

Schroder

UK Mid Cap Fund plc

Half-Yearly Report to 31 March 2011



Schroders

Investment Objective

The Company's investment objective is to invest in mid cap equities, with the aim of providing a total return in excess of the FTSE 250 Mid Cap Index (ex Investment Companies).

Directors

Peter Timms (Chairman)

Rachel Beagles

Chris Jones

Maxwell Packe*

Robert Rickman

Eric Sanderson

*Resigned as a Director on 27 May 2011

Advisers

Investment Manager and Company Secretary

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Financial Highlights

	31 March 2011	30 September 2010	% Change
Net asset value per ordinary share	306.8p	273.2p	12.3
Share price	259.5p	225.5p	15.1
Share price discount	15.4%	17.5%	
Total assets (£'000)*	120,902	108,750	11.2
Total borrowings	10,000	10,000	
Shareholders' funds (£'000)	110,902	98,750	12.3
	Six months ended 31 March 2011	Six months ended 31 March 2010	
Revenue return per share	1.94p	2.76p	
FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index**	11.1%	12.4%	
Net asset value total return***	16.2%	6.8%	

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

** Source: Thomson Financial Datastream

*** Source: Morningstar (www.morningstar.co.uk) (with net income reinvested)

Ten Largest Investments

As at 31 March 2011

Company and Activities	Market value of holding £'000	% of Shareholders' funds
Premier Oil Oil and gas exploration development and production	3,386	3.05
Elementis Manufacture and sale of chromium chemicals, pigments and other chemicals	2,890	2.61
Ashtead Group Provider of rental plant and equipment	2,579	2.33
Travis Perkins Builder's merchant	2,285	2.06
Domino Printing Manufacture and supply of industrial ink jet and laser printing equipment	2,203	1.99
ITE Group Organiser of trade exhibitions and conferences	2,190	1.97
Fidessa Group Supplies computer software products to customers in the financial trading systems market	2,100	1.89
Dechra Pharmaceuticals Manufacturer of pharmaceutical products and equipment for veterinary industry	2,084	1.88
Lamprell Specialist in rig upgrade and refurbishment	2,027	1.83
Kier Group Construction, development and service group, specialising in building and civil engineering	2,011	1.81
Total	23,755	21.42

At September 2010, the ten largest investments represented 21.38% of Shareholders' funds.

Interim Management Report

Chairman's Statement

Performance

During the six month period ended 31 March 2011, the Company's net asset value produced a total return of 16.2%, comparing favourably to a total return of 11.1% produced by the Company's benchmark Index, the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Total Return Index over the same period. With effect from 1 April 2011, the benchmark Index has changed to the FTSE Mid 250 Total Return Index (ex Investment Companies).

The share price increased by 15.1% during the period, and the discount to net asset value narrowed from 17.5% to 15.4%.

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

Change in Strategy

At a General Meeting held on 26 January 2011, shareholders voted overwhelmingly in favour of a proposed change in investment objective and policy of the Company, as well as the change in name to Schroder UK Mid Cap Fund plc. Since that time, our Manager and Corporate Broker have conducted an extensive roadshow of current shareholders and wider investment trust investors to update the investment trust community on the recent changes to the investment objective and policy.

Shareholders have been supportive of the move to concentrate on investing in Mid cap stocks and feedback has been positive regarding the performance of the Company. Investors have recognised that the portfolio is now concentrated on the Mid cap space and we hope that this will continue to generate support for the Company in the future.

Gearing Facility

The Company had in place a revolving credit facility of £10 million during the period under review. Although the facility remained fully drawn for the duration of the period under review, the net effective gearing level (which also takes account of any cash held) was 3.0% at the beginning of the period and had reduced to 1.0% by the end of the period. The gearing continues to be utilised in line with the strict parameters established by the Board.

Share Purchases

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

Board Refreshment and Succession Planning

As part of the planned refreshment of the Board, and following the appointment of two additional Directors in January this year, Mr Maxwell Packe has retired as a Director of the Company with effect from 27 May 2011. On behalf of the Board, I would like to thank Maxwell for his very considerable contribution to the Board since his appointment in 1997.

Outlook

The material increase in the Company's net asset value in the first half of the fiscal year has been reassuring, emphasising not only the Manager's ability to identify outperforming stocks, but also reflecting the stock market's renewed optimism during that period. There are more than enough economic and political threats at the moment that this optimism will inevitably be challenged in the coming months, but the Board takes comfort from the portfolio's emphasis on well-financed companies with strong market positions. Most of the companies held are doing well, but all would benefit from an improvement in the state of the UK's domestic economy.

Peter Timms, CBE

Chairman

31 May 2011

Interim Management Report

Investment Manager's Review

Investment Philosophy

We have adopted a consistent investment process, taking a stock-specific approach with an emphasis on growth companies. Sector weightings play a secondary role, resulting naturally from stock selection. Fundamental research forms the basis of each investment decision taken by us as your Manager, carrying out our own research with numerous company contacts. When analysing stocks, we look for companies with strong management teams with a proven record, good future prospects and a strong business franchise within their markets.

Performance

Over the six months to 31 March 2011, the Company's net asset value on a total return basis rose by 16.2%. This compared to a rise of 11.1% in the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Total Return Index over the same period. Good performances came from industrial companies such as Elementis and Renishaw, benefiting from a recovery in demand, especially in Asia, and enjoying record margins as a result of earlier cost cutting.

In addition, the strong oil price supported strong share price performances at Exillon Energy and John Wood Group, and the latter company announced the disposal of its well support division to GE for a very good price. Corporate activity continued with trade bids for Eaga and Nestor Healthcare, and a renewed bid for Forth Ports. However, bid approaches for Mouchel were rejected by the board and the shares subsequently halved. Shares in PZ Cussons also detracted from performance as the toiletries group struggled to pass on in full significant price increases in palm oil, one of its main raw materials.

Market Background

In the face of an earthquake, tsunami and nuclear accident in Japan, revolutions in the Middle East and continuing sovereign debt concerns, the UK equity market has remained remarkably resilient in recent months. Low interest rates have continued to drive investors into taking more equity market risk. Quoted companies in the main have strong balance sheets, but are only gradually increasing capital investment, staff recruitment and acquisition activity. Bank finance still remains scarce, limiting most M&A activity to the small and mid cap space. Dividend growth remains strong in this area of the market as well.

Portfolio Update

In the past six months, new purchases have included Berendsen (washroom and workwear services), Debenhams (department store retailing), Exillon Energy (Siberian oil production), Kentz (engineering for the oil, gas and petrochemical sectors), Morgan Crucible (advanced materials manufacture), Rightmove (residential property portal), RPC (food packaging) and Taylor Wimpey (housebuilding). Complete disposals included ITV and John Wood Group upon promotion to the FTSE 100 Index, and Eaga and Nestor on bids. Several more investments outside the new Mid Cap benchmark were sold, notably Holidaybreak, James Fisher and System C Healthcare. Gearing is presently minimal.

Outlook

The first quarter of the calendar year has seen the introduction of the new VAT rate, a double digit increase in the price of oil and petrol and rising taxes. All of these have put a squeeze on consumer incomes which has not been seen for over fifty years. As a result, those consumer-facing stocks have had a torrid time caught between rising input prices and consumers with less money to spend. Consequently, profit warnings in the sectors of retail and media are likely to continue to feature for those weaker players. The only positive for these sectors is that job creation in the private sector continues to be absorbing job losses in the public sector as the government tries to get the budget deficit under control.

Interim Management Report

In terms of spending cuts, these are now starting to be felt by companies. It is very similar to the consumer-facing sectors in that the strong will get stronger with the increased opportunities available to take on parts on the state while the weak will go to the wall. It is worth noting that in absolute terms spending will still be higher than last year and that the cuts relate to forecasts.

Returning the economy to growth is the only way out so that tax revenues increase (we have seen this in January and February) while spending increases are held to a minimum so that the deficit falls faster. This will require a real tightrope walking act and, if successful, will lead to a recovery in the economy, a stronger currency, less inflationary pressures and a recovery in domestic stocks. If it doesn't work then growth will falter and inflation is likely to accelerate further bringing with it higher interest rates and much lower exchange rates, this will lead to continued outperformance of overseas earners. We are monitoring the situation closely and in the meantime we are staying with the companies that have strong balance sheets and market positions.

Schroder Investment Management Limited

31 May 2011

Interim Management Report

Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's business fall into the following categories: financial risk; gearing; strategic risk; and accounting, legal and regulatory risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on page 13 of the Company's published Annual Report and Accounts for the year ended 30 September 2010. These risks and uncertainties have not materially changed during the six months ended 31 March 2011.

Going Concern

The Directors are of the opinion, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections; that it is appropriate to continue to adopt the going concern basis in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" in the preparation of the accounts as the assets and financial resources of the Company consist predominantly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Related Party Transactions

Details of related party transactions can be found on page 34 of the Company's published Annual Report and Accounts for the year ended 30 September 2010. There has been no material transactions with the Company's related parties during the six months ended 31 March 2011.

Directors' Responsibility Statement

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

Income Statement

	(Unaudited) For the six months ended 31 March 2011			(Unaudited) For the six months ended 31 March 2010			(Audited) For the year ended 30 September 2010			
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Gains on investments held at fair value	–	13,996	13,996	–	3,872	3,872	–	14,274	14,274	
Income	2	974	12	986	1,258	44	1,302	2,664	44	2,708
Investment management fee	3	(40)	(361)	(401)	(33)	(297)	(330)	(68)	(617)	(685)
Performance fee		–	–	–	–	–	–	–	(201)	(201)
Administrative expenses		(226)	–	(226)	(227)	–	(227)	(427)	–	(427)
Net return before finance costs and taxation		708	13,647	14,355	998	3,619	4,617	2,169	13,500	15,669
Interest payable and similar charges	3	(10)	(88)	(98)	–	(3)	(3)	(11)	(99)	(110)
Net return on ordinary activities before taxation		698	13,559	14,257	998	3,616	4,614	2,158	13,401	15,559
Taxation on ordinary activities		2	–	2	–	–	–	(2)	–	(2)
Net return attributable to equity shareholders		700	13,559	14,259	998	3,616	4,614	2,156	13,401	15,557
Net return per ordinary share	4	1.94p	37.51p	39.45p	2.76p	10.00p	12.76p	5.96p	37.08p	43.04p

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

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

The notes on pages 11 and 12 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

For the six months ended 31 March 2011 (Unaudited)

	Called-up Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
Balance at 30 September 2010	9,036	220	13,971	2,184	15,477	54,598	3,264	98,750
Net return from ordinary activities	-	-	-	-	-	13,559	700	14,259
Ordinary dividend paid	-	-	-	-	-	-	(2,107)	(2,107)
At 31 March 2011	9,036	220	13,971	2,184	15,477	68,157	1,857	110,902

For the six months ended 31 March 2010 (Unaudited)

	Called-up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
Balance at 30 September 2009	9,036	220	13,971	2,184	15,477	41,197	3,024	85,109
Net return from ordinary activities	-	-	-	-	-	3,616	998	4,614
Ordinary dividend paid	-	-	-	-	-	-	(1,916)	(1,916)
At 31 March 2010	9,036	220	13,971	2,184	15,477	44,813	2,106	87,807

For the year ended 30 September 2010 (Audited)

	Called-up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
Balance at 30 September 2009	9,036	220	13,971	2,184	15,477	41,197	3,024	85,109
Net return from ordinary activities	-	-	-	-	-	13,401	2,156	15,557
Ordinary dividend paid	-	-	-	-	-	-	(1,916)	(1,916)
At 30 September 2010	9,036	220	13,971	2,184	15,477	54,598	3,264	98,750

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

The notes on pages 11 and 12 form an integral part of these accounts.

Balance Sheet

	(Unaudited) At 31 March 2011 £'000	(Unaudited) At 31 March 2010 £'000	(Audited) At 30 September 2010 £'000
Fixed assets			
Investments held at fair value through profit or loss	111,765	89,590	101,763
	111,765	89,590	101,763
Current assets			
Debtors	304	281	884
Cash at bank and short-term deposits	10,885	–	6,914
	11,189	281	7,798
Current liabilities			
Creditors – amounts falling due within one year	(12,052)	(2,064)	(10,811)
	(863)	(1,783)	(3,013)
Net current liabilities			
	110,902	87,807	98,750
Net assets			
Capital and reserves			
Called-up share capital	9,036	9,036	9,036
Capital redemption reserve	220	220	220
Share premium account	13,971	13,971	13,971
Merger reserve	2,184	2,184	2,184
Share purchase reserve	15,477	15,477	15,477
Capital reserve	68,157	44,813	54,598
Revenue reserve	1,857	2,106	3,264
Equity shareholders' funds	110,902	87,807	98,750
Net asset value per ordinary share	306.84p	242.94p	273.22p

The notes on pages 11 and 12 form an integral part of these accounts.

Cash Flow Statement

	(Unaudited) For the six months ended 31 March	(Unaudited) For the six months ended 31 March	(Audited) For the year ended 30 September
	2011 £'000	2010 £'000	2010 £'000
Net cash inflow from operating activities	259	1,193	1,863
Net cash outflow from servicing of finance	(98)	–	(66)
Total tax received	–	–	9
Net cash inflow/(outflow) from investment activities	5,917	(3,109)	(5,150)
Equity dividends paid	(2,107)	(1,916)	(1,916)
Net cash inflow/(outflow) before financing	3,971	(3,832)	(5,260)
Net cash inflow from financing	–	1,000	10,000
Net cash inflow/(outflow)	3,971	(2,832)	4,740
Reconciliation of net cash flow to movement in net funds/(debt)			
Net cash inflow/(outflow)	3,971	(2,832)	4,740
Movement in bank loan	–	(1,000)	(10,000)
Net (debt)/funds brought forward	(3,086)	2,174	2,174
Net funds/(debt) at period end	885	(1,658)	(3,086)
Comprising:			
Cash at bank	10,885	–	6,914
Bank overdraft	–	(658)	–
Bank loan	(10,000)	(1,000)	(10,000)
	885	(1,658)	(3,086)

The notes on pages 11 to 12 form an integral part of these accounts.

Notes to the Accounts

1. Accounting policies

The financial information for each of the six month periods ended 31 March 2011 and 31 March 2010 comprises non-statutory accounts within the meaning of Sections 434 – 436 of the Companies Act 2006. The financial information for the year ended 30 September 2010 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Company's accounting policies have not varied from those described in the Report and Accounts for the year ended 30 September 2010.

2. Income

	(Unaudited) For the six months ended 31 March 2011 £'000	(Unaudited) For the six months ended 31 March 2010 £'000	(Audited) For the year ended 30 September 2010 £'000
Revenue:			
Income from investments held at fair value through profit or loss:			
Franked dividends	849	1,205	2,372
Unfranked dividends	41	13	199
Stock dividends	66	24	64
	956	1,242	2,635
Interest on deposits	18	4	17
Underwriting commission	–	12	12
	974	1,258	2,664
Capital:			
Special dividends allocated to capital	12	44	44

3. Investment management fee and interest payable

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

4. Return per ordinary share

	(Unaudited) For the six months ended 31 March 2011	(Unaudited) For the six months ended 31 March 2010	(Audited) For the year ended 30 September 2010
Revenue (£'000)	700	998	2,156
Capital (£'000)	13,559	3,616	13,401
Total	14,259	4,614	15,557
Weighted average number of ordinary shares in issue	36,143,690	36,143,690	36,143,690
Revenue	1.94p	2.76p	5.96p
Capital	37.51p	10.00p	37.08p
Total	39.45p	12.76p	43.04p

Notes to the Accounts

5. Creditors: amounts falling due within one year

Included within creditors of £12.1 million is a loan of £10 million (31 March 2010: £1 million and 30 September 2010: £10 million), drawn down from the Company's 364 day £10 million secured credit facility with ING Bank N.V.

6. Net asset value per ordinary share

	(Unaudited) 31 March 2011	(Unaudited) 31 March 2010	(Audited) 30 September 2010
Net assets attributable to ordinary shareholders (£'000)	110,902	87,807	98,750
Ordinary shares in issue at end of period	36,143,690	36,143,690	36,143,690
Net asset value per ordinary share	306.84p	242.94p	273.22p

Company Summary

The Company

Schroder UK Mid Cap Fund plc was established in April 1983 under the name of Murray Technology Investments plc and Schroders took over management of the Company in May 2003, at which point its name was changed to Schroder UK Mid & Small Cap Fund plc and subsequently to Schroder UK Mid Cap Fund plc in January 2011. The Company is an investment trust with ordinary shares in issue that are listed on the London Stock Exchange. The Company is administered by Schroders, which also manages its assets.

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

Website and Price Information

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

The Company releases its net asset value to the market daily on both an income inclusive and capital-only basis.

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

Registrar Services

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

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

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

Association of Investment Companies

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

Dealing Codes

The dealing codes for the shares in the Company are as follows.

ISIN: GB0006108418

SEDOL: 0610841

Ticker: SCP

www.schroderukmidcapfund.com