be affected by interest rate changes as it holds interest-bearing financial assets and liabilities.

The Company currently has a revolving credit facility of £35 million with ING Bank N.V., of which £25 million was drawn down at the year end (2010: £25 million). Interest is paid on the loan at a percentage rate per annum, which is equivalent to (i) the margin; (ii) LIBOR; and (iii) any mandatory costs during the term for that advance.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the loan facility. The level of gearing is reviewed by the Board on a regular basis.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be re-set;
- fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

	At 30 April 2011			At 30 April 2010		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash at bank and short-term deposits	3,196	–	3,196	14,103	–	14,103
Creditors: amounts falling due within one year						
– Bank loan	(25,000)	–	(25,000)	(25,000)	–	(25,000)
Total exposure to interest rates	(21,804)	–	(21,804)	(10,897)	–	(10,897)

The above year end amounts are not representative of the exposure to interest rates during the year, because the level of exposure changes as borrowings are drawn down and repaid.

The maximum and minimum total interest rate exposures during the year are shown below:

	At 30 April 2011 £'000	At 30 April 2010 £'000
Maximum interest rate exposure	(21,828)	(20,283)
Minimum interest rate exposure	(5,912)	(8,280)

The exposures disclosed above are all within one year and at floating rates. There has been no exposure to long-term or fixed interest rates during the year.

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2010: 50) basis points in interest rates in regard to the Company's monetary financial assets and 50 (2010: 50) basis points in regard to the Company's monetary liabilities, which are subject to interest rate risk.

This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at each balance sheet date, with all other variables held constant.

Notes to the Accounts

	At 30 April 2011		At 30 April 2010	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	(22)	22	33	(33)
Effect on capital return	(88)	88	(88)	88
Effect on total return and on net assets	(110)	110	(55)	55

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as borrowings are drawn down and repaid throughout the year.

c. Currency Risk

The Company invests predominantly in UK equities. The Company may, however, hold foreign denominated assets.

As at 30 April 2011, £0.2 million (2010: £5.1 million) was held in foreign denominated assets, representing 0.1% (2010: 2.6%) of net assets. The level of exposure and risk is therefore considered to be low.

2. Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

Management of the risk

This risk is not considered significant. The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of Schroder Investment Management Limited. These arrangements were in place throughout the current and the prior year.

Credit risk exposure

The exposure to credit risk at the year-end comprised:

	At 30 April 2011 £'000	At 30 April 2010 £'000
Accrued income	1,448	1,054
Taxation recoverable	13	12
Cash at bank and on deposit	3,196	14,103
	4,657	15,169

During the year the deposits were with banks that had ratings of A or higher.

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

3. Liquidity Risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

Management of the risk

The Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

Liquidity risk exposure

A summary of the Company's financial liabilities is provided below in note 5.

4. Fair Values of Financial Assets and Financial Liabilities

The Company's financial instruments are stated at their fair values at the year-end. The fair value of shares and securities is based on last traded market prices.

Borrowings under the loan facility are short term in nature and hence do not have a value materially different from their capital repayment amount.

Notes to the Accounts

5. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Company's financial assets and financial liabilities as recognised at the balance sheet date of the reporting periods under review are categorised as follows:

Financial Assets	At 30 April 2011 £'000	At 30 April 2010 £'000
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	253,136	207,538
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable and accrued income)	1,461	1,066
Cash at bank and short-term deposits	3,196	14,103
	4,657	15,169
Financial Liabilities – held at amortised cost	At 30 April 2011 £'000	At 30 April 2010 £'000
Creditors: amounts falling due within one month		
Due to brokers	328	210
Accruals	341	393
	669	603
Creditors: amounts falling due within 3 months		
Borrowings under the loan facility	25,017	25,024
	25,686	25,627

6. Fair Value Hierarchy

The Company adopted the amendments to FRS 29 'Financial Instruments: Disclosures' effective from 1 May 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

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

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

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

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

Financial assets and liabilities measured at fair value are grouped into the fair value hierarchy at 30 April 2011 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a	253,136	–	–	253,136
Net fair value		253,136	–	–	253,136

Financial assets and liabilities measured at fair value are grouped into the fair value hierarchy at 30 April 2010 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a	207,538	–	–	207,538
Net fair value		207,538	–	–	207,538

a. Quoted equities

The fair value of the Company's investments in quoted equities have been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Level 1 are actively traded on recognised stock exchanges.

Notes to the Accounts

21. Capital Management Policies and Procedures

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective, set out on the inside front cover.

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

- (i) the planned level of gearing through the Company's loan facility;
- (ii) the need to buy back or issue equity shares; and
- (iii) the determination of dividend payments.

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

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company. In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 of the UK Corporation Tax Act 2010 and the Companies Act respectively. The Company is also subject to externally imposed capital requirements through the loan covenants set out in the loan facility.

These provisions are unchanged since the previous year and the Company has complied with them.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder UK Growth Fund plc will be held at 12 noon on Monday, 1 August 2011 at 31 Gresham Street, London EC2V 7QA to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 9 will be proposed as Ordinary Resolutions and resolutions 10 to 12 will be proposed as Special Resolutions.

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 April 2011.
2. To approve the Remuneration Report for the year ended 30 April 2011.
3. To re-elect Mrs Stella Pirie as a Director of the Company.
4. To re-elect Mr Alan Clifton as a Director of the Company.
5. To re-elect Mr Keith Niven as a Director of the Company.
6. To re-elect Mr David Ritchie as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company.
8. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors of the Company.
9. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
 "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £1,948,838 (representing 5% of the share capital in issue on 24 June 2011); and provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
10. To consider and, if thought fit, to pass the following resolution as a special resolution:
 "That, subject to the passing of Resolution 9 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in Section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 9 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(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 £1,948,838 (representing 5% of the aggregate nominal amount of the share capital in issue on 24 June 2011); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:
 "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("Ordinary Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per Ordinary Share provided that:
 - (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 23,370,473, representing 14.99% of the issued Ordinary Share capital as at 24 June 2011;
 - (b) the minimum price which may be paid for an Ordinary Share is 25p;
 - (c) the maximum price which may be paid for an Ordinary Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary 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 Ordinary Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
 - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless renewed prior to such time; and
 - (f) the Company may make a contract to purchase Ordinary 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 Ordinary Shares pursuant to any such contract."

Notice of Meeting

12. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That in addition to any existing authority granted to the Company at any General Meeting held before the passing of this resolution, the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its issued Subscription Shares, provided that:

- (a) the maximum number of Subscription Shares hereby authorised to be purchased shall be 4,312,607 representing 14.99% of the issued Subscription Share capital as at 24 June 2011;
- (b) the minimum price which may be paid for a Subscription Share is 1p;
- (c) the maximum price which may be paid for a Subscription Share will not exceed the higher of (i) 5% above the average of the middle market quotations (as derived from the Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless renewed prior to such time; and
- (e) the Company may make a contract to purchase Subscription Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Subscription Shares pursuant to any such contract notwithstanding such expiry."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 2894077
24 June 2011

Explanatory Notes

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 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 6GT, 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 notari ally, 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 and Shareholder Reference ID 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 under your Schroder UK Growth Fund plc holding details. 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 12 noon on 30 July 2011. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641.

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 general meeting. Please contact the Registrar if you need any further guidance on this.

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

The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m. on 30 July 2011, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 30 July 2011 shall be disregarded in determining the right of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com/CREST. 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 (IDRA19) 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 the inside front cover of the Company's Annual Report and Accounts for the year ended 30 April 2011.
7. As at 24 June 2011, 155,907,095 ordinary shares of 25 pence each and 28,769,892 subscription shares of 1p each were in issue (no shares were held in treasury). The subscription shares carry no voting rights, therefore the total number of voting rights of the Company as at 24 June 2011 is 155,907,095.
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 the Company's website, www.schroderukgrowthfund.com.
9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Company Summary and Shareholder Information

The Company

Schroder UK Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 24 June 2011, the Company had 155,907,095 ordinary shares of 25p each and 28,769,892 subscription shares of 1p each in issue (no shares were held in treasury). The Company's assets are managed and it is administered by Schroders. The Company has, since its launch in 1994, measured its performance against the FTSE All-Share Index. The Company measures its performance on a total return basis.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to Shareholders at the Company's Annual General Meeting in 2014 and thereafter at five yearly intervals.

Website and Share Price Information

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

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

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

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from landlines.

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

Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. 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.schroderukgrowthfund.com



Schroders