

Schroder

UK Mid & Small Cap Fund plc

Report and Accounts to 30 September 2009



Schroders

Investment Objective

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

Peter Timms (Chairman) (Aged 66)

Peter Timms, CBE, was appointed a non-executive Director of the Company in 1989 and Chairman in 2000. He is chairman and managing director of Flexible Technology Ltd, and is chairman of Argyll & the Islands Enterprise Company Ltd, CalMac Ferries Ltd, David MacBrayne Ltd, HIE Ventures Ltd, Northlink Ferries Ltd, Northlink Orkney & Shetland Ferries Ltd, and SETG Ltd.

Rachel Beagles (Aged 41)

Rachel Beagles was appointed a non-executive Director of the Company in March 2006. She was co-head of the Pan European Banks Equity Research and Sales Team and a Managing Director of the Corporate and Investment Bank Group Division at Deutsche Bank AG from 2000 to 2003. She is a non-executive director of Crown Place VCT plc and vice chair of Newlon Housing Trust.

Malcolm Coubrough (Aged 63)

Malcolm Coubrough was appointed a non-executive Director of the Company in 1998. He is chairman and managing director of Charles Coubrough & Co Ltd and associated companies, currently farming 7,500 acres in Strathclyde and the Borders.

Chris Jones (Aged 68)

Christopher Jones was appointed a non-executive Director of the Company in 1994. From 1985 until his retirement in 2003 he was head of Investments at Merchant Investors Assurance Company Ltd, a subsidiary of Allianz (UK) Ltd. His other non-executive directorships comprise: Atlantis Japan Growth Ltd, Cayenne Trust plc, Ecofin Water & Power Opportunities PLC, Japan Accelerated Performance Fund PLC, Jupiter Second Enhanced Income Trust plc, Montanaro UK Smaller Companies Trust plc and Montanaro European Smaller Companies Ltd.

Maxwell Packe FCA (Aged 64)

Maxwell Packe was appointed a non-executive Director of the Company in 1997. He is chairman of Close Enterprise VCT plc, KH Holdings Limited and Vibrant Energy Assessors Limited.

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

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

Advisers

Secretary and Investment Manager

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

Registered Office

33 Bothwell Street
Glasgow G2 6NL

Custodian

JPMorgan Chase Bank
1 Chaseside
Bournemouth
Dorset BH7 7DA

Independent Auditors

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

Registrar

Equiniti Limited
Aspect House, Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0871 384 2713*
Website: www.shareview.co.uk
*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Bankers

Schroder & Co. Limited
31 Gresham Street
London EC2V 7QA

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

Stockbrokers

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

Solicitors

Tods Murray LLP
33 Bothwell Street
Glasgow G2 6NL

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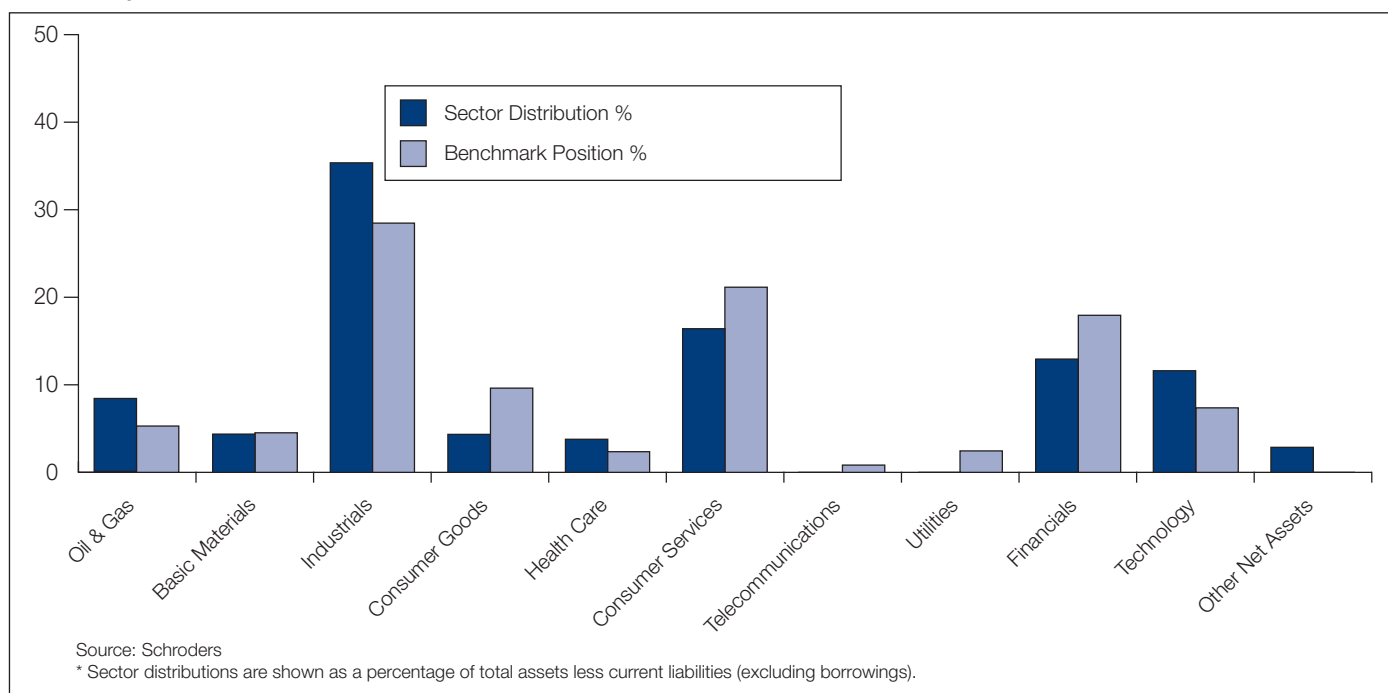
Financial Highlights

	30 September 2009	30 September 2008	% Change
Net asset value per share	235.47p	203.51p	15.70
Share price	192.75p	168.00p	14.73
Share price discount	18.1%	17.4%	
Shareholders' funds (£'000)	85,109	73,556	15.71
	Year ended	Year ended	
	30 September 2009	30 September 2008	% Change
FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index*	2,642.05	2,157.21	22.48
Shares in issue ('000)	36,144	36,144	–
Dividends per share	5.30p	5.30p	–
Total Expense Ratio (TER)**	1.01%	0.79%	

* Source: Thompson Financial Datastream

** Calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year (excluding performance fee, VAT rebate on management fee and finance costs). The increase from the previous year is predominantly due to non-utilisation fees incurred under the terms of the agreement for the Company's loan facility.

Comparison of Portfolio Sector Distribution* with the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index at 30 September 2009



Ten Year Record

As at 30 September	Shareholders' funds £'000	Net asset value (NAV) per share pence	Share price pence	Share price discount %
2009	85,109	235.5	192.8	18.1
2008	73,556	203.5	168.0	17.4
2007	100,852	278.3	242.5	12.9
2006	88,055	239.6	209.5	12.6
2005	69,498	188.7	171.5	9.1
2004	51,051	138.6	121.3	12.5
2003	30,508	112.5	106.0	5.8
2002	23,253	85.7	61.0	28.8
2001	36,185	146.7	111.0	24.3
2000	121,004	446.5	381.0	14.7

For the year ended 30 September	Revenue return per share pence	Net dividends per ordinary share pence	Cost of running trust £'000
2009	5.2	5.30	948
2008	6.2	5.30	1,005
2007	5.0	4.11	1,241
2006	3.5	2.85	1,104
2005	2.8	2.25	963
2004	2.4	2.00	695
2003	(0.3)	–	743
2002	(0.6)	–	814
2001	2.7	3.10	944
2000	2.8	1.00	974

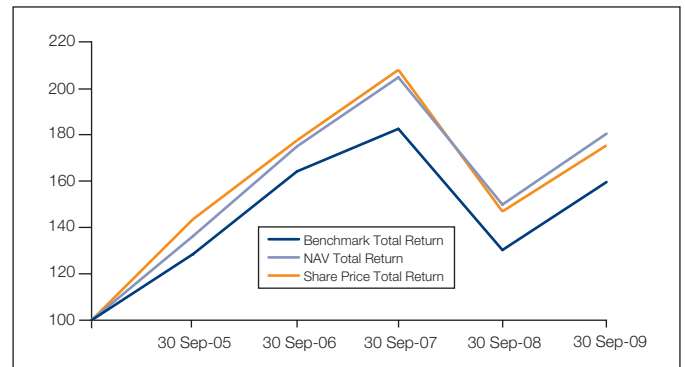
Total Returns to 30 September 2009

	Benchmark total return* %	NAV total return** %	Share price total return** %
1 year	22.48	20.38	19.37
2 years	(12.58)	(11.87)	(15.66)
3 years	(2.81)	3.13	(1.23)
4 years	24.19	32.41	22.18
5 years	59.54	80.40	75.35

* Source: Thomson Financial Datastream (the benchmark is the FTSE All Share, ex-Investment Companies, ex-FTSE 100, Total Return Index).

** Source: Fundamental Data.

Share Price/NAV/Benchmark Index Performance (5 years)



Source: Share Price Total Return: Fundamental Data; Benchmark Index Return: Thomson Financial Datastream (data rebased to 100 at 30 September 2004).

Ten Largest Investments

Company	Sector classification	30 September 2009		30 September 2008	
		Market value of holding £'000	% of Shareholders' funds	Market value of holding £'000	% of Shareholders' funds
CSR	Technology Hardware & Equip't	2,111	2.48	1,035	1.41
Premier Oil	Oil & Gas Producers	2,057	2.42	1,359	1.85
Kier Group	Construction & Materials	1,775	2.09	556	0.76
Dechra Pharmaceuticals	Pharmaceuticals & Biotech	1,712	2.01	2,158	2.93
Fidessa Group	Software & Computer Services	1,580	1.86	1,067	1.45
Victrex	Chemicals	1,524	1.79	1,250	1.70
Grainger	Real Estate & Investment Services	1,472	1.73	750	1.02
Chloride Group	Electronic & Electrical Equip't	1,457	1.71	1,524	2.07
Homeserve	Support Services	1,432	1.68	1,464	1.99
Babcock International	Support Services	1,420	1.67	1,118	1.52
		16,540	19.44	12,281	16.70

Chairman's Statement

Performance

I am pleased to report a return to positive results for your Company following the difficulties experienced last year. The Company's net asset value showed some recovery during the year, increasing from 203.51 pence per share to 235.47 pence per share. The net asset value produced a total return of 20.4%, compared to an increase in the FTSE All-share, ex-Investment Companies, ex-FTSE 100, Total Return Index of 22.5%. Meanwhile, the share price produced a total return of 19.4% during the year under review.

Dividends

We are pleased to be in a position to hold the dividend for the year ended 30 September 2009 at the same rate as that paid in respect of the previous financial year. While, as expected, poor market conditions led to a fall in earnings, we only had to supplement income with a transfer of £36,000 from the revenue reserve in order to maintain the dividend.

A resolution to approve the payment of a final dividend of 5.30 pence per share will therefore be proposed at the Annual General Meeting. If passed, the dividend will be paid on 29 January 2010 to shareholders on the register at 29 December 2009.

Gearing Facility

The Company renewed its £10 million revolving credit facility in July 2009. The facility was undrawn throughout the year ended 30 September 2009 and has not been utilised since the end of the year. Parameters for the use of gearing have been established and these are reviewed regularly by the Board.

Purchase of Shares for Cancellation and Treasury Shares

At the Company's last Annual General Meeting held on 10 February 2009, the Company was granted authority to purchase up to 14.99% of its issued share capital for cancellation, of which a maximum of 5% of the Company's issued share capital bought back could be held in treasury for later re-issue at a narrower discount than that prevailing when the shares were originally purchased. During the year ended 30 September 2009, the Company did not purchase any shares for cancellation or for holding in treasury.

Your Board continues to consider whether share purchases should be made on a regular basis and, to provide maximum flexibility for the future, proposes that the existing authorities be renewed at the forthcoming Annual General Meeting.

VAT on Management Fees

As stated in previous Reports to shareholders, the Board has been pursuing the reclaim of VAT on management fees previously paid on investment management fees.

During the year ended 30 September 2009, the Company recovered £22,100 from HMRC in respect of VAT wrongfully charged to the Company for the period April 2001 to April 2003 from its former manager, together with £4,400 statutory interest thereon. In addition, our Manager has recovered a further £394,400 from HMRC in respect of the period May 2003 to October 2007, together with £100,600 statutory interest thereon.

There remain two periods, 1990 to December 1996 and December 1996 to April 2001, for which further recovery may be achieved but the extent and likelihood of any potential VAT reclaim for those periods remains uncertain. Your Board will continue to monitor the situation.

Chairman's Statement

Annual General Meeting

The Company's Annual General Meeting will be held at 12.00 noon on Tuesday, 26 January 2010, and shareholders are encouraged to attend. The meeting will include a presentation by the Investment Manager on the prospects for the UK market and the Company's investment strategy.

Peter Timms, CBE

Chairman

14 December 2009

Investment Manager's Review

Performance

Over the twelve months to 30 September 2009 the Company's net asset value on a total return basis rose by 20.4%. This compared with a 22.5% increase in the FTSE All-Share, ex Investment Companies, ex FTSE 100 Total Return Index over the same period.

Over the period from 1 May 2003 (when Schroders took responsibility for the management of the portfolio) to 30 September 2009, the net asset value has produced a total return of 195.3% compared to a total return of 139.3% for the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index and a 195.3% total return for the share price over the same period.

As in previous years, performance benefited from bid activity, with a trade bid for Venture Production by Centrica, and a private equity backed bid for professional qualification and training provider BPP. Investments with geared exposure to the UK housing market also staged a strong recovery from the spring, including Paragon, the provider of buy-to-let mortgages, and Grainger, which owns a portfolio of assured and life tenancy houses.

The principal detractors to performance in the year were stock rather than sector specific. E2V Technologies entered the downturn in its industrial and medical technology markets with too much debt, as did White Young Green in engineering consultancy. Both companies had in hindsight made ill-judged acquisitions. However, the vast majority of investments in the portfolio have very strong balance sheets. The other reason for underperformance in the past twelve months was a failure to capture the strong recovery in the mining sector.

Market Background

The twelve months to 30 September 2009 has been a year of two halves, with intense concern about the banking system and the availability of credit in the winter months giving way to a dramatic turnaround in sentiment from March 2009. Investors started to see the green shoots of recovery and were forced by the low returns available on bank deposits into taking more risk. Companies which had suffered from high levels of debt suddenly became the most popular investments, as recovery would lead to higher profitability and make it easier to service their high debt burdens.

Portfolio Update

New purchases in the past year have included Aquarius Platinum (mining), Aveva (engineering design software), Dana (oil & gas E&P), Intec Telecom Systems (billing systems), IG Group (spread betting), Investec (investment banking), Mouchel (government outsourcing), Paragon (buy to let mortgages), Provident Financial (sub-prime lending), PV Crystalox (modules for photo-voltaics), SDL (translation software), Stagecoach (bus and rail transport), Wellstream (oil services), and Wood Group (oil services). Complete disposals have included BPP and Venture Production on bids; Balfour Beatty, Burberry, Invensys and London Stock Exchange upon promotion to the FTSE 100 Index; Persimmon and Redrow on concerns and future profit margins in house building; and White Young Green on financial concerns. Equity fund raisings were supported in Inchcape, Shanks, Speedy Hire and S.I.G. The focus of the portfolio has shifted somewhat towards companies with less reliance on the UK economy for future growth.

Outlook

After a strong and rather indiscriminate recovery in equity markets over the past six months, we expect the fundamentals to re-establish themselves as investors contemplate the UK economic and political scene in 2010 and beyond. With a general election likely to be held in May 2010, the next government can be expected to raise income and sales taxes promptly, so as to make some headway towards addressing the near £200bn fiscal deficit. Consumer spending this year has benefited from lower petrol prices, mortgage rates and VAT, and there may be a burst of spending ahead of the January 2010 VAT increases. However, next year looks set for a return to sluggish consumer spending, coupled with a further increase in unemployment as the bloated government workforce has to be reduced. Cuts in government spending could prove a profitable opportunity however for various private sector outsourcing specialists.

Investment Manager's Review

One major concern is that over the next five years, approximately £900bn of gilts need to be refinanced, and this seems likely to put upward pressure on UK interest rates. Overall it would appear that the UK will be one of the slowest growing economies in the world for some time. Accordingly our focus remains on well-financed companies capable of organic growth, preferably on a global stage.

Schroder Investment Management Limited

14 December 2009

Investment Portfolio

As at 30 September 2009

Company	Sector classification	Principal activity	Market value of holding £'000	% of Shareholders' funds
CSR	Technology Hardware & Equip't	Designs and manufactures single-chip radio devices	2,111	2.48
Premier Oil	Oil & Gas Producers	Oil & gas exploration development and production	2,057	2.42
Kier Group	Construction & Materials	Construction, development and service group, specialising in building and civil engineering	1,775	2.09
Dechra Pharmaceuticals	Pharmaceuticals & Biotech	Manufacturer of pharmaceutical products and equipment for veterinary industry	1,712	2.01
Fidessa Group	Software & Computer Services	Supplies computer software products to customers in the financial trading systems market	1,580	1.86
Victrex	Chemicals	Manufacturer of speciality plastics	1,524	1.79
Grainger	Real Estate & Investment Services	Purchase, letting, management and refurbishment of tenanted property	1,472	1.73
Chloride Group	Electronic & Electrical Equip't	Power protection solutions provider	1,457	1.71
Homeserve	Support Services	Provider of home emergency repair insurance coverage	1,432	1.68
Babcock International	Support Services	Support services to defence, energy and transport sectors	1,420	1.67
Elementis	Chemicals	Manufacture and sale of chromium chemicals, pigments and other chemicals	1,357	1.59
Wellstream Holdings	Oil Equipment & Services	Leading designer and manufacturer of flexible risers	1,342	1.58
Daily Mail & General Trust	Media	International media company with interests in newspapers and related digital operations, local media and radio	1,286	1.51
Keller	Construction & Materials	International ground engineering specialist	1,272	1.49
Fisher (James)	Industrial Transportation	Suppliers of maritime services	1,254	1.47
Cranswick	Food Producers	Manufacturer of pork products	1,249	1.47
Hunting	Oil Equipment & Services	Provides oil & gas services	1,213	1.42
VT Group	Aerospace & Defence	Provider of engineering and support services to governments and large organisations	1,183	1.39
Speedy Hire	Support Services	Tool hire services	1,179	1.39
Mitie Group	Support Services	Building and maintenance services	1,173	1.38
Twenty Largest Investments			29,048	34.13
Investec	Financial Services	Specialist investment management services and products	1,145	1.35
John Wood Group	Oil Equipment & Services	Energy services company providing services to the oil and gas industries worldwide	1,140	1.34
Ultra Electronics Holding	Aerospace & Defence	Design, manufacture and support of electronic and electromechanical systems, sub-systems & products	1,135	1.33
Go-Ahead Group	Travel & Leisure	Owner and operator of public transport services	1,126	1.32
Albemarle & Bond	Financial Services	Pawnbroking and cheque cashing business	1,116	1.31
William Hill	Travel & Leisure	Fixed-odds bookmaking services and online casino	1,110	1.30
Carillion	Support Services	Infrastructure, building and business services	1,102	1.29
ITE Group	Media	Organiser of trade exhibitions and conferences	1,100	1.29
Eaga	Support Services	Provides energy efficient solutions	1,086	1.28
Halma	Electronic & Electrical Equip't	Manufacturer of safety products	1,085	1.27
IG Group Holdings	Financial Services	Provides contracts for differences and spread betting on financial markets	1,082	1.27
Rotork	Industrial Engineering	Design, manufacture and support of valve actuators	1,074	1.26
Intec Telecom Systems	Software & Computer Services	Supplies billing and mediation solutions to telecoms carriers	1,071	1.26
Inchcape	General Retailers	Imports, distributes and retails motor vehicles	1,065	1.25
Consort Medical	Healthcare Equip't & Services	Leader in medical devices for inhaled drug delivery and anaesthesia	1,062	1.25
Stagecoach Group	Travel & Leisure	Owner and operator of public transport services	1,057	1.24
Forth Ports	Industrial Transportation	Runs a group of regionally based ports	1,027	1.21
Aveva Group	Software & Computer Services	Marketing and developing computer software and services for engineering and related solutions	1,010	1.19
BSS Group	Support Services	Distributes, heating, plumbing and engineering products and services	1,010	1.19
Bodycote International	Industrial Engineering	Specialist testing and thermal processing services	999	1.17
Alterian	Software & Computer Services	Global provider of database marketing technology	957	1.12
Shanks Group	Support Services	Provides integrated waste management and disposal services	951	1.12
Provident Financial	Financial Services	Provider of non-standard credit products	950	1.12
Spirax-Sarco	Industrial Engineering	Manufacturer of fluid control products	940	1.10
United Business Media	Media	Market research, news distribution and professional media	935	1.10

Investment Portfolio

Company	Sector classification	Principal activity	Market value of holding £'000	% of Shareholders' funds
Mouchel Group	Support Services	Consulting and business services group	930	1.09
Rensburg	Financial Services	Personal asset management and stockbroking services	903	1.06
System C Healthcare	Software & Computer Services	Design and implementation of computer systems for the healthcare market	892	1.05
Barr (AG)	Beverages	Soft drinks manufacturer	891	1.05
Morgan Sindall	Construction & Materials	Specialist construction company	864	1.01
Renishaw	Electronic & Electrical Equip't	Manufacturer of metrology instruments	857	1.01
Local Shopping REIT	Real Estate Investment Trusts	Property investment focused on local shops throughout the UK	855	1.00
Tate & Lyle	Food Producers	Cane sugar refiner	844	0.99
Aquarius Platinum	Mining	Platinum producer	834	0.98
WH Smith	General Retailers	Bookseller, stationer and newsagent	832	0.98
Latchways	Construction & Materials	Production, distribution and installation of industrial safety equipment	813	0.95
Charles Stanley Group	Financial Services	Stockbroking and investment management group	807	0.95
Greggs	Food & Drug Retailers	Retails sandwiches, savouries and other bakery-related products	800	0.94
Wilmington	Media	Provider of information to business markets and through various media	792	0.93
Diploma	Support Services	International distributor of specialist equipment	779	0.92
Dana Petroleum	Oil & Gas Producers	Independent oil and gas exploration and production company	771	0.91
Wetherspoon (JD)	Travel & Leisure	Development and management of public houses	765	0.90
SIG	Support Services	Leading European distributor of insulation materials	762	0.90
Paragon Group Of Companies	Financial Services	Independent specialist lender	746	0.88
Microgen	Software & Computer Services	Provider of information management	730	0.86
Laird	Electronic & Electrical Equip't	Design, manufacture and supply of antennae, EMI and thermal shields to mobile device sector	728	0.86
Holidaybreak	Travel & Leisure	Provider of camping and short break holidays	715	0.84
RM	Software & Computer Services	Supplier of ICT software and services to schools	707	0.83
Bovis Homes Group	Household Goods	House builder	699	0.82
Hansteen Holdings	Real Estate & Investment Services	Property company investing in industrial property in continental Europe	675	0.79
HMV Group	General Retailers	Music, video, game and book retailer	629	0.74
Booker Group	Food & Drug Retailers	Food retailers & wholesalers	619	0.73
Crystalox Solar	Alternative Energy	Produces multicrystalline silicon ingots and wafers for use in solar power generation systems	556	0.65
Findel	General Retailers	Home shopping and educational supplies	554	0.65
SDL	Software & Computer Services	Solutions company offering multilingual translation software and translation services	540	0.63
LMS Capital	Financial Services	Independent investment company	536	0.63
Management Consulting Group	Support Services	Consultancy services offering operational improvements to its clients	488	0.57
Assetco	Support Services	Vehicle outsourcing for fire brigades	468	0.55
Morson Group	Support Services	Providers of temporary and permanent technical personnel	452	0.53
Liontrust Asset Management	Financial Services	Investment management company	381	0.45
Netplay TV	Media	Interactive gaming and gambling services	354	0.42
E2V Holdings	Electronic & Electrical Equip't	Manufactures high-technology electronic components	333	0.39
Wichford	Real Estate & Investment Services	Property investment company with a portfolio focused on properties occupied by Central and State Government bodies in both the UK and Continental Europe	321	0.38
Nestor Healthcare	Healthcare Equip & Services	Provision of temporary healthcare personnel and services	224	0.26
Corin Group	Healthcare Equip & Services	Manufacture and marketing of orthopaedic devices	214	0.25
Chrysalis Group	Media	Music publisher	201	0.24
Innovision Research Technology	Technology Hardware & Equip.	Integrated circuits for wireless connections	162	0.19
Bango	Software & Computer Services	Provides technology for consumer purchases via internet on mobile telephones	108	0.13
Pinnacle Staffing Group	Support Services	Providers of temporary healthcare staff	18	0.02
Ludgate 181 Jersey Ltd	Support Services	Venture capital investment fund	-	0.00
Total investments			82,532	96.97
Net current assets			2,577	3.03
Total equity shareholders' funds			85,109	100.00

All investments were equity investments as at 30 September 2009.

At 30 September 2008, the twenty largest investments represented 35.40% 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 842 of the Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by HM Revenue & Customs is for the year ended 30 September 2008 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 Company's investment objective is to invest in Mid and Small Cap Equities with the aim of providing a total return in excess of the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index.

Resources

The Company has no employees; its investments are managed by Schroders, 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 below.

Investment Strategy

The Board has delegated management of the Company's portfolio to Schroder Investment Management Limited (the "Manager"). The Manager manages the portfolio with the aim of helping the Company to achieve its investment objective. Details of the Manager's approach, along with other factors that have affected performance during the year, are set out in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 and 7.

Investment Policy

In applying the investment objective, the Manager expects the Company to be fully invested and to borrow up to 25% of total assets when appropriate.

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

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Board has imposed a number of restrictions on investment by the Manager. The key restrictions imposed on the Manager include (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; (c) no more than 15% of the Company's total net assets may be invested in open-ended funds and; (d) no holding may represent 20% or more of the equity capital of any company. The Investment Portfolio on pages 8 and 9 demonstrates that, as at 30 September 2009, the Manager held 90 investments spread over a range of industry sectors. The largest investment, CSR, represented 2.48% of shareholders' funds at 30 September 2009. At the year end, the Company did not hold any unlisted investments, and did not hold open-ended funds however, the Company had an interest amounting to 1.00% of shareholders' funds in REITS, close ended investment companies. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Report of the Directors

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 on pages 6 and 7.

Measuring Success – Key Performance Indicators (“KPIs”)

KPIs are the method through which the Board measures the development and success of the Company's business. The Board considers achievement of the Company's investment objective as stated above to be the most significant KPI for the Company.

Investment Performance

In order to allow the Board to measure performance against the Company's investment objective, the Board is provided with quarterly reports from the Manager. These reports provide commentary on markets, portfolio activity, performance and strategy, including the impact of stock selection decisions and other attribution analyses, together with the outlook for the portfolio and markets. This information forms the basis of discussions at each Board meeting. On a regular basis, the Board also reviews the investment approach and 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, together with statistics on peer group performance.

A full analysis of the Company's performance for the year under review and over the longer-term, together with the portfolio sector distribution relative to the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index as at 30 September 2009, can be found on pages 2 and 3 of this Report.

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 of 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 Schroder's 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. The Board considers the use of its share buy-back authority on a regular basis and has adopted guidelines which outline circumstances in which the Company is prepared to buy-back its shares. During the year under review, no shares were purchased for cancellation. These guidelines are updated as considered necessary.

At 30 September 2009, the Company's share price stood at a discount of 18.1% to net asset value. During the year under review, the share price traded at a range between a premium of 4.5% to a discount of 27.3%.

Control of Total Expenses

The Board has adopted a third KPI which assists in keeping the total expense ratio (“TER”) of the Company under review.

An analysis of all 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 service providers including bankers, auditors, insurance providers and printers are also reviewed annually.

The TER for the Company for the year to 30 September 2009 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year (excluding the performance fee, VAT rebate on management fee and financial costs)) was 1.01% (2008: 0.79%). The increase in the TER during the year is predominantly due to non-utilisation fees incurred under the terms of the agreement for the Company's loan facility.

Report of the Directors

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 and to provide a system to enable the Directors to mitigate them as far as possible. A full analysis of the Company's system of internal control and its monitoring system is set out in the Corporate Governance Statement on page 23. The principal risks to the business 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 the UK stock market would have an adverse impact on the market value of the Company's portfolio of investments. The Board considers the risk profile of the portfolio at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact arising from substantial changes in the market. A full analysis of the financial risks facing the Company is set out in note 25 on pages 38 to 41.

Gearing

The Company has in place a credit facility, amounting to £10 million. The facility was undrawn during the year ended 30 September 2009 and, as at the date of this Report, it remains undrawn. In falling markets, any reduction in net asset value and share price is amplified by the gearing. The Directors keep the Company's gearing strategy under constant review and impose strict restrictions on borrowings to mitigate this risk.

Strategic Risk

Investment vehicles and asset classes can fall out of favour with investors, or investment trusts may fail to meet their investment objectives. This may result in a wide discount of the share price to underlying asset value. The Board periodically reviews whether the Company's investment remit remains appropriate and continually monitors the success of the Company in meeting its stated objectives. Further details may be found under "Investment Performance" and "Discount Management" on page 11.

Accounting, Legal and Regulatory Risk

In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 842 of the Income and Corporation Taxes Act 1988 (as amended) ("Section 842"). 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.

The Directors submit their Report and the audited Accounts of the Company for the year ended 30 September 2009.

Report of the Directors

Results and Dividend

The return for the year ended 30 September 2009, after finance costs and taxation, was £13,469,000 (2008: loss of £25,646,000).

The net revenue return for the year, after finance costs and taxation, was £1,880,000 (2008: £2,253,000), equivalent to a revenue return per ordinary share of 5.20p (2008: 6.22p).

For the year ended 30 September 2009, the Directors have recommended a final dividend of 5.30p per share (2008: 5.30p per share) which, subject to approval by shareholders at the forthcoming Annual General Meeting, will be paid on 29 January 2010 to Shareholders on the register on 29 December 2009. The dividend, if approved, will not be accounted for until it is paid.

Net Asset Value

During the year under review, the net asset value of the Company increased from 203.51 pence per share to 235.47 pence per share.

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, Mr Peter Timms, Mrs Rachel Beagles, Mr Malcolm Coubrough, Mr Chris Jones and Mr Maxwell Packe 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 Beagles is considered to be independent and each of Mr Timms, Mr Coubrough, Mr Jones and Mr Packe are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years.

The Board supports the re-elections of Mr Timms, Mrs Beagles, Mr Coubrough, Mr Jones and Mr Packe, as it considers that each of these Directors continues to demonstrate commitment to their roles as Directors and make a valuable contribution 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 September 2009, all of which were beneficial, were as follows:

Director	Ordinary shares of 25p each 30 September 2009	Ordinary shares of 25p each 1 October 2008
Peter Timms	10,000	10,000
Rachel Beagles	5,717	5,717
Malcolm Coubrough	4,925	4,925
Chris Jones	10,000	10,000
Maxwell Packe	40,660	40,660

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

As at the date of this Report, the Company had 36,143,690 Ordinary Shares of 25p each in issue (no shares were or are held in treasury). Accordingly, the total number of voting rights of the Company as at the date of this Report is 36,143,690.

Report of the Directors

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Lloyds Banking Group plc	2,524,245	6.98%
Barclays Plc	2,281,420	6.31%
Standard Life Investments Ltd	1,775,786	4.91%
Smith & Williamson Holdings Ltd	1,821,654	5.04%
Legal & General Group plc	1,306,100	3.61%

Investment Manager

During the year under review the Board considered the services provided by the Manager. The Board continues to consider that the Manager provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objective. The Board therefore considers that the Manager's continued appointment under the terms of the current Investment Management Agreement, further details of which are set out below, remains in the interests of shareholders.

Under the terms of the management agreement, Schroder Investment Management Limited is entitled to a fee at a rate of 0.8% on assets up to and including £75 million, and 0.6% thereafter, payable quarterly in arrears. For the purpose of calculating management fees, assets means total assets less current liabilities other than short-term borrowings, provided that if there are any short-term borrowings, the value of cash up to the level of such borrowings is deducted from the calculation of assets.

With effect from 1 October 2003, an annual performance fee was introduced. The fee is calculated on an annual basis as 0.1% of average monthly assets for each 1% out-performance of the benchmark (FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index) over and above 0.8%, to a maximum performance fee of 1% of average assets in any given year. For the year to 30 September 2009, no performance fee was payable under the terms of the management agreement (2008: £92,000).

The Manager is also entitled to a secretarial fee amounting to £95,000 per annum (inclusive of VAT (2008: £96,000 (inclusive of VAT))). This fee continues to be subject to annual adjustment in line with changes in the Retail Price Index.

The Investment Manager is authorised and regulated by the Financial Services Authority.

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 September 2009 (2008: £nil).

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 on page 22.

Report of the Directors

Statement of Directors' Responsibilities and Going Concern

Under applicable UK Company law and regulations, the Directors are responsible for preparing the Annual Report and Accounts, a Directors' Report (including the Business Review), Remuneration Report and Corporate Governance Statement that comply with that Company law and those regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law they have elected to prepare 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;
- 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis 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.

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.

Independent Auditors

The Company's Auditors, Ernst & Young LLP, have expressed their willingness to remain in office and resolutions to re-appoint 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 has approved a pre-approval policy on the engagement of the Auditors to supply non-audit services. The Company did not incur any charges for non-audit services during the year under review (2008: £6,000 relating to the provision of taxation services).

Provision of Information to the 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 they ought to have taken as a Director in order to make themselves 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 Tuesday, 26 January 2010 at 12.00 noon. The formal notice of the AGM is set out on page 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 11 – Authority to allot shares (ordinary resolution) and

Resolution 12 – Power to disapply pre-emption rights (special resolution)

At the AGM held on 10 February 2009, 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 February 2009, power was also given to the Directors to allot a limited number of new shares, or shares held in treasury, other than pro rata to existing shareholders. This power will also expire at the forthcoming AGM and resolutions to renew both authorities will be proposed at the forthcoming AGM, the details of which are set out in full in the Notice of Meeting.

An ordinary resolution will be proposed to authorise the Directors to allot shares for cash up to a maximum aggregate nominal amount of £451,796 (being 5% of the issued share capital as at 14 December 2009). A special resolution will also be proposed to give the Directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £451,796 (being 5% of the Company’s issued share capital (excluding any shares held in treasury) as at 14 December 2009). 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 12 therefore relates to both issues of new 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 new shares at a premium to net asset value at the time of issue. Shares re-issued from treasury under this authority may be re-issued at a discount to net asset value provided that the price at which the shares are reissued represents a discount to net asset value narrower than that prevailing at the time of acquisition.

If renewed, both authorities will expire at the conclusion of the AGM in 2011 unless renewed or revoked earlier.

Resolution 13 – Authority to make market purchases of the Company’s own shares (special resolution) and

Resolution 14 – Authority to reissue shares from treasury at a discount to net asset value (special resolution)

At the AGM held on 10 February 2009, the Company was granted authority to make market purchases of up to 5,417,939 ordinary shares for cancellation or to be held in treasury. No shares have been bought back under this authority and it 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 14 December 2009. The Directors will exercise this authority only if they consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. The authority will lapse at the conclusion of the AGM in 2011, unless renewed or revoked earlier.

Report of the Directors

The maximum purchase price that may be paid for an ordinary share will be no more than the greater of 5% above the average of the middle market quotations for 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. Shares held in treasury may be 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.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of the Company and 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
Schroder Investment Management Limited
Company Secretary

14 December 2009

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 currently limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 30 September 2009, Directors received fees of £20,000 per annum, with £25,000 per annum for the Chairman. Directors' fees are reviewed annually. The last review of Directors' fees was carried out in 2009 and it was agreed that they should remain unchanged.

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 them. No element of 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 Directors' 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 at least every three years. 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 that Director to seek an additional term in office.

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

Performance Graph

A graph showing the Company's share price total return compared with the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index, over the last five years is set out on page 3.

Directors' Remuneration

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

	For the year ended 30 September 2009	For the year ended 30 September 2008
Peter Timms	£25,000	£25,000
Rachel Beagles	£20,000	£20,000
Malcolm Coubrough	£20,000	£20,000
Chris Jones	£20,000	£20,000
Maxwell Packe	£20,000	£20,000
Total	£105,000	£105,000

The information in the above table has been audited (see the Independent Auditors' Report on pages 24 and 25).

By Order of the Board
Schroder Investment Management Limited
Company Secretary
14 December 2009

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. The Financial Reporting Council published a revised version of the Combined Code in 2008. The disclosures in this Statement therefore relate to the requirements of the 2008 Combined Code (the “Code”). The Code is published by the FSA and is available to download from www.fsa.gov.uk.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors’ Responsibilities set out on page 15, 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 Chair 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 the Code’s 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, prospects in annual and half-yearly reports 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 biography of each serving Director, including their age and length of service, may be found on the inside front cover of this Report. The Board considers each of the Chairman, Mrs Rachel Beagles, Mr Malcolm Coubrough, Mr Chris Jones and Mr Maxwell Packe to be independent of the Company’s Investment Manager. 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 the Company has contractually delegated management of the Company’s investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services, to its Investment Manager.

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. The Board is however considering the current balance of Directors and is looking to refresh in the next year.

Corporate Governance

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.schroderukmidandsmallcapfund.com. Details of membership of the Committees at 30 September 2009 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 21.

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 competence in accounting.

To discharge its duties, the Committee met on two occasions during the year ended 30 September 2009 and considered the annual accounts and half-yearly accounts, the external Auditors' year-end report and management letter, the effectiveness of the audit process, the independence and objectivity of the external Auditors 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 September 2009 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 to be independent.

Before the appointment of a new Director, the 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 Committee will consider a range of candidates sourced either from recommendation from within the Company or by using external consultants.

The Committee will assess potential candidates on merit against a range of criteria including experience, knowledge, professional skills and personal qualities and 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 Committee is primarily responsible for interviewing suitable candidates and a recommendation will be made to the Board for final approval.

The Committee did not have occasion to meet during the year ended 30 September 2009.

Tenure

The Board has adopted a policy on tenure that is considered appropriate for an investment trust. The Directors do not consider that length of service, by itself, leads to a closer relationship with the Investment Manager, or that it 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 be subject to annual re-election by shareholders.

Corporate Governance

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 provide relevant reports to the Board from time to time. In addition, Directors may 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.

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 last evaluation took place in July 2009. 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 evaluation criteria which focuses on each Director's individual contribution to the Board and its Committees and the responsibilities, composition and agenda of the Committees and the Board as a whole.

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 four times 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 scheduled Board Committee meetings held during the year under review is set out in the table below.

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Peter Timms	4/4	2/2	N/A	1/1
Rachel Beagles	4/4	2/2	N/A	1/1
Malcolm Coubrough	4/4	2/2	N/A	1/1
Chris Jones	4/4	2/2	N/A	1/1
Maxwell Packe	4/4	2/2	N/A	1/1

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

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.

Corporate Governance

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

In light of changes to the law resulting from the implementation of the Companies Act 2006, the Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Major Shareholders

Details of the Company's major direct and indirect shareholders are set out in the Report of the Directors on page 14.

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. 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, sent to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by all 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 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 page 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. Provided that this objective is not compromised in the process the Board does, however, believe that it is also possible to develop a framework that, in the interests of 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 by the Manager when selecting or retaining investments.

Exercise of Voting Powers

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, www.schroderukmidandsmallcapfund.com.

Corporate Governance

Internal Control

The Code requires the Board to conduct, at least annually, 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.

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

To the Members of Schroder UK Mid & Small Cap Fund plc

We have audited the accounts of Schroder UK Mid & Small Cap Fund plc for the year ended 30 September 2009 which comprise the Income Statement, Reconciliation of Movement in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, 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 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.

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.

Opinion on the accounts

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 financial statements; and
- the information given in the Corporate Governance Statement in compliance with rule 7.2.5 and 7.2.6 of the Disclosure and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and share capital structures) is consistent with the accounts.

Independent Auditors' Report

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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 15, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Sarah Jane Williams (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

London, United Kingdom

14 December 2009

Income Statement

	Note	For the year ended 30 September 2009			For the year ended 30 September 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	2	–	12,009	12,009	–	(27,465)	(27,465)
Income	3	2,344	–	2,344	2,645	–	2,645
Investment management fee	4	(53)	(480)	(533)	(65)	(588)	(653)
VAT recoverable	4	6	60	66	35	315	350
Performance fee		–	–	–	–	(92)	(92)
Administrative expenses	5	(415)	–	(415)	(352)	–	(352)
Net return/(loss) before finance costs and taxation		1,882	11,589	13,471	2,263	(27,830)	(25,567)
Interest payable and similar charges	6	(2)	–	(2)	(10)	(69)	(79)
Net return/(loss) on ordinary activities before taxation		1,880	11,589	13,469	2,253	(27,899)	(25,646)
Taxation on ordinary activities	7	–	–	–	–	–	–
Net return/(loss) attributable to equity shareholders		1,880	11,589	13,469	2,253	(27,899)	(25,646)
Net return/(loss) per ordinary share	9	5.20p	32.06p	37.26p	6.22p	(77.03)p	(70.81)p

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

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

The notes on pages 30 to 41 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	Merger reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
At 30 September 2007		9,060	196	13,971	2,184	15,638	57,507	2,296	100,852
Net loss on ordinary activities		-	-	-	-	-	(27,899)	2,253	(25,646)
Ordinary Dividend paid	8	-	-	-	-	-	-	(1,489)	(1,489)
Purchase of shares for cancellation		(24)	24	-	-	(161)	-	-	(161)
At 30 September 2008		9,036	220	13,971	2,184	15,477	29,608	3,060	73,556
At 30 September 2008		9,036	220	13,971	2,184	15,477	29,608	3,060	73,556
Net return on ordinary activities		-	-	-	-	-	11,589	1,880	13,469
Ordinary Dividend paid	8	-	-	-	-	-	-	(1,916)	(1,916)
At 30 September 2009		9,036	220	13,971	2,184	15,477	41,197	3,024	85,109

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

The notes on pages 30 to 41 form an integral part of these accounts.

Balance Sheet

These accounts were approved and authorised for issue by the Board of Directors.

	Note	At 30 September 2009 £'000	At 30 September 2008 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	82,532	65,570
		82,532	65,570
Current assets			
Debtors	11	823	1,721
Cash at bank and short-term deposits	23	2,174	7,167
		2,997	8,888
Current liabilities			
Creditors – amounts falling due within one year	12	(420)	(902)
Net current assets		2,577	7,986
Net assets		85,109	73,556
Capital and reserves			
Called up share capital	14	9,036	9,036
Capital redemption reserve	15	220	220
Share premium account	16	13,971	13,971
Merger reserve	17	2,184	2,184
Share purchase reserve	18	15,477	15,477
Capital reserve	19	41,197	29,608
Revenue reserve	20	3,024	3,060
Equity shareholders' funds		85,109	73,556
Net asset value per ordinary share	21	235.47p	203.51p

These accounts were approved by the Board of Directors on 14 December 2009 and signed on its behalf by:

Peter Timms

Chairman

The notes on pages 30 to 41 form an integral part of these accounts.

Cash Flow Statement

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Note		
Operating activities		
Dividends received from investments	2,076	2,300
Interest received on deposits	135	262
Other income	10	–
Investment management fee paid	(491)	(735)
Administrative expenses paid	(395)	(366)
Performance fee paid	(92)	(596)
Net cash inflow from operating activities	22	865
Servicing of finance		
Bank overdraft interest paid	(2)	(2)
Bank loan interest paid	–	(89)
Net cash outflow from servicing of finance	(2)	(91)
Taxation		
Taxation received/(paid)	1	(11)
Total tax received/(paid)	1	(11)
Investment activities		
Acquisition of investments	(29,621)	(25,382)
Disposal of investments	25,302	35,943
Net cash (outflow)/inflow from investment activities	(4,319)	10,561
Equity dividends paid		
Ordinary shares	(1,916)	(1,489)
Net cash (outflow)/inflow before financing	(4,993)	9,835
Financing		
Bank loan repaid	–	(5,000)
Purchase of shares for cancellation	–	(163)
Net cash outflow from financing	–	(5,163)
Net cash (outflow)/inflow	(4,993)	4,672

Reconciliation of net cash flow to movement in net funds

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Note		
Net cash (outflow)/inflow	(4,993)	4,672
Movement in borrowings	–	5,000
Movement in net funds resulting from cash flows	(4,993)	9,672
Net funds/(debt) at 1 October	7,167	(2,505)
Net funds	23	7,167

The notes on pages 30 to 41 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 September 2009, are unchanged from 2008 and are set out below.

a Basis of Preparation

The accounts have been prepared on a going concern basis 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) (adopted early), which has not resulted in the restatement of prior year figures.

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.

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 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 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.

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

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.

d Expenses and interest payable

All expenses, including the investment management fee, performance 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 10% to revenue and 90% 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 Taxation

Deferred tax is provided in full, using the liability method, on all taxable and deductible timing 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 timing 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 842 of the Income and Corporation Taxes Act 1988 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.

g 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 the 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 and become a liability of the Company.

Notes to the Accounts

h Capital Reserve

The following are accounted for in this reserve:

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

2. Gains/(losses) on investments held at fair value

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Net (loss)/gain on disposal of investments held at fair value through profit or loss	(2,888)	9,970
Investment holding gains/(losses) arising during the year	14,897	(37,435)
	12,009	(27,465)

3. Income

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Income from investments held at fair value through profit or loss:		
UK franked dividends	2,042	2,285
UK unfranked dividends	87	65
Stock dividends	–	9
	2,129	2,359
Interest on deposits	104	286
Underwriting commission	6	–
VAT reclaim interest	105	–
	2,344	2,645

Notes to the Accounts

4. Investment management fee

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Management fee		
– charged to revenue	53	65
– charged to capital	480	588
	533	653
Backdated VAT recoverable		
– revenue	(6)	(35)
– capital	(60)	(315)
	(66)	(350)

Following a decision made by HM Revenue & Customs (HMRC) in November 2007, management fees invoiced after this date have not incurred a VAT charge. The bases for calculating the management fee are set out in the Report of the Directors on page 14.

Recovery of outstanding VAT recoverable on management fees and interest has been recorded in the current year, as described in the Chairman's Statement on pages 4 and 5 of this Report. No further recovery is expected at this time, however, there remain two periods, 1990 to December to December 1996 and December 1996 to April 2001, for which further recovery may be achieved but the extent and likelihood of any potential VAT reclaim for that period remains uncertain. The Board will continue to monitor the situation.

5. Administrative expenses

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
General expenses*	195	125
Directors' fees	105	105
Secretarial fee	95	96
Auditors' remuneration:		
Fees payable to the Company's Auditors for the audit of the company's annual accounts	20	20
Fees payable to the Company's Auditor and its associates for other services:		
Other services	–	6
	415	352

*The increase from the prior year is predominantly due to non-utilisation fees incurred under the terms of the agreement for the Company's loan facility provided by ING Bank N.V. (see note 12).

6. Interest payable

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Bank overdraft interest payable	2	2
Bank loan interest payable	–	77
	2	79
Allocated to:		
Revenue	2	10
Capital	–	69
	2	79

Notes to the Accounts

7. Taxation

(a) 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 842 of the Income and Corporation Taxes Act 1988 (as amended).

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

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 28% (2008: 30% and 28%). The differences are explained below:

	For the year ended 30 September 2009			For the year ended 30 September 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return/(loss) on ordinary activities before tax	1,880	11,589	13,469	2,253	(27,899)	(25,646)
Return/(loss) on ordinary activities multiplied by standard rate of:						
corporation tax in the UK of 30% (2008: 30%)	-	-	-	338	(4,185)	(3,847)
corporation tax in the UK of 28%* (2008: 28%)	526	3,245	3,771	315	(3,906)	(3,591)
Effects of:						
Capital returns on investments	-	(3,363)	(3,363)	-	7,965	7,965
UK dividends not chargeable to corporation tax	(572)	-	(572)	(665)	-	(665)
Movement in unutilised management expenses	43	118	161	15	126	141
Movement in overseas dividends taxable on receipt	3	-	3	(3)	-	(3)
Current tax charge for the year	-	-	-	-	-	-

* Under the Finance Act 2008, the rate of corporation tax was lowered to 28% from 1 April 2008.

(b) Provision for deferred tax

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

(c) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £3,872,000 (2008: £3,710,000) in respect of unutilised management expenses. It is unlikely that this amount will be utilised in future accounting periods unless the investment policy of the Company or the tax treatment is changed.

8. Dividends

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Amounts recognised as distributions in the period		
Final dividend of prior year of 5.30p (2008: 4.11p)	1,916	1,489

The final dividend for the year ended 30 September 2008 recognised in the accounts for the year ended 30 September 2009 is 5.30p, based on 36,143,690 ordinary shares in issue as at 30 September 2008. The final dividend for the year ended 30 September 2007 recognised in the accounts for the year ended 30 September 2008 is 4.11p, based on 36,238,690 shares in issue as at 30 September 2007.

The total dividend payable in respect of the financial year which is the basis of the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered, is set out below:

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Final dividend 5.30p (2008: 5.30p)	1,916	1,916

The proposed dividend for the year is based on 36,143,690 (2008: 36,143,690) ordinary shares in issue.

Notes to the Accounts

9. Return/(loss) per ordinary share

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Revenue	1,880	2,253
Capital	11,589	(27,899)
Total	13,469	(25,646)
Weighted average number of shares	36,143,690	36,215,589
Revenue	5.20p	6.22p
Capital	32.06p	(77.03)p
Total	37.26p	(70.81)p

10. Investments held at fair value through profit or loss

	At 30 September 2009 £'000	At 30 September 2008 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	75,857	75,612
Acquisitions at cost	29,192	25,767
Proceeds of disposals	(24,239)	(35,492)
Net (losses)/gains on disposals	(2,888)	9,970
Book cost	77,922	75,857
Investment holding gains/(losses)	4,610	(10,287)
Valuation of investments	82,532	65,570

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 September 2009 £'000	For the year ended 30 September 2008 £'000
On acquisitions	158	166
On disposals	32	48
	190	214

Notes to the Accounts

11. Debtors

	At 30 September 2009 £'000	At 30 September 2008 £'000
Amounts receivable within one year:		
Sales for future settlement	37	1,100
Accrued income	372	250
Prepaid expenses	10	10
VAT recoverable	394	350
Income Tax recoverable	10	11
	823	1,721

12. Creditors

	At 30 September 2009 £'000	At 30 September 2008 £'000
Amounts falling due within one year:		
Purchases for future settlement	124	553
Accrued expenses	296	257
Performance fee payable	–	92
	420	902

The Company has in place a 364 day £10,000,000 unsecured loan facility with ING Bank N.V. which expires on 2 July 2010. The facility was not drawn down during the year or at the year end (30 September 2008: undrawn).

13. Contingent Liabilities

The Company had no contingent liabilities at the balance sheet date (2008: £nil).

14. Called up share capital

	At 30 September 2009 £'000	At 30 September 2008 £'000
Authorised:		
42,000,000 (2008: 42,000,000) ordinary shares of 25p each	10,500	10,500
Allotted, Called up and Fully paid:		
Opening balance 36,143,690 (2008: 36,238,690) ordinary shares of 25p each	9,036	9,060
Transfer to capital redemption reserve on purchase of nil (2008: 95,000) shares for cancellation (see note 15)	–	(24)
Closing balance 36,143,690 (2008: 36,143,690) ordinary shares of 25p each	9,036	9,036

Notes to the Accounts

15. Capital redemption reserve

	At 30 September 2009 £'000	At 30 September 2008 £'000
Balance brought forward	220	196
Transfer from share capital (see note 14)	–	24
Balance carried forward	220	220

16. Share premium account

	At 30 September 2009 £'000	At 30 September 2008 £'000
Balance brought forward and carried forward	13,971	13,971

17. Merger Reserve

	At 30 September 2009 £'000	At 30 September 2008 £'000
Balance brought forward and carried forward	2,184	2,184

18. Share purchase reserve

	At 30 September 2009 £'000	At 30 September 2008 £'000
Balance brought forward	15,477	15,638
Purchase of nil (2008: 95,000) ordinary shares for cancellation	–	(161)
Balance carried forward	15,477	15,477

19. Capital reserve

	At 30 September 2009 £'000	At 30 September 2008 £'000
Balance brought forward	29,608	57,507
(Losses)/gains on disposal of investments	(2,888)	9,970
Investment holding gains/(losses)	14,897	(37,435)
Investment management fee	(480)	(588)
Recoverable VAT on management fees	60	315
Performance fee	–	(92)
Interest payable	–	(69)
Balance carried forward	41,197	29,608

Notes to the Accounts

20. Revenue reserve

	At 30 September 2009 £'000	At 30 September 2008 £'000
Balance brought forward	3,060	2,296
Dividends paid	(1,916)	(1,489)
Net revenue return for the year	1,880	2,253
Balance carried forward	3,024	3,060

21. Net asset value per ordinary share

	At 30 September 2009	At 30 September 2008
Net asset value per ordinary share	235.47p	203.51p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £85,109,000 (2008: £73,556,000) and 36,143,690 (2008: 36,143,690) ordinary shares in issue at the year end.

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

	For the year ended 30 September 2009 £'000	For the year ended 30 September 2008 £'000
Net return/(loss) before finance costs and taxation	13,471	(25,567)
(Gains)/losses on investments held at fair value	(12,009)	27,465
Increase in accrued income	(122)	(74)
Stock dividend received	-	(9)
Increase in prepayments and other debtors	(44)	(351)
Decrease in accrued expenses (excluding interest)	(53)	(599)
Net cash inflow from operating activities	1,243	865

23. Analysis of changes in net funds

	At 30 September 2008 £'000	Cash flow £'000	Movement in borrowings £'000	At 30 September 2009 £'000
Cash at bank and short-term deposits	7,167	(4,993)	-	2,174
Net funds at 30 September	7,167	(4,993)	-	2,174

24. Related party transactions

The Company has appointed Schroder Investment Management ("SIM"), a wholly owned subsidiary of Schroders plc, to provide investment management, 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 14. The total management fee payable under this agreement to SIM in respect of the year ended 30 September 2009 was £533,000 (2008: £653,000), of which £164,000 (2008: £144,000) was outstanding at the year end. With effect from 1 October 2003, an annual performance fee was introduced. Details of the performance fee arrangements are given in the Report of the Directors on page 14. There was no performance fee payable to SIM in respect of the year ended 30 September 2009 (2008: £92,000).

Notes to the Accounts

In addition to the above services, SIM also provided investment trust dealing services to the Company. The total cost to the Company of this service, payable to Equiniti Limited, for the year ended 30 September 2009 was £3,000 (2008: £2,000), of which £nil (2008: £3,000) was outstanding at the year end.

During the year current account facilities were provided by Schroder & Co Limited. At 30 September 2009, the balance held at Schroder & Co Limited was £nil (2008: £nil).

25. Financial Instruments

Risk management policies and procedures

The Company's investment objective is to invest in Mid and Small cap equities with the aim of providing a total return in excess of the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index. 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 revenue profits available for dividend.

The Company does not enter into derivatives contracts. As an investment trust, the Company invests in securities for the long term.

Accordingly, it is the Company's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policy for managing these risks, as summarised below. These policies have 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 price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on pages 8 and 9. 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 as it is believed that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth, 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 September 2009 £'000	At 30 September 2008 £'000
Fixed asset investments at fair value through profit or loss	82,532	65,570

Notes to the Accounts

Price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the net asset value to an increase or decrease of 20% 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.

	At 30 September 2009		At 30 September 2008	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	(13)	13	(10)	10
Effect on capital return	16,389	(16,389)	13,024	(13,024)
Effect on total return and on net assets	16,376	(16,376)	13,014	(13,014)
Change in net asset value	19.2%	(19.2)%	17.7%	(17.7)%

b. Interest rate risk

Although the majority of the Company's financial assets are equity shares, which pay dividends, not interest, interest is earned on any cash balances and paid on any overdrawn or loan balance. Interest rate changes will also have an impact on the valuation of equities, although this forms part of price risk, which has already been considered separately, above.

The Company has in place a 364 day £10 million revolving credit facility with ING Bank N.V., which was undrawn at the year end (2008: £nil). This facility was unsecured and available in 2009 and 2008.

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.

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

Interest rate exposure

The exposure, at 30 September, of financial assets and liabilities to interest risk is shown by reference to:

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

	At 30 September 2009		At 30 September 2008	
	Within one year £'000	More than one year £'000	Within one year £'000	More than one year £'000
Exposure to floating interest rates:				
Cash at bank and short-term deposits	2,174	–	7,167	–
Total exposure to interest rates	2,174	–	7,167	–

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.

The above year end amounts are not necessarily representative of the exposure to interest rates during the year, because the level of exposure changes as borrowings are drawn down and repaid and the level of cash held will be affected by the strategy being followed in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any particular time.

During the year, the revolving credit facility was not utilised (2008: maximum of £5.0 million drawn down, repaid by the year-end), and the cash balance has fluctuated between £2.2 million and £8.2 million (2008: between £4.0 million and £7.4 million).

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue and capital return for the year and net asset value to an increase or decrease of 50 (2008: 50) basis points in interest rates in regard to the Company's monetary financial assets and 50 (2008: 50) basis points with 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 September 2009		At 30 September 2008	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect of revenue return	11	(11)	36	(36)
Effect of capital return	-	-	-	-
Effect on total return and on net assets	11	(11)	36	(36)

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 throughout the year.

c. Currency risk

The Company does not face any direct currency risk since all its assets and liabilities are denominated in Sterling.

2. Credit risk

Credit risk is not considered significant. This 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

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 prior year. The Company does not participate in stock lending activities.

Credit risk exposure

The exposure to credit risk at the year end comprised:

	At 30 September 2009 £'000	At 30 September 2008 £'000
Balances due from brokers	37	1,100
Accrued income	372	261
Cash at bank and on deposit	2,174	7,167
	2,583	8,528

During the year all deposits placed 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 vast majority of the Company's investments are listed on a recognised stock exchange and should, in most circumstances, be readily realisable. However, the Company does, in accordance with its mandate, invest in the securities of smaller capitalisation companies. The liquidity in such securities can, at times, become constrained and they will generally not be as easy to realise as larger "blue chip" securities. The Company seeks to mitigate this risk by having a diverse portfolio and not having any unduly large positions in the securities of any one company.

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 bid market prices.

Notes to the Accounts

5. Summary of financial assets and financial liabilities

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 September 2009 £'000	At 30 September 2008 £'000
Financial assets at fair value through profit or loss:		
Fixed assets investments – designated as such on initial recognition	82,532	65,570
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable and accrued income)	823	1,721
Cash at bank and short-term deposits	2,174	7,167
	2,997	8,888

Financial liabilities

	At 30 September 2009 £'000	At 30 September 2008 £'000
Creditors: amounts falling due within one year:		
Due to brokers	124	553
Accruals	296	349
	420	902

6. 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 of this Report.

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 842 Income and Corporation Taxes Act 1988 (as amended) and the Companies Act respectively.

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 Mid & Small Cap Fund plc will be held at 12.00 noon on Tuesday, 26 January 2010 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 11 will be proposed as Ordinary Resolutions and resolutions 12 to 14 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2009.
2. To approve a final dividend of 5.30 pence per share for the year ended 30 September 2009.
3. To approve the Remuneration Report for the year ended 30 September 2009.
4. To re-elect Mr Peter Timms as a Director of the Company.
5. To re-elect Mrs Rachel Beagles as a Director of the Company.
6. To re-elect Mr Malcolm Coubrough as a Director of the Company.
7. To re-elect Mr Chris Jones as a Director of the Company.
8. To re-elect Mr Maxwell Packe as a Director of the Company.
9. To re-appoint Ernst & Young LLP as Auditors of the Company.
10. To authorise the Directors to determine the remuneration of Ernst & Young LLP as Auditors of the Company.
11. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:
"That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £451,796 (representing 5% of the share capital in issue on 14 December 2009); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass, the following resolution as a special resolution:
"That, subject to the passing of Resolution 11 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in Section 560 of the Act) pursuant to the authority given by Resolution 11 above and/or where such allotment constitutes an allotment of equity securities by virtue of Section 560(2) of the Act as if Section 560(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £451,796 (representing 5% of the aggregate nominal amount of the share capital in issue on 14 December 2009); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
13. To consider and, if thought fit, to pass, the following resolution as a special resolution:
"That the Company be and is hereby generally and unconditionally authorised in accordance with Section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 25p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased shall be 5,417,939, representing 14.99% of the issued share capital as at 14 December 2009;
 - (b) the minimum price which may be paid for a share is 25p;
 - (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased, and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
 - (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;
 - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
 - (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."
14. To consider and, if thought fit, to pass, the following resolution as a special resolution:
"That, subject to the passing of Resolution 12 set out above, the Directors of the Company be and are hereby authorised, for the purposes of paragraph 15.4.23 of the Listing Rules of the United Kingdom Listing Authority, to issue ordinary shares of 25p each in the capital of the Company at a price below the prevailing net asset value per ordinary share, provided always that such issue will be limited to:
 - (a) up to an aggregate nominal amount of £451,796, representing 5% of the share capital in issue on 14 December 2009;
 - (b) the sale of Shares which, immediately before such sale, were held by the Company as Treasury Shares; and
 - (c) the sale of shares which, immediately before such sale, were held by the Company as Treasury Shares, and that such shares shall be issued at a narrower discount to net asset value than when purchased by the Company in accordance with Resolution 13 set out above."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
33 Bothwell Street
Glasgow G2 6NL

Registered Number: SC82551
14 December 2009

Explanatory Notes to the Notice of Meeting

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

A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0871 384 2713, 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 6ZR, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.shareview.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 "Company Meetings". The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 0871 384 2713.

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.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of procedures on corporate representatives.

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 24 January 2010, 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 24 January 2010 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 September 2009.
7. As at 14 December 2009, 36,143,690 ordinary shares of 25 pence were in issue. No shares were held in treasury; accordingly, the total number of voting rights of the Company as at 14 December 2009 is 36,143,690.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from the Company's website, www.schroderukmidandsmallcapfund.com.

Company Summary and Shareholder Information

The Company

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

As at 14 December 2009, the Company had 36,143,690 Ordinary Shares of 25 pence each in issue. No shares were held in treasury and each share carries one voting right. The Company's assets are managed and it is administered by Schroders, which took over investment management of the Company on 1 May 2003.

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

Website and Price Information

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

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

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0871 384 2713. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Equiniti maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Please visit www.shareview.co.uk for more details.

Association of Investment Companies

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

www.schroderukmidandsmallcapfund.com