Schroder
UK Growth Fund plc

Report and Accounts for the year ended 30 April 2013

Schroders

Investment Objective

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

Directors

Alan Clifton (Chairman)*†
Aged 66, Chairman since 5 August 2002, was appointed as a Director on 18 June 2001 and was previously the Managing Director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc. He is currently Chairman of JP Morgan Japanese Smaller Companies Trust plc and of International Biotechnology Trust plc and a Director of Invesco Perpetual Select Trust plc and Macau Property Opportunities Fund Ltd and a number of other investment companies.

Andrew Hutton*†
Aged 55, was appointed as a Director on 3 September 2008. He is owner and Director of A.J. Hutton Ltd., an investment advisory firm established in 2007. He was previously a Managing Director of JP Morgan and Head of Investment Management at Coutts Group. He is currently Chairman of JP Morgan Global Emerging Markets Income Trust PLC.

Bob Cowdell*†
Aged 50, was appointed as a Director on 1 November 2011. He is currently a Director of Catlin Insurance Company (UK) Limited and Catlin Underwriting Agencies Limited. He was previously co-founder and Head of the ABN AMRO Global Investment Funds Team, Head of Financials at RBS Hoare Govett and a Managing Director of RBS Global Banking & Markets.

Stella Pirie OBE*†
Aged 62, was appointed as a Director on 5 August 2002. She is currently a Director of Avon Rubber plc and Highcross Group Limited. She is Chair of Governors of Bath Spa University and was previously a Director of GCap Media Plc.

David Ritchie*†
Aged 68, was appointed as a Director on 6 August 2001. He is Chairman of Cornelian Asset Management Group Limited and a Director of AMEC Staff Pensions Trustee Limited. He is a former Executive Chairman of Scottish Widows Investment Management Limited and has been a Director and Chairman of a number of other investment companies.

*Member of the Audit and Management Engagement Committees
†Member of the Nomination Committee

Mr Clifton is Chairman of the Nomination and Management Engagement Committees
Mrs Pirie is Chairman of the Audit Committee

Advisers

Investment Manager and Company Secretary
Schroder Investment Management Limited
31 Gresham Street,
London EC2V 7QA
Telephone : 020 7658 3206

Registered Office
31 Gresham Street,
London EC2V 7QA

Lending Bank
Scotiabank Europe PLC
201 Bishopsgate
London EC2M 3NS

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

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside,
London SE1 2RT

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

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

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

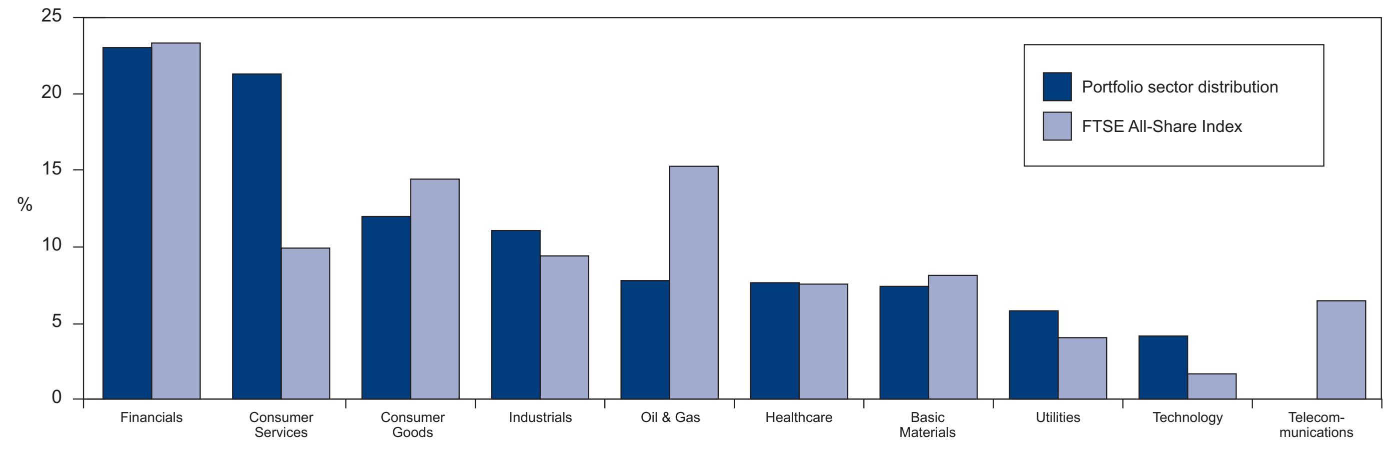
Contents

Financial Highlights

	2013	2012	% Change
Total returns (including dividends reinvested) for the year ended 30 April			
Net asset value ("NAV") per Ordinary share[1]	**28.0%**	(2.5)%	
Ordinary share price[2]	**27.7%**	(5.3)%	
Benchmark[3]	**17.8%**	(2.0)%	
Net asset value, share price and discount at 30 April			
Ordinary shareholders' funds (£'000)	**276,074**	224,204	+23.1
Ordinary shares in issue	**160,917,184**	161,423,790	(0.3)
NAV per Ordinary share (undiluted)	**171.56p**	138.89p	+23.5
NAV per Ordinary share (diluted)[4]	**171.56p**	137.73p	+24.6
Ordinary share price	**157.00p**	126.50p	+24.1
Ordinary share price discount	**8.5%**	8.2%	
Revenue for the year ended 30 April			
Net revenue after taxation (£'000)	**6,666**	5,603	+19.0
Return per Ordinary share	**4.14p**	3.49p	+18.6
Dividends per Ordinary share	**4.00p**	3.50p	+14.3
Gearing[5]	**4.9%**	7.5%	
Ongoing Charges[6]	**0.86%**	0.88%	

[1] Source: Morningstar. The return is calculated using ex-income NAVs and using the diluted NAV at 30 April 2012.
[2] Source: Morningstar.
[3] Source: Thomson Financial Datastream. The Company's benchmark is the FTSE All-Share Index total return.
[4] There were no dilutive shares in issue at 30 April 2013.
[5] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[6] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year.

Comparison of Portfolio Sector Distribution with the FTSE All-Share Index at 30 April 2013[1]



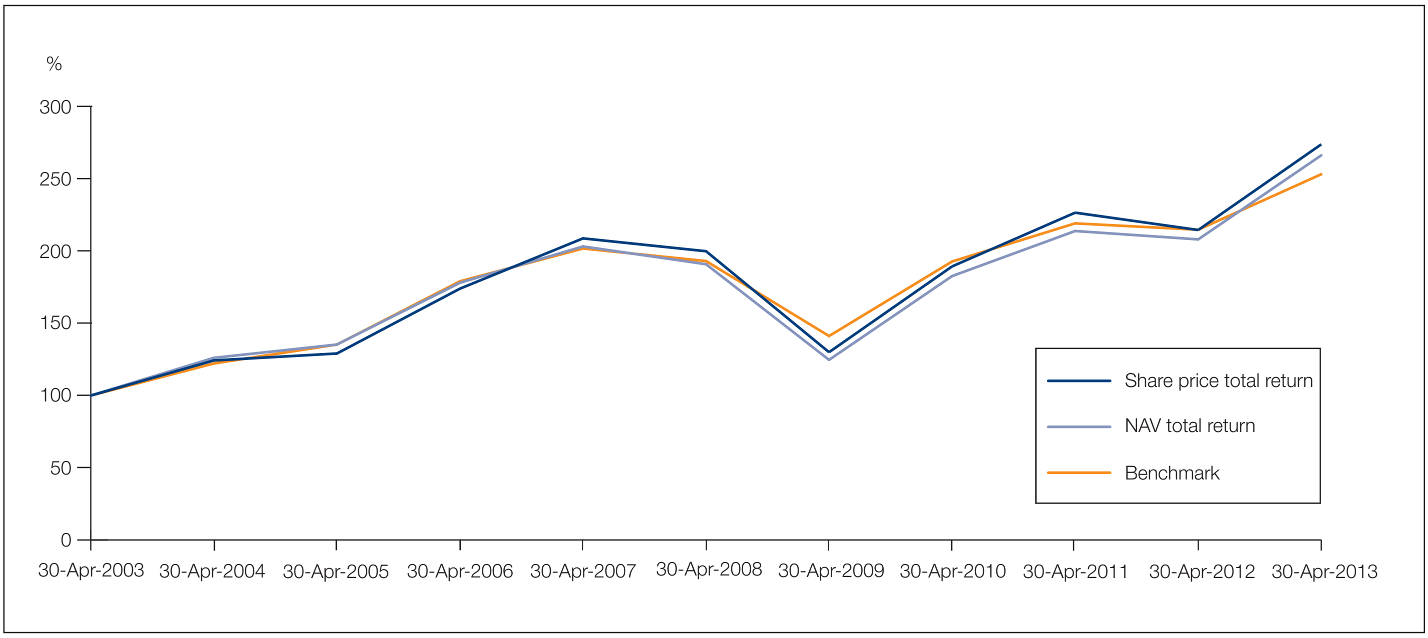
[1] Source: Schroders/Thompson Financial Datastream.

Ten-Year Financial Record

At 30 April		2004	2005[1]	2006	2007	2008	2009	2010	2011	2012	2013
Shareholders' funds (£'000)		172,945	179,295	229,131	244,496	225,260	141,443	197,103	232,141	224,204	276,074
Diluted NAV per Ordinary share (pence)		102.92	108.90	139.59	155.36	143.59	90.16	125.78	144.24	137.73	171.56
Share price (pence)		93.50	94.00	123.00	143.75	134.25	83.50	117.25	137.12	126.50	157.00
Share price discount (%)		9.2	13.7	11.9	7.5	6.5	7.4	6.8	4.9	8.2	8.5
Year ended 30 April											
Net revenue after taxation (£'000)		4,982	5,310	5,539	6,383	6,681	5,744	3,828	4,300	5,603	6,666
Diluted return per Ordinary share (pence)		2.96	3.20	3.36	3.94	4.26	3.66	2.45	2.76	3.49	4.14
Dividends per Ordinary share (pence)		3.00	3.15	3.35	3.50	3.85	3.85	2.75	3.00	3.50	4.00
Ongoing Charges (%)[2]		0.72	0.69	0.68	0.69	0.64	0.63	0.75	0.70	0.88	0.86
Gearing (%)[3]		9.6	13.1	12.1	14.0	14.2	11.7	5.5	9.4	7.5	4.9
Performance[4]											
NAV total return	100.0	126.1	135.3	178.1	203.2	190.9	124.7	182.7	213.9	208.1	266.3
Share price total return	100.0	124.3	129.1	174.0	208.8	199.9	130.0	189.4	226.6	214.6	273.9
Benchmark[5]	100.0	122.2	135.3	179.1	201.8	193.1	141.2	192.8	219.2	214.8	253.2

[1] The results for the year ended 30 April 2005 have been restated, where necessary, in accordance with Financial Reporting Standards 21, 25 and 26. The results for the year ended 30 April 2004 have not been restated.
[2] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The figures for 2010 and prior years represent the expenses calculated as above, expressed as a percentage of the average of the opening and closing net assets values during the year.
[3] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[4] Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 April 2003.
[5] The Company's benchmark is the FTSE All-Share Index total return.

Ten-Year Share Price, Benchmark and NAV Performance to 30 April 2013



Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 April 2003.

Chairman's Statement

Performance

The year ended 30 April 2013 was a positive period for the Company with the portfolio showing good absolute and relative performance. During the year, the Company's net asset value achieved a total return of 28.0%, while the share price saw a total return of 27.7%. These compare with a total return of 17.8% produced by the FTSE All-Share Index over the same period.

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

Change in Portfolio Manager and Investment Policy

In March 2013 the Board was informed of the decision of Richard Buxton and his colleague, Errol Francis, the fund's portfolio managers, to leave Schroders in June 2013. The Board would like to record its appreciation for the management of the portfolio by Richard over the last 10 years. In May 2013, following a thorough review of its investment management arrangements, the Company announced that it had decided to retain Schroders as its manager after the departure of Richard and Errol.

Julie Dean, who will join Schroders in July 2013 as part of the acquisition of Cazenove Capital Holdings Limited by Schroders, will become the Company's lead portfolio manager. Julie is the Citywire AAA-rated manager of the Cazenove UK Opportunities Fund and the Cazenove UK Equity Fund. The Cazenove UK Opportunities Fund has been ranked in the top quartile of its UK Growth peer group over the past 5 years and has also outperformed its benchmark, the FTSE All-Share index, over the same period (source – Lipper: B Acc Class, mid to mid at 31 March 2013, net income reinvested).

The Board was impressed with Julie's consistent performance and pragmatic approach to investment, which combines earnings-based security selection with a top-down business cycle view. Julie avoids style or size bias within the portfolios she currently manages and the same approach will be taken in relation to the Company's portfolio.

The investment policy needs to be adjusted following this appointment. A Circular to shareholders is being distributed with this Annual Report and Accounts giving notice of a General Meeting to be held after the Annual General Meeting on 30 July 2013 at which resolutions will be proposed, inter alia, to amend the investment policy.

As part of the recent review of investment management arrangements, the Board has also negotiated with the manager a reduction in investment management fees and a contribution towards the costs of the proposed change in investment policy. Further details may be found in the Circular.

Earnings and Dividends

The Company's focus continues to be on total return without requiring the Manager to deliver any given level of investment income. When the Company's investment policy was last altered in November 2006, we indicated that the concentration of the portfolio might impact on the Company's ability to pay an increasing dividend stream. This position is not expected to change once the amended investment policy is adopted.

Nevertheless there was again a sharp increase in the Company's investment income for the year to 30 April 2013 and income from the portfolio increased by 19% on the previous year from £5.6 million to £6.7 million. Earnings per share increased by 18.6%, from 3.49p to 4.14p.

The Directors have declared a second interim dividend of 2.25p per share, making a total of 4.00p per share for the year as a whole, an increase of 14.3% over total dividends of 3.50p paid for the previous year. The second interim dividend will be payable on 31 July 2013 to shareholders on the Register on 12 July 2013.

Chairman's Statement

Gearing Policy

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

The net effective gearing level (which takes account not only of the borrowings but any cash held by the Investment Manager) at the beginning of the year was 7.5% and had decreased to 4.9% by the end of the year. The average net effective gearing level during the year under review was 7.3%. The Company's gearing continues to operate within pre-agreed limits so that net effective gearing does not represent more than 20% of shareholders' funds. It should be noted that the effect of gearing is to amplify underlying investment performance.

Discount Management Policy

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

The year ended 30 April 2013 was challenging, notwithstanding the improvement in market conditions, and the average discount during the year (based on diluted, capital only net asset values) was 7.0%. When viewed over the long term, the average discount is in line with the target and, during the 5 years ended 30 April 2013, the average discount was 5.5%.

A total of 550,000 shares were purchased for cancellation during the year in support of the Board's discount management policy. The Directors are seeking authority from shareholders for a renewal of the required authorities to purchase shares for cancellation or to hold shares in Treasury for re-issue at a premium to net asset value, to assist with achieving the target long-term discount level established by the formal discount management policy.

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

Board Composition

Your Board continues to monitor its composition and independence and, in accordance with its long-term succession plan and having regards to the appropriate balance of skills, experience and diversity of the Board, it will be seeking to replace one of the long-serving Directors between now and the 2014 Annual General Meeting.

General Meeting

A Circular to shareholders will be posted with this Annual Report and Accounts. The Company is seeking shareholder approval for the amendment of the Company's investment policy, the redesignation as Deferred Shares of all the Outstanding Subscription Shares and the cancellation of such Deferred Shares immediately following the Redesignation and to update the Company's Articles of Association (together the "Proposals").

The reasons for the Proposals are (i) to adjust the Company's investment policy following the appointment of a new lead portfolio manager; (ii) to enable the Company to continue to be in a position to be approved as a UK investment trust; and (iii) to amend the Company's Articles of Association to reflect recent changes to the company law and tax regime in the UK applying to investment trust companies.

Outlook

The increase in the stock market over the last year has been impressive, but the scale and pace of the rise must bring with it the likelihood of a consolidation. The issue for the medium term is whether the UK corporate sector can continue to produce higher profits and dividends, thus reassuring investors that shares remain good value even if bond yields move up. The Board's priority is ensuring that the Investment Manager continues to select individual stocks that will do well in this environment.

Chairman's Statement

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Tuesday 30 July 2013, and shareholders are encouraged to attend. I hope as many of you as possible will be able to come along. The meeting, as in previous years, will include a presentation by the Investment Manager on the prospects for the UK market and the Company's investment strategy.

Alan Clifton
Chairman

28 June 2013

Investment Manager's Review

Over the 12 months to 30 April 2013 the total return on the Company's diluted net asset value was 28.0%, compared to the total return from the FTSE All-Share index of 17.8%.

Market Background

After a weak start last May, the UK stock market rose in every subsequent month of the Company's fiscal year. This persistence illustrates the improved investor confidence over the last 12-18 months supported in no small part by the liquidity stimulus from central banks worldwide. The accompanying near-zero interest rates and low bond yields have seen investor appetite for equities returning, at least on the margin. On top of this, most corporate sectors – including the UK's – look the strongest part of their national economies, with rising earnings, above-average profit margins, and – for the most part – solid balance sheets.

Sector movements reflected some of this return of confidence, with the best performance coming from financial and consumer sectors that had performed poorly in the earlier weak markets, and the worst performance from commodity stocks such as miners and oil companies.

Performance

The portfolio benefited from the return to favour of some of the domestic sectors (e.g. through the holdings in Taylor Wimpey, Next and Lloyds Banking Group), but also from M&A activity. The largest single contributor to the outperformance was Virgin Media, which agreed a bid from Liberty Group, and there were good contributions from the takeover of Logica and the largest division of Invensys. These more than offset disappointments at – for example – ICAP and Burberry, the latter having finally weakened after being one of the portfolio's best investments for a number of years.

The stock selection outperformance was helped further by the Company's gearing (averaging 7.3% over the year) in the rising market.

Investment Activity and Portfolio Strategy

The takeovers (including those of Charter and Misys earlier) made room for three new holdings: Melrose, which has built up a portfolio of engineering businesses through M&A; Aggreko, a maker of temporary power generators that is benefitting from emerging market demand, and St. James's Place, a financial services group with a partnership of tied consultants providing advice, a business being helped by regulatory changes and rising stock markets.

In aggregate the portfolio remains concentrated in a small number of companies with strong balance sheets, low valuations, robust business models, and significant growth potential that can prosper in a tough corporate environment. The net gearing at year end was 4.9%, slightly lower than 12 months earlier.

Outlook

The headwinds facing the global economy are well understood, and low expectations are priced into many share prices. While companies are still faced with a low-growth environment and the Eurozone's problems remain, this is nothing new. The novelty is that the UK market in aggregate is back to the peaks of six years ago, and the speed with which it has got there could be worrying.

One reassurance is that part of the reason behind recent market rises – the low yield available on less volatile assets like cash – is likely to stay in place: higher UK interest rates still look far off. As helpfully, the market remains one of the cheapest globally, and companies generally continue to take more shareholder-friendly actions.

Schroder Investment Management Limited
28 June 2013

Investment Portfolio

As at 30 April 2013

Company	Sector classification	Principal activity	Market value of holding £'000	% of shareholders' funds
Taylor Wimpey	Consumer Goods	House Building	16,081	5.82
GlaxoSmithKline	Healthcare	Pharmaceuticals	13,515	4.90
Lloyds Banking Group	Financials	Banking and financial services	12,488	4.52
Invensys	Technology	Global technology	11,886	4.31
Tate & Lyle	Consumer Goods	Corn and sugar refining	11,812	4.27
Drax	Utilities	Power generation	11,224	4.07
Legal & General	Financials	Financial services	10,877	3.93
Rolls Royce	Industrials	Power systems manufacturing	10,466	3.79
Royal Dutch Shell	Oil and Gas	Integrated Oil and Gas production	10,396	3.77
International Airlines	Consumer Services	International airline	9,770	3.54
Next	Consumer Services	Fashion and accessories	9,165	3.32
Experian	Industrials	Credit and marketing services	8,698	3.15
Standard Chartered	Financials	Banking and financial services	8,628	3.13
Resolution	Financials	Speciality finance	8,494	3.08
Shire	Healthcare	Speciality pharmaceuticals	8,442	3.06
Barclays	Financials	Banking and financial services	8,206	2.97
Xstrata	Basic Materials	Diversified mining	8,186	2.97
Ladbrokes	Consumer Services	Betting and gaming	8,152	2.95
Reed Elsevier	Consumer Services	Professional publishing	7,837	2.84
Carnival	Consumer Services	Cruise line operator	7,736	2.80
Twenty largest investments			**202,059**	**73.19**
Debenhams	Consumer Services	Fashion, accessories and homeware retailing	7,656	2.77
St James's Place	Financials	Financial services	7,621	2.76
Whitbread	Consumer Services	Leisure	7,520	2.72
Melrose	Industrials	Engineering	7,260	2.63
Rio Tinto	Basic Materials	Mining	7,229	2.61
BG Group	Oil and Gas	Oil and gas exploration and production	7,088	2.57
Unilever	Consumer Goods	Consumer goods production	6,578	2.38
Aggreko	Industrials	Power generator hire and support services	5,488	1.99
Centrica	Utilities	Multinational electricity and gas supplier	5,430	1.97
ICAP	Financials	Interdealer broking	5,093	1.84
Royal Bank of Scotland	Financials	Banking and financial services	4,950	1.79
BHP Billiton	Basic Materials	Global mining	4,902	1.78
Genel Energy	Oil and Gas	Oil production	4,873	1.77
Home Retail	Consumer Services	Home and general merchandising retailing	3,543	1.28
Bumi	Basic Materials	Mining and resources	939	0.34
Total investments			**288,229**	**104.39**
Net current liabilities			**(12,155)**	**(4.39)**
Total equity shareholders' funds			**276,074**	**100.00**

At 30 April 2012, the twenty largest investments represented 71.99% of total equity shareholders' funds.

Report of the Directors

The Directors present their annual report and the Audited financial statements for the year ended 30 April 2013.

Introduction

The Report of the Directors includes the Business Review and Corporate Governance Statement. The Business Review contains a review of the Company's business, the principal risks and uncertainties it faces and an analysis of its performance during the financial year and its future development.

Business Review

Company's Business

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, for the year ended 30 April 2012. Approval in previous years is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. From 1 May 2012, approval has been granted by way of a one-off application for investment trust status and the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

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

The Company is not a close company for taxation purposes.

Investment Objective

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

Relationship with the Investment Manager

Schroder Investment Management Limited (the "Manager" and/or "Schroders"), which is authorised and regulated by the Financial Conduct Authority, provides investment management, accounting and company secretarial services to the Company under the terms of an investment management agreement. Schroders also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate.

The Company's assets are managed in line with appropriate restrictions placed on Schroders by the Board. These restrictions include limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, hedging, cash, derivatives and other financial instruments. Schroders is also responsible for ensuring that the voting rights held in respect of portfolio companies are used as part of a process of effective engagement with the management of portfolio companies. The Company also gives instructions to Schroders to ensure that it discharges the obligations of the Stewardship Code on its behalf.

Schroders, in its capacity as Company Secretary, liaises with the Company's corporate broker to assist in the implementation of the Company's discount management policy. The Company Secretary also advises the Board on key relationships with other third party service providers and ensures regular review of the services provided by these parties.

All services carried out by Schroders are subject to regular reporting to and monitoring by the Board or its Committees.

Investment Policy

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

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

The Board has delegated management of the Company's portfolio to Schroders. The Company invests in a portfolio of stocks principally selected for their potential to provide attractive absolute returns for shareholders. The Company's portfolio is not constructed along index-relative lines (the market capitalisation of a stock for example

Report of the Directors

has no bearing on whether it is held in the portfolio or in what size). Instead, a relatively concentrated portfolio of between 20 and 40 large and mid-cap stocks is selected on the basis of the Manager's investment conviction that they will provide attractive absolute returns. The size of individual stock holdings depends on the Manager's degree of conviction, not the stock's weight in any index. The underlying investment philosophy and process adopted in the research and selection of stocks has not changed. This investment approach places more emphasis on generating attractive absolute returns than a more traditional index-relative one.

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

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

On 2 May 2013, the Board announced that it had decided to retain Schroders as its investment manager when Richard Buxton, the Company's current portfolio manager, leaves Schroders in June 2013.

Julie Dean will become the Company's lead portfolio manager. Julie's investment approach combines earnings-based security selection with a top-down business cycle approach. She avoids style or size bias within the portfolios she currently manages and the same approach will be taken in relation to the Company's portfolio.

Accordingly, the investment policy needs to be adjusted following this appointment and therefore a Circular to shareholders is being distributed with this Annual Report and Accounts giving notice of a General Meeting to be held after the Annual General Meeting on 30 July 2013, containing proposals to, amongst other things, amend the investment policy.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio on an on-going basis with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Investment Portfolio on page 8 demonstrates that, as at 30 April 2013, the Manager held 35 investments spread over 9 sectors. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Performance

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

Measuring Success – Key Performance Indicators

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

Investment Performance

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

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

For the year ended 30 April 2013, the Company produced a net asset value total return of 28.0% compared to a total return of 17.8% for the benchmark. Charts showing the Company's sector distribution measured against the benchmark as at 30 April 2013 and ten year performance can be found on pages 2 and 3.

Each year the Board conducts an assessment of the Manager in the light of the performance achieved. Explanations of the factors behind the performance for the year under review are set out in statements from the Chairman and Manager in the Report and Accounts. The Board remains supportive of Schroders as Manager and

Report of the Directors

believes that it has the depth of resource in its management team to enable the Company to out-perform over the longer-term, backed by strong distribution capabilities and administration.

Discount Management

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

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

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

An authority allowing the Company to re-issue shares held in Treasury at or above the prevailing net asset value per share was approved at the Annual General Meeting held in August 2012.

During the year, the Company repurchased 550,000 (2012: 1,860,000) Ordinary shares for cancellation. At 30 April 2013, the Company's share price stood at a discount of 8.5% to net asset value, compared with the peer group average discount of 10.6% (source: Association of Investment Companies ("AIC")).

Control of Total Expenses

One of the advantages of closed ended vehicles is their relatively low running costs compared with other investment vehicles. The Board has adopted a third KPI which assists the Board in keeping the Ongoing Charges of the Company under review.

An analysis of the Company's costs, including the management fee, Directors' fees and administration 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 the fee, on an annual basis. Services (including costs) provided by most other providers including bankers, auditors, insurance providers and printers are also reviewed annually.

The Ongoing Charges for the year ended 30 April 2013 (representing the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year) were 0.86% (2012: 0.88%). The Ongoing Charges figure is calculated in accordance with guidance issued by the AIC in May 2012.

Principal Risks and Uncertainties

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

Financial Risk

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

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

The Company utilises a credit facility, currently in the amount of £35 million, which increases the funds available for investment ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the share price is amplified by the gearing. The Directors keep the Company's gearing under constant review and

Report of the Directors

impose strict restrictions on borrowings to mitigate this risk. In the Circular to shareholders dated 23 October 2006, the Directors indicated that some form of gearing may be employed by the Company from time to time, but they do not anticipate gearing levels in excess of 20% of shareholders' funds. They also indicated that the Company may hold up to 20% of shareholders' funds in cash or cash equivalents. The Company's gearing continues to operate within pre-agreed limits so that actual gearing does not represent more than 20% of shareholders' funds.

Strategic Risk

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

Accounting, Legal and Regulatory Risk

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

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

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

Revenue and Earnings

The net revenue return before finance costs and taxation for the year was £6,796,000 (2012: £5,801,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £6,666,000 (2012: £5,603,000), equivalent to net revenue of 4.14p (2012: 3.49p) per Ordinary share.

Dividend Policy

Having already paid a first interim dividend of 1.75p per share, the Board has now declared a second interim dividend of 2.25p per share for the year ended 30 April 2013 which is payable on 31 July 2013 to shareholders on the Register on 12 July 2013. Thus, dividends for the full year amount to 4.00p per share (2012: 3.50p per share). As in previous years, the dividend is declared as an interim to enable payment at the end of July.

The Company's focus is on total return without constraining the Manager to deliver any given level of investment income. Prior to the change in investment policy in 2006, the Board aimed to provide shareholders with a stable stream of income rising over the long term. As stated in the Circular to shareholders dated 23 October 2006, income from investee companies may be somewhat more volatile in future. This position is not expected to change once the amended investment policy is adopted.

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

Directors and their Interests

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

In accordance with the Company's Articles of Association and its policy on tenure as outlined in the Corporate Governance Statement, Mrs Pirie, Mr Clifton and Mr Ritchie will also retire at the Annual General Meeting and, being eligible, offer themselves for re-election. The Board has assessed the independence of all Directors. Mrs Pirie, Mr Clifton and Mr Ritchie are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years.

Report of the Directors

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

Your Board continues to monitor its composition and independence and, in accordance with its long-term succession plan and having regards to the appropriate balance of skills, experience and diversity of the Board, it will be seeking to replace one of the long-serving Directors between now and the 2014 Annual General Meeting.

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 April 2013, all of which were beneficial, were as follows:

Director	Ordinary shares of 25p each 30 April 2013	Ordinary shares of 25p each 1 May 2012
Alan Clifton	**42,000**	42,000
Bob Cowdell	**8,050**	N/A
Andrew Hutton	**50,000**	50,000
Stella Pirie	**28,688**	27,729
David Ritchie	**49,000**	49,000

There have been no changes in the above holdings between the end of the financial year and 28 June 2013.

Share Capital

As at the date of this Report, the Company had 160,917,184 Ordinary shares of 25p each in issue (no shares were held in Treasury). Accordingly, the total number of voting rights of the Company as at the date of this Report is 160,917,184. Details of changes in the Company's share capital during the year are given in note 13 to the accounts on page 33.

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Investec Wealth & Investment Limited	20,196,974	12.55
Quilter & Co Ltd	7,735,411	4.81
Rathbone Brothers PLC	8,316,132	5.17
Barclays plc	6,018,095	3.74
East Riding of Yorkshire Council	5,000,000	3.11

Investment Manager

During the year under review the Board considered the services provided by the Manager, Schroder Investment Management Limited. Explanations of the factors behind the performance for the year under review are set out in the Chairman's Statement and the Manager's Review. During the year under review, the Board announced that it noted the decision of Richard Buxton to leave Schroders in June 2013. After discussions with Schroders, and a comprehensive review of all management arrangements, the Board agreed to retain Schroders as its Manager and that Julie Dean will become the lead portfolio manager. The Board continues to consider that the Manager has the appropriate depth of resource to achieve above-average returns in the longer-term. The Board therefore considers that the Manager's continued appointment under the terms of the current Investment Management Agreement, further details of which are set out below, remains in the interests of shareholders as a whole.

The Manager provides investment management and company secretarial services to the Company in accordance with an Investment Management Agreement. The investment management agreement can be terminated by either party on 3 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. With effect from 1 May 2011, a flat management fee of 0.65% on the net assets of the Company (defined as total assets less all current liabilities) has been charged and the previous performance fee arrangements ended. The

Report of the Directors

amount of management fee payable in respect of the year ended 30 April 2013 is shown in note 4 to the accounts on page 30.

Under the Investment Management Agreement, Schroder Investment Management Limited is entitled to a secretarial fee amounting to £85,000 (2012: £82,000) (inclusive of VAT) for the year. This fee is adjusted each year in line with the Retail Price Index.

In connection with its retention, Schroders has agreed to reduce the management fee charged to the Company. With effect from 1 July 2013, this will be 0.60% of the Company's net assets less current liabilities and, from that date, the Company will also no longer be charged a separate secretarial fee.

Schroders has also agreed to waive its management fee for a period of 6 months, commencing on 1 July 2013, as a contribution to portfolio transition costs arising from the change in investment policy.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 30 April 2013 (2012: nil).

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively.

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

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

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

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

Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see pages 36 to 39), capital management policies and procedures (see pages 39 and 40), expenditure projections and the fact that the Company's assets comprise readily realisable securities which can be sold to meet funding requirements if necessary, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable

Report of the Directors

future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out on pages 19 to 22 and forms part of the Report of the Directors.

Anti-Bribery Policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy which aims to prevent bribery being committed by Directors and persons associated with the Company on the Company's behalf and to ensure compliance with the Bribery Act 2010.

Environmental Policy

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

Independent Auditors

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

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

In order to safeguard the Auditors' objectivity and independence, the Audit Committee has adopted a pre-approval policy on the engagement of the Auditors to supply non-audit services to the Company. A total of £2,000 (2012: £2,000) is payable to the Auditors for non-audit services provided in respect of taxation compliance work.

Provision of Information to Auditors

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

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 30 July 2013 at 12 noon. The formal notice of the AGM is set out on page 41.

Special Business to be proposed at the AGM

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

Resolution 8 – authority to allot shares (ordinary resolution) and Resolution 9 – power to disapply pre-emption rights (special resolution)

At the AGM held on 31 July 2012, 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 31 July 2012, power was also given to the Directors to allot a limited number of new Ordinary 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.

Report of the Directors

An ordinary resolution will be proposed to authorise the Directors to allot shares for cash up to a maximum aggregate nominal amount of £2,011,464 (being 5% of the issued share capital as at 28 June 2013). 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 £2,011,464 (being 5% of the Company's issued share capital (excluding any shares held in Treasury) as at 28 June 2013). Pre-emption rights under the Companies Act 2006 apply to the re-sale of Treasury shares for cash as well as the allotment of new shares. Resolution 9 therefore relates to both issues of new Ordinary shares and the re-sale of Treasury shares.

The Directors intend to use the authorities to issue shares whenever they believe it is advantageous both to new investors and to the Company's existing shareholders to do so. The authority will only be used to issue shares at a premium to net asset value at the time of issue.

If renewed, both authorities will expire at the conclusion of the AGM in 2014 unless renewed or revoked earlier.

Resolution 10 – authority to make market purchases of the Company's own Ordinary shares (special resolution)

At the AGM on 31 July 2012, the Company was granted authority to make market purchases of up to 24,114,981 Ordinary Shares of 25p each for cancellation. A total of 550,000 Ordinary shares have been bought back under this authority, which will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy-back its Ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of Ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the Ordinary shares in issue at 28 June 2013. 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. The authority to be given at the 2013 AGM will lapse on the date of the next AGM, unless renewed or revoked earlier.

The maximum purchase price that may be paid for an Ordinary share will not be more than the greater of 5% above the average of the middle market values of the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase and the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price will be 25p, being the nominal value per Ordinary share. The resolution to be put to shareholders will also authorise the Company to hold up to 5% of the issued share capital bought back in Treasury on the condition that such Treasury shares would only be sold at a premium to net asset value. Shares held in Treasury may be 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 shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions and the other resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

By Order of the Board
Alan Clifton
Chairman

28 June 2013

Remuneration Report

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

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors carry out in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board and were last revised in 2009. For the year ended 30 April 2013, Directors received fees at the rate of £20,000 per annum and the Chairman received fees at the rate of £30,000 per annum to reflect his more onerous role. The Chairman of the Audit Committee received an additional fee rate of £2,500 per annum.

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

The Board believes that the principles of Section D of the UK Corporate Governance Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

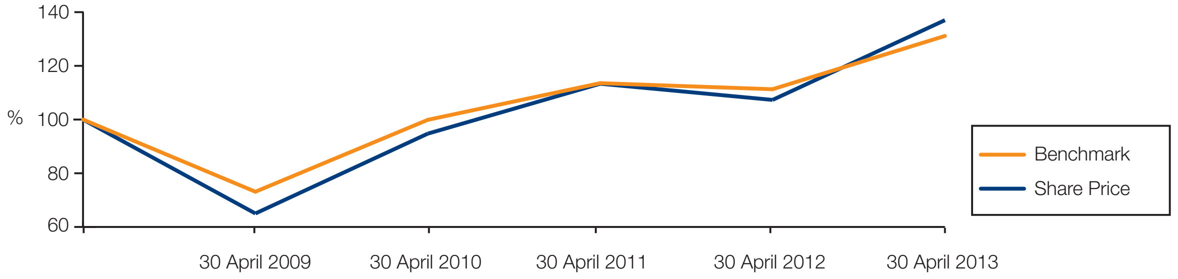
No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The terms of appointment are available for inspection at the Company's Registered Office address during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

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

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

Performance Graph

This graph shows the Company's share price total return compared with the total return of its Benchmark, the FTSE All-Share Index, over the last 5 years.



Source: Morningstar/Thomson Financial Datastream.
Rebased to 100 at 30 April 2008.

Remuneration Report

Remuneration

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

	For the year ended 30 April 2013 £	For the year ended 30 April 2012 £
Alan Clifton	**30,000**	30,000
Bob Cowdell[1]	**20,000**	10,000
Andrew Hutton	**20,000**	20,000
Keith Niven[2]	**N/A**	10,000
Stella Pirie[3]	**22,500**	21,875
David Ritchie[4]	**20,000**	20,625
	112,500	112,500

[1] Appointed as a Director of the Company on 1 November 2011.
[2] Retired as a Director of the Company on 31 October 2011.
[3] Appointed Chairman of the Audit Committee on 1 August 2011.
[4] Resigned as Chairman of the Audit Committee on 1 August 2011.

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

By Order of the Board
Schroder Investment Management Limited
Company Secretary

28 June 2013

Corporate Governance Statement

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

The Board has noted the publication of the revised UK Corporate Governance Code, which applies to financial years beginning on or after 1 October 2012 and is considering the Company's corporate governance framework in light of the changes.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities and Going Concern statement set out on pages 14 and 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 all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment company. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the Chairman of the Audit Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

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 promoting a culture of openness and debate by facilitating the effective contribution of Directors, setting the Board's agenda and for ensuring that adequate time is available for discussion of all agenda items, including strategy.

Role of the Board

The Board is collectively responsible for the long-term success of the Company.

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

Composition and Independence

The Board currently consists of five non-executive Directors. The 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 Directors to be independent of the Company's 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 it has contractually delegated responsibility for the management of the Company's investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services. The Company has no employees. Details of the Company's relationship with the Manager may be found in the Report of the Directors on page 9 of this Report.

The Board is satisfied that it is of sufficient size, with an appropriate balance of skills and experience, independence and knowledge of both the Company and the wider investment company industry, to enable it to discharge its respective duties and responsibilities effectively.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees, which are reviewed annually, are available on the Company's website at

Corporate Governance Statement

www.schroderukgrowthfund.com. Details of membership of the Committees at 30 April 2013 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, chaired by Mrs Pirie, is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have recent and relevant financial experience.

To discharge its duties, the Committee met on two occasions during the year ended 30 April 2013 and considered the annual and half-year accounts, the external Auditor's year-end report, management representation letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft Report and Accounts are considered. Having reviewed the performance of the external auditors, the Committee considered it appropriate to recommend their re-appointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Company's Investment Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other third party service providers. In addition, the Committee reviews fees paid to Directors and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 30 April 2013 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 so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshment of the Board. On individual appointments, the Committee leads the process and makes recommendations to the Board. The Board considers each member of the Committee to be independent.

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

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

To discharge its duties, the Committee met once during the year under review and considered succession planning, Board composition and future requirements.

Tenure

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

Induction and Training

The Board has adopted a full, formal and tailored induction programme for new Directors, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies,

Corporate Governance Statement

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, the Chairman reviews the training and development needs of each Director annually as part of the evaluation process outlined below.

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 June 2013. The evaluation takes place in two stages, firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

Evaluation is conducted utilising a questionnaire combined with one to one meetings if appropriate. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director, an analysis of the time which Directors are able to allocate to the Company to discharge their duties effectively and the responsibilities, composition and agenda of the Committees and of the Board itself.

Meetings and Attendance

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

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Alan Clifton	5/5	2/2	1/1	1/1
Bob Cowdell	5/5	2/2	1/1	1/1
Andrew Hutton	5/5	2/2	1/1	1/1
Stella Pirie	5/5	2/2	1/1	1/1
David Ritchie	5/5	2/2	1/1	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.

Directors' Indemnities

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

Conflicts of Interest

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

Substantial Share Interests

Interests of 3% or more of the voting rights attaching to the Company's issued share capital, which have been notified to the Company, are set out in the Report of the Directors on page 13.

Corporate Governance Statement

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 ("AGM") 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 AGM. The AGM is typically attended by the full Board of Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the chairmen of the Board, Audit and Management Engagement Committees at the AGM. 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 AGM, is valuable. The Notice of Meeting on page 41 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 Investment Manager when selecting or retaining investments.

Exercise of Voting Rights and the UK Stewardship Code

The Company has delegated day to day responsibility for voting to Schroders which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website. The Board considers the UK Stewardship Code to be an important tool in shareholder engagement. Schroders' compliance with the principles of the UK Stewardship Code, as revised in September 2012, is reported on its website, www.schroders.com.

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, including its risk management system, and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of 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 in place a 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 monitoring system assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

The Board believes that the key risks identified and the implementation of a system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment company. 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 the Board's 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 contracts to third parties most of its operations. The Board will continue to monitor its system of internal control and 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 Growth Fund plc

We have audited the financial statements of Schroder UK Growth Fund plc for the year ended 30 April 2013 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 14 and 15, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Richard McGuire (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2013

Notes:

(a) The maintenance and integrity of the Schroder UK Growth Fund plc website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 30 April 2013

	Note	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	53,290	53,290	–	(13,497)	(13,497)
Income from investments	3	7,682	–	7,682	6,647	42	6,689
Other interest receivable and similar income	3	55	–	55	43	–	43
Gross return/(loss)		7,737	53,290	61,027	6,690	(13,455)	(6,765)
Investment management fee	4	(481)	(1,122)	(1,603)	(428)	(998)	(1,426)
Administrative expenses	5	(460)	–	(460)	(461)	–	(461)
Net return/(loss) before finance costs and taxation		6,796	52,168	58,964	5,801	(14,453)	(8,652)
Finance costs	6	(125)	(292)	(417)	(160)	(372)	(532)
Net return/(loss) on ordinary activities before taxation		6,671	51,876	58,547	5,641	(14,825)	(9,184)
Taxation on ordinary activities	7	(5)	–	(5)	(38)	–	(38)
Net return/(loss) on ordinary activities after taxation		6,666	51,876	58,542	5,603	(14,825)	(9,222)
Return/(loss) per Ordinary share	9	4.14p	32.23p	36.37p	3.49p	(9.23)p	(5.74)p

Dividends declared in respect of the financial year ended 30 April 2013 amount to 4.00p (2012: 3.50p) per share. Further information on dividends is given in note 8 on pages 31 and 32.

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Total column includes all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ("STRGL"). For this reason a STRGL has not been presented.

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

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 April 2013

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 April 2011	39,264	2,820	18,944	81,089	417	85,021	4,586	232,141
Net (loss)/return on ordinary activities	–	–	–	–	–	(14,825)	5,603	(9,222)
Ordinary dividends paid in the year	–	–	–	–	–	–	(5,171)	(5,171)
Repurchase and cancellation of the Company's own Ordinary shares	(465)	–	465	(2,323)	–	–	–	(2,323)
Conversion of Subscription shares into Ordinary shares	(74)	74	–	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	1,844	6,935	–	–	–	–	–	8,779
At 30 April 2012	40,569	9,829	19,409	78,766	417	70,196	5,018	224,204
Net return on ordinary activities	–	–	–	–	–	51,876	6,666	58,542
Ordinary dividends paid in the year	–	–	–	–	–	–	(6,033)	(6,033)
Repurchase and cancellation of the Company's own Ordinary shares	(137)	–	137	(695)	–	–	–	(695)
Cancellation of Subscription shares	(213)	–	213	–	–	–	–	–
Conversion of Subscription shares into Ordinary shares	(1)	1	–	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	11	45	–	–	–	–	–	56
At 30 April 2013	**40,229**	**9,875**	**19,759**	**78,071**	**417**	**122,072**	**5,651**	**276,074**

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

Balance Sheet

at 30 April 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	288,229	240,100
Current assets			
Debtors	11	2,038	1,549
Cash and short-term deposits		11,391	8,083
		13,429	9,632
Current liabilities			
Creditors: amounts falling due within one year	12	(25,584)	(25,528)
Net current liabilities		(12,155)	(15,896)
Net assets		276,074	224,204
Capital and reserves			
Called-up share capital	13	40,229	40,569
Share premium	14	9,875	9,829
Capital redemption reserve	14	19,759	19,409
Share purchase reserve	14	78,071	78,766
Warrant exercise reserve	14	417	417
Capital reserves	14	122,072	70,196
Revenue reserve	14	5,651	5,018
Total equity shareholders' funds		276,074	224,204
Net asset value per Ordinary share (undiluted)	15	171.56p	138.89p
Net asset value per Ordinary share (diluted)	15	171.56p	137.73p

These accounts were approved and authorised for issue by the Board of Directors on 28 June 2013 and signed on its behalf by:

Alan Clifton
Chairman

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

Registered in England and Wales
Company registration number: 2894077

Cash Flow Statement

for the year ended 30 April 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	**16**	**5,067**	4,644
Servicing of finance			
Interest paid		**(423)**	(529)
Net cash outflow from servicing of finance		**(423)**	(529)
Taxation			
Overseas tax recovered/(paid)		**24**	(86)
Investment activities			
Purchases of investments		**(31,790)**	(37,574)
Sales of investments		**37,102**	37,105
Special dividend received allocated to capital		**–**	42
Net cash inflow/(outflow) from investment activities		**5,312**	(427)
Dividends paid		**(6,033)**	(5,171)
Net cash inflow/(outflow) before financing		**3,947**	(1,569)
Financing			
Repurchase and cancellation of the Company's own Ordinary shares		**(695)**	(2,323)
Issue of Ordinary shares on exercise of Subscription shares		**56**	8,779
Net cash (outflow)/inflow from financing		**(639)**	6,456
Net cash inflow in the year	**17**	**3,308**	4,887

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

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

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

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

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

(b) Valuation of investments

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

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

(c) Accounting for reserves

Gains and losses on sales of investments are included in the Income Statement and in capital reserves within "Gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end are included in the Income Statement and in capital reserves within "Investment holding gains and losses".

The cost of repurchasing Ordinary shares including the related stamp duty and transaction costs is charged to "Share purchase reserve".

(d) Income

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

UK dividends are included net of tax credits.

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

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

Underwriting commission is taken to revenue on a receipts basis. Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance taken to revenue.

(e) Expenses

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

– The management fee is allocated 30% to revenue and 70% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

– Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 32.

(f) Finance costs

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

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

Notes to the Accounts

(g) Financial instruments

Cash and short-term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

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

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

(h) Taxation

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

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 23: "The effects of changes in Foreign Currency Exchange Rates" the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the functional currency. Sterling is the also the currency in which the accounts are presented.

(k) Dividends payable

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

(l) Repurchases of Ordinary shares for cancellation

The cost of repurchasing Ordinary shares including the related stamp duty and transaction costs is charged to "Share purchase reserve" and dealt with in the Reconciliation of Movement in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of Ordinary share capital repurchased and cancelled is transferred out of "Called-up share capital" and into "Capital redemption reserve".

(m) Conversion of Subscription shares

When the holders of Subscription shares exercise their right to convert their shares into Ordinary shares, the nominal value of those Subscription shares is transferred to the credit of share premium. The nominal value of the Ordinary shares into which the Subscription shares convert is credited to called-up share capital and the balance of the consideration received is credited to share premium.

2. Gains/(losses) on investments held at fair value through profit or loss

	2013 £'000	2012 £'000
Gains on sales of investments based on historic cost	**15,694**	16,207
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(8,352)**	(11,073)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**7,342**	5,134
Net movement in investment holding gains and losses	**45,948**	(18,631)
Gains/(losses) on investments held at fair value through profit or loss	**53,290**	(13,497)

Notes to the Accounts

3. Income

	2013 £'000	2012 £'000
Income from investments:		
UK dividends	**7,503**	6,355
Scrip dividends	**179**	292
	7,682	6,647
Other interest receivable and similar income:		
Deposit interest	**20**	43
Underwriting commission	**35**	–
	55	43
Total income	**7,737**	6,690
Capital:		
Special dividend allocated to capital	**–**	42

4. Investment management fee

	2013			2012		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fee	**481**	**1,122**	**1,603**	428	998	1,426

The basis for calculating the investment management fee is set out in the Report of the Directors on pages 13 and 14.

5. Administrative expenses

	2013 £'000	2012 £'000
Administration expenses	**237**	241
Directors' fees	**113**	113
Secretarial fee	**85**	82
Auditors' remuneration for audit services[1]	**23**	23
Auditors' remuneration for taxation compliance services[2]	**2**	2
	460	461

[1] Includes £4,000 (2012: £4,000) irrecoverable VAT.
[2] Includes £400 irrecoverable VAT.

6. Finance costs

	2013			2012		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	**125**	**292**	**417**	160	372	532

Notes to the Accounts

7. Taxation

(a) Analysis of charge in the year:

	2013 £'000	2012 £'000
Irrecoverable overseas tax	**5**	38
Current tax charge for the year	**5**	38

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2012: higher) than the Company's applicable rate of corporation tax for the year of 23.92% (2012: 25.83%).

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

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Net return/(loss) on ordinary activities before taxation	**6,671**	**51,876**	**58,547**	5,641	(14,825)	(9,184)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 23.92% (2012: 25.83%)	**1,596**	**12,409**	**14,005**	1,457	(3,829)	(2,372)
Effects of:						
Capital returns and losses on investments	**–**	**(12,747)**	**(12,747)**	–	3,486	3,486
Income not chargeable to corporation tax	**(1,837)**	**–**	**(1,837)**	(1,717)	(11)	(1,728)
Unrelieved expenses	**241**	**338**	**579**	260	354	614
Irrecoverable overseas tax	**5**	**–**	**5**	38	–	38
Current tax charge for the year	**5**	**–**	**5**	38	–	38

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £8,239,000 (2012: £8,016,000) based on a prospective corporation tax rate of 23% (2012: 24%). The reduction in the standard rate of corporation tax was substantively enacted in March 2012 and is effective from 1 April 2013. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

(a) Dividends paid and declared

Dividends paid	2013 £'000	2012 £'000
2012 second interim dividend of 2.00p (2011: 1.75p)	**3,217**[1]	2,728
2013 first interim dividend of 1.75p (2012: 1.50p)	**2,816**	2,443
Total dividends paid in the year	**6,033**	5,171

Dividend declared	2013 £'000	2012 £'000
2013 second interim dividend declared of 2.25p (2012: 2.00p)	**3,621**	3,228

[1] The second interim dividend declared for the year ended 30 April 2012 amounted to £3,228,000, however the amount actually paid was £3,217,000 due to shares repurchased and cancelled after the balance sheet date but prior to the share register record date.

Notes to the Accounts

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ("S1158")

The requirements of S1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £6,666,000 (2012: £5,603,000).

	2013 £'000	2012 £'000
First interim dividend of 1.75p (2012: 1.50p)	2,816	2,443
Second interim dividend of 2.25p (2012: 2.00p)	3,621	3,228
Total dividends of 4.00p (2012: 3.50p) per Ordinary share	6,437	5,671

9. Return/(loss) per Ordinary share

	2013 £'000	2012 £'000
Revenue return	6,666	5,603
Capital return/(loss)	51,876	(14,825)
Total return/(loss)	58,542	(9,222)
Weighted average number of Ordinary shares in issue during the year	160,930,746	160,680,522
Revenue return per share	4.14p	3.49p
Capital return/(loss) per share	32.23p	(9.23)p
Total return/(loss) per share	36.37p	(5.74)p

10. Investments held at fair value through profit or loss

	2013 £'000	2012 £'000
Opening book cost	230,302	213,634
Opening investment holding gains	9,798	39,502
Opening valuation	240,100	253,136
Purchases at cost	31,941	37,566
Sales proceeds	(37,102)	(37,105)
Gains on sales of investments based on the carrying value at the previous balance sheet date	7,342	5,134
Net movement in investment holding gains and losses	45,948	(18,631)
Closing valuation	288,229	240,100
Closing book cost	240,835	230,302
Closing investment holding gains	47,394	9,798
Total investments held at fair value through profit or loss	288,229	240,100

All investments are listed on a recognised stock exchange.

During the year, prior year investment holding gains amounting to £8,352,000 have been transferred to gains and losses on sales of investments as disclosed in note 14 on page 34.

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

	2013 £'000	2012 £'000
On acquisitions	158	199
On disposals	22	54
	180	253

Notes to the Accounts

11. Debtors

	2013 £'000	2012 £'000
Dividends and interest receivable	**2,004**	1,487
Taxation recoverable	**18**	47
Other debtors	**16**	15
	2,038	1,549

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

12. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank loan	**25,000**	25,000
Securities purchased awaiting settlement	**–**	28
Other creditors and accruals	**584**	500
	25,584	25,528

The loan is drawn down on the Company's £35 million, one year, Revolving Credit Facility with Scotiabank, which was arranged in July 2012. The facility is unsecured but is subject to covenants and restrictions whch are customary for a facility of this nature, all of which have been met during the year. The loan at the prior year end was drawn down on the preceding facility with ING Bank, which expired in July 2012. Further details are given in note 20(a) on page 37.

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

13. Called-up share capital

	2013 £'000	2012 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 161,423,790 (2012: 155,907,095) Ordinary shares of 25p each	**40,355**	38,976
Repurchase and cancellation of 550,000 (2012: 1,860,000) Ordinary shares[1]	**(137)**	(465)
Issue of 43,394 (2012: 7,376,695) Ordinary shares on exercise of Subscription shares	**11**	1,844
Closing balance of 160,917,184 (2012: 161,423,790) Ordinary shares	**40,229**	40,355
Subscription shares of 1p each:		
Opening balance 21,393,197 (2012: 28,769,892) Subscription shares	**214**	288
Exercise of 43,394 (2012: 7,376,695) Subscription shares into Ordinary shares[2]	**(1)**	(74)
Lapse of 21,349,803 (2012: nil) Subscription shares	**(213)**	–
Closing balance of nil (2012: 21,393,197) Subscription shares	**–**	214
Total called-up share capital	**40,229**	40,569

1. During the year, the Company repurchased 550,000 Ordinary shares, nominal value £137,000, for cancellation, representing 0.3% of the issued shares at the beginning of the year, for a total consideration of £695,000. The reason for the repurchases was to seek to manage the volatility and absolute level of the share price discount to net asset value per share.
2. The Subscription shares were issued as a bonus issue to the Ordinary shareholders on 7 August 2009 on the basis of one Subscription share for every five Ordinary shares. Each Subscription share conferred the right (but not the obligation) to subscribe for one Ordinary share on 31 January 2011 and at the end of each six month period thereafter until 31 July 2012 when the rights under the Subscription shares lapsed. During the year, holders of 43,394 Subscription shares exercised their right to convert those shares into Ordinary shares at a price of 129 pence per share, for a total consideration received of £56,000. The conversion rights attached to the remaining 21,349,803 Subscription shares lapsed on 31 July 2012.

Notes to the Accounts

14. Reserves

	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	9,829	19,409	78,766	417	60,398	9,798	5,018
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	7,342	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	45,948	–
Transfer on disposal of investments	–	–	–	–	8,352	(8,352)	–
Management fee and finance costs allocated to capital	–	–	–	–	(1,414)	–	–
Repurchase and cancellation of the Company's own Ordinary shares	–	137	(695)	–	–	–	–
Lapse of Subscription shares	–	213	–	–	–	–	–
Conversion of Subscription shares into Ordinary shares	1	–	–	–	–	–	–
Issue of ordinary shares on exercise of Subscription shares	45	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(6,033)
Retained revenue for the year	–	–	–	–	–	–	6,666
Closing balance	**9,875**	**19,759**	**78,071**	**417**	**74,678**	**47,394**	**5,651**

15. Net asset value per Ordinary share

	2013	2012
Undiluted:		
Net assets attributable to the Ordinary shareholders (£'000)	**276,074**	224,204
Ordinary shares in issue at the year end	**160,917,184**	161,423,790
Net asset value per Ordinary share	**171.56p**	138.89p
Diluted:		
Net assets attributable to the Ordinary shareholders (£'000)	**276,074**	251,801
Ordinary shares in issue at the year end assuming exercise of Subscription shares	**160,917,184**	182,816,987
Net asset value per Ordinary share	**171.56p**	137.73p

The diluted net asset value per Ordinary share at 30 April 2012 assumes that all outstanding Subscription shares were converted into Ordinary shares at that date. There were no dilutive shares in issue at 30 April 2013.

Notes to the Accounts

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

	2013 £'000	2012 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	**58,964**	(8,652)
Less capital (return)/loss on ordinary activities before finance costs and taxation	**(52,168)**	14,453
Management fee allocated to capital	**(1,122)**	(998)
Scrip dividends received as income	**(179)**	(292)
Increase in accrued dividends and interest receivable	**(517)**	(39)
(Increase)/decrease in other debtors	**(1)**	19
Increase in accrued expenses	**90**	153
Net cash inflow from operating activities	**5,067**	4,644

17. Analysis of changes in net debt

	At 30 April 2012 £'000	Cash flow £'000	At 30 April 2013 £'000
Cash and short-term deposits	8,083	3,308	**11,391**
Bank loan	(25,000)	–	**(25,000)**
Net debt	(16,917)	3,308	**(13,609)**

18. Transactions with the Manager

The Company has appointed Schroder Investment Management Limited (the "Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, secretarial and administration services. If the Company invests in funds managed or advised by the Manager or any of its associated companies, those funds are excluded from the assets used for the purposes of the management fee calculation and therefore attract no fee. Under the terms of the Investment Management Agreement, the Manager is also entitled to receive a secretarial fee. Details of the Investment Management Agreement are given in the Report of the Directors on pages 13 and 14.

The management fee payable in respect of the year ended 30 April 2013 amounted to £1,603,000 (2012: £1,426,000), of which £438,000 (2012: £358,000) was outstanding at the year end. The total secretarial fee. including VAT, payable to Schroders in respect of the year ended 30 April 2013 amounted to £85,000 (2012: £82,000), of which £21,000 (2012: £29,000) was outstanding at the year end.

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

Notes to the Accounts

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments and its liabilities are not held at fair value.

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

Level 1 – valued using quoted prices in active markets.

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

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 28.

The following table sets out the fair value measurements using the FRS 29 hierarchy at 30 April:

	2013			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets held at fair value through profit or loss				
Equity investments	288,229	–	–	288,229
Total	288,229	–	–	288,229

	2012			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Equity investments	240,100	–	–	240,100
Total	240,100	–	–	240,100

There have been no transfers between Levels 1, 2 or 3 during the year (2012: nil).

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

As an investment trust, the Company invests in equities for the long-term so as to secure its investment objective stated on the inside front cover. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

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

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

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

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

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

– a sterling credit facility with Scotiabank, the purpose of which is to finance the Company's operations.

(a) Market risk

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

(i) Interest rate risk

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

Notes to the Accounts

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board's policy is to limit gearing/(net cash) within the range +20% to -20%, where gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this represents a "net cash" position.

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

Interest rate exposure

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

	2013 £'000	2012 £'000
Exposure to floating interest rates:		
Cash at bank and short-term deposits	**11,391**	8,083
Creditors: amounts falling due within one year – drawings on the credit facility	**(25,000)**	(25,000)
Total exposure	**(13,609)**	(16,917)

Interest receivable on cash balances is at a margin below LIBOR (2012: same).

During the year, the Company arranged a £35 million one year Revolving Credit Facility with Scotiabank. Interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 30 April 2013, the Company had drawn down £25 million on this facility at an interest rate of 1.4% per annum. The drawings at the prior year end represented £25 million drawn down on a £35 million facility with ING Bank. This facility expired in July 2012.

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

	2013 £'000	2012 £'000
Maximum interest rate exposure during the year – net drawings on the credit facility	**(23,422)**	(25,451)
Minimum interest rate exposure during the year – net drawings on the credit facility	**(11,467)**	(8,989)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2012: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2013		2012	
	0.5% increase in rate £'000	**0.5% decrease in rate £'000**	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**20**	**(20)**	3	(3)
Capital return	**(88)**	**88**	(88)	88
Total return after taxation	**(68)**	**68**	(85)	85
Net assets	**(68)**	**68**	(85)	85

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

(ii) Market price risk

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

Management of market price risk

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

Notes to the Accounts

Market price risk exposure

The Company's total exposure to changes in market prices at 30 April comprises its holdings in equity investments as follows:

	2013 £'000	2012 £'000
Equity investments held at fair value through profit or loss	288,229	240,100

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 8. This shows that the portfolio is predominantly invested in stocks listed in the UK. Accordingly there is a concentration of exposure to the UK. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2012: 10%) in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure to equity investments and assumes all other variables are held constant.

	2013		2012	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	–	–	–	–
Capital return	28,823	(28,823)	24,010	(24,010)
Total return after taxation and net assets	28,823	(28,823)	24,010	(24,010)
Change in net asset value	10.4%	(10.4%)	10.7%	(10.7%)

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of a credit facility.

The Board's policy is for the Company to remain fully invested in normal market conditions. Short-term borrowings are used to manage working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

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

	Three months or less 2013 £'000	Three months or less 2012 £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	25,015	25,105
Securities purchased awaiting settlement	–	28
Other creditors and accruals	584	500
	25,599	25,633

(c) Credit risk

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

Notes to the Accounts

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

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

Cash

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

Exposure to the Custodian

JPMorgan Chase is the Custodian of the Company's assets. The Company's investments are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to become insolvent. Potentially a portion of the Company's cash could be deposited with JPMorgan Chase, and this could be at risk in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

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

	2013		2012	
	Balance sheet £'000	**Maximum exposure £'000**	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit	**288,229**	**–**	240,100	–
Current assets				
Debtors – dividends and interest receivable and other debtors	**2,038**	**2,022**	1,549	1,534
Cash and short-term deposits	**11,391**	**11,391**	8,083	8,083
	301,658	**13,413**	249,732	9,617

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

(d) Fair values of financial assets and financial liabilities

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

21. Capital management policies and procedures

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

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

	2013 £'000	2012 £'000
Debt		
Bank loan	**25,000**	25,000
Equity		
Called-up share capital	**40,229**	40,569
Reserves	**235,845**	183,635
	276,074	224,204
Total debt and equity	**301,074**	249,204

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

Notes to the Accounts

The Board's policy is to limit gearing/(net cash) within the range +20% to -20%, where gearing represents borrowings used for investment purposes less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this represents a "net cash" position.

	2013 £'000	2012 £'000
Borrowings used for investment purposes, less cash	**13,609**	16,917
Net assets	**276,074**	224,204
Gearing	**4.9%**	7.5%

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

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

– the need to buy back the Company's own Ordinary shares, which takes into account the share price discount;

– the opportunities for issues of new shares; and

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

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder UK Growth Fund plc will be held at 12 noon on Tuesday, 30 July 2013 at 31 Gresham Street, London EC2V 7QA to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 8 will be proposed as Ordinary Resolutions and resolutions 9 and 10 will be proposed as Special Resolutions.

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 April 2013.
2. To approve the Remuneration Report for the year ended 30 April 2013.
3. To re-elect Mrs Stella Pirie as a Director of the Company.
4. To re-elect Mr Alan Clifton as a Director of the Company.
5. To re-elect Mr David Ritchie as a Director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company.
7. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors of the Company.
8. 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 £2,011,464 (representing 5% of the share capital in issue on 28 June 2013); and provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
9. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That, subject to the passing of Resolution 8 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in Treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 8 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £2,011,464 (representing 5% of the aggregate nominal amount of the share capital in issue on 28 June 2013); 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."
10. 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 its issued Ordinary shares of 25p each in the capital of the Company ("Ordinary shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per Ordinary share provided that:
    (a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 24,121,485, representing 14.99% of the issued Ordinary share capital as at 28 June 2013;
    (b) the minimum price which may be paid for an Ordinary share is 25p;
    (c) the maximum price which may be paid for an Ordinary share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary share is purchased, and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
    (d) purchases may only be made pursuant to this authority if the Ordinary shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless renewed prior to such time or revoked; and
    (f) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 2894077
28 June 2013

Explanatory Notes

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

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

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12 noon on 28 July 2013. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 or +44 121 415 0207 for overseas shareholders.

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

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

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

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m. on 28 July 2013, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 28 July 2013 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (IDRA19) by the latest time for receipt of proxy appointments.

Explanatory Notes

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biographies of the Directors offering themselves for re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 30 April 2013.
7. As at 28 June 2013, 160,917,184 Ordinary shares of 25 pence each and 21,349,803 Subscription shares of 1p each were in issue (no shares were held in Treasury). The Subscription shares carry no voting rights, therefore the total number of voting rights in the Company as at 28 June 2013 was 160,917,184.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from the Company's website, www.schroderukgrowthfund.com.
9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Company Summary and Shareholder Information

The Company

Schroder UK Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 28 June 2013, the Company had 160,917,184 Ordinary shares of 25p each and 21,349,803 Subscription shares of 1p each in issue (no shares were held in Treasury). The Company's assets are managed and administered by Schroders. The Company has, since its launch in 1994, measured its performance against the FTSE All-Share Index. The Company measures its performance on a total return basis.

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

Website and Share Price Information

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

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

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

Registrar Services

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

Equiniti maintains a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and 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.schroderukgrowthfund.com

Schroders