

Schroder UK Mid Cap Fund plc

Annual Report and Accounts

For the year ended
30 September 2018



Investment objective

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

Investment policy

The Manager has adopted a unique and consistent investment process, taking a stock specific approach with an emphasis on dynamic growth companies. Sector weightings play a secondary role, resulting naturally from stock selection. Fundamental research and engagement with investee companies forms the basis of each investment decision taken by the Manager.

The Company will predominantly invest in companies from the FTSE 250 index, but may hold up to 20% of its portfolio in equities and collective investment vehicles outside the benchmark index.

The Company has the ability to use gearing for investment purposes up to 25% of total assets.

Key messages

- Concentrated portfolio of around 50-60 "highest conviction" stocks selected primarily from the FTSE 250 index, with an emphasis on investing in quality growth companies at a reasonable price
- Proven research driven investment approach based on the Manager's investment process allied with a strong selling discipline, including the sale of stocks that grow into inclusion in the FTSE 100 index
- Our dividend has tripled since 2007 as portfolio investments have captured the cash generative nature of investee companies, in a market where income has become an increasingly important part of our investors' anticipated returns
- Managed by Andy Brough and Jean Roche with a combined 50 years' investment experience and continues to show an impressive long-term performance track record. We are the best performing UK equity investment trust since Schroders became manager in 2003¹

¹(source Morningstar: Share price total return bid-to-bid AIC UK All Companies Sector, 1/4/03 to 30/11/18)





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Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures as defined by the European Securities and Markets Authority and are indicated with an asterisk(*). Definitions of these performance measures, and other terms used in this report, are given on page 52.

Total returns* for the year ended 30 September 2018



1 Year NAV per share



1 year share price



1 year Benchmark

Annualised total returns* for the 10 years ended 30 September 2018



10 year annualised NAV per share



10 year annualised share price



10 year annualised Benchmark

Other financial information

	30 September 2018	30 September 2017	% Change
Shareholders' funds (£'000)	229,734	226,577	+1.4
Shares in issue	35,851,190	35,851,190	-
NAV per share (pence)	640.80	631.99	+1.4
Share price (pence)	538.00	524.50	+2.6
Share price discount to NAV per share* (%)	16.0	17.0	
Net cash* (%)	(3.0)	(0.5)	

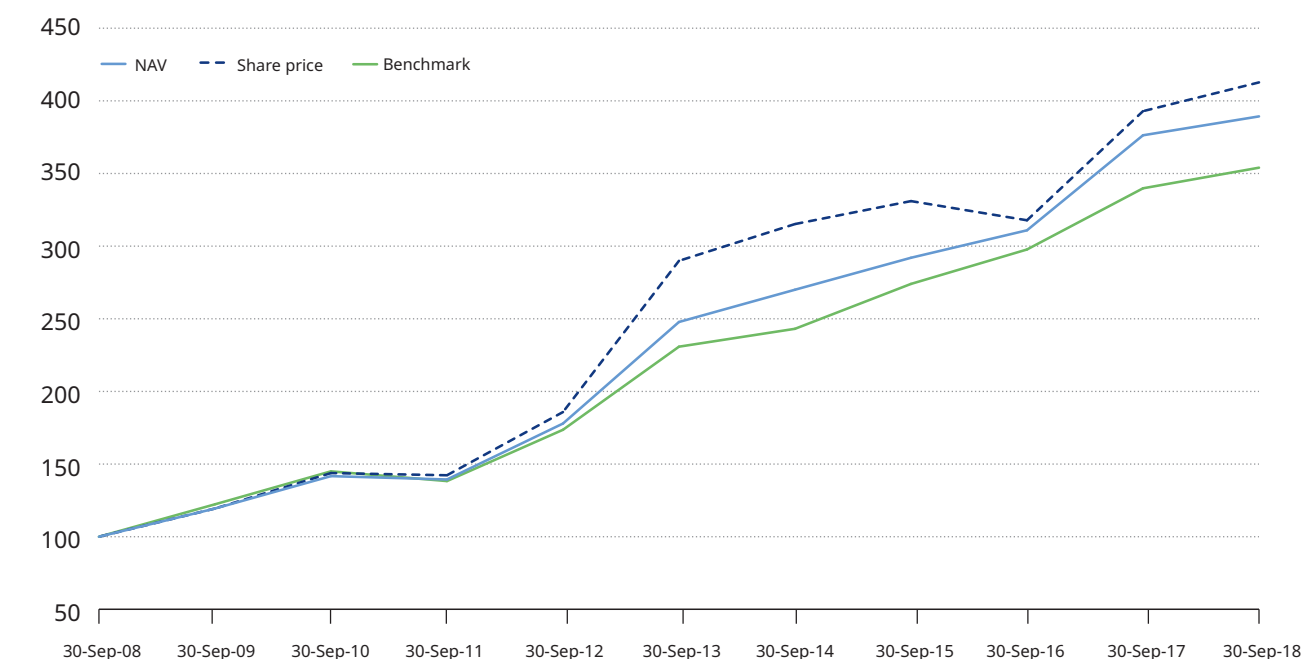
	Year ended 30 September 2018	Year ended 30 September 2017	% Change
Net revenue return after taxation (£'000)	6,015	5,031	+19.6
Return per share (pence)	16.78	13.96	+20.2
Dividends per share (pence)	16.00	13.10	+22.1
Ongoing charges* (%)	0.90	0.92	

Ten Year Financial Record

At 30 September	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Shareholders' funds (£'000)	85,109	98,750	95,269	118,942	161,739	173,327	184,260	192,718	226,577	229,734	
NAV per share (pence)	235.5	273.2	263.6	329.1	447.5	479.6	509.8	533.2	632.0	640.8	
Share price (pence)	192.8	225.5	218.0	277.0	420.0	448.9	462.5	435.4	524.5	538.0	
Share price discount to NAV per share (%)	18.1	17.5	17.3	15.8	6.1	6.4	9.3	18.3	17.0	16.0	
(Net cash)/gearing (%)	(2.6)	3.1	2.8	3.7	2.0	(4.4)	(6.1)	1.5	(0.5)	(3.0)	
For the year ended 30 September	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Net revenue return after taxation (£'000)	1,880	2,156	2,437	2,789	3,096	3,506	3,549	4,455	5,031	6,015	
Revenue return per share (pence)	5.20	5.96	6.74	7.72	8.57	9.70	9.82	12.33	13.96	16.78	
Dividends per share (pence)	5.30	5.83	6.20	6.82	7.70	8.50	9.20	11.25	13.10	16.00	
Ongoing Charges (%)	1.19	1.21	1.12	1.11	1.01	0.94	0.93	0.95	0.92	0.90	
Performance ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NAV total return	100.0	119.4	141.7	139.4	177.9	247.8	270.0	292.0	310.9	376.3	389.3
Share price total return	100.0	119.4	143.8	142.3	185.8	289.9	315.2	331.0	317.8	392.9	412.7
Benchmark	100.0	122.3	145.0	138.3	173.6	230.8	243.1	274.0	297.7	339.8	354.0

¹Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2008.

NAV per share, share price and Benchmark total returns for the 10 years ended 30 September 2018



Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2008.

Chairman's Statement



Performance

It is disappointing that performance for the year ended 30 September 2018 was more muted than the prior year due in part to mid cap shares not being in favour with investors. However, the Company's long-term performance record remains strong. The Benchmark delivered a total return of 4.2%. The Company's NAV produced

a total return of 3.5% and share price total return of 5.0%.

The Manager's Review provides greater detail on performance, market background and investment outlook for the Company.

Revenue and dividends

“...total dividends to 16.0 pence an increase of 22.1%...”

Revenue return per share increased by 20.2% (2017: 13.2%), largely due to strong cash flows by investee companies and highlighting one of the key tenets of the Manager's investment selection process. As a result of this and in line with the Company's policy of paying out substantially all of its revenue, the directors recommend the payment of a final dividend of 12.7 pence per share for the year ended 30 September 2018.

The proposed final dividend, combined with the interim dividend of 3.3 pence per share paid during the year, brings total dividends for the year to 16.0 pence per share, an increase of 22.1% over dividends declared in respect of the previous financial year.

A resolution approving the payment of the final dividend for the year ended 30 September 2018 will be proposed at the forthcoming Annual General Meeting (“AGM”). If the resolution is passed, the dividend will be paid on 1 February 2019 to shareholders on the register on 4 January 2019.

Management fees and ongoing charges

I am pleased to report that the board has negotiated a reduction in the Company's management fee from 0.7% per annum to 0.65% per annum on the first £250m and 0.6% on any amounts in excess of that, backdated to November 30th. As currently, this will be based on the value of assets under management, net of current liabilities other than short-term borrowing, provided that if there are any short-term borrowings the value of cash up to the level of such borrowings is deducted from the calculation of assets.

Investment policy

As part of its ongoing review, the Board has examined the Company's investment policy and has decided to amend it, albeit not materially, to provide a clearer understanding for investors:

“Investment policy

The Manager has adopted a unique and consistent investment process, taking a stock specific approach with an emphasis on dynamic growth companies. Sector weightings play a secondary role, resulting naturally from stock selection. Fundamental research and engagement with investee companies forms the basis of each investment decision taken by the Manager.

The Company will predominantly invest in companies from the FTSE 250 Index, but may hold up to 20% of its portfolio in equities and collective investment vehicles outside the benchmark index.

The Company has the ability to use gearing for investment purposes up to 25% of total assets.”

Gearing facility

During the year, the Company renewed its £15 million revolving credit facility with Scotiabank Europe Plc. At the beginning of the year the Company held net cash of 0.5%. The Manager made tactical use of the facility during the year, drawing down up to the limit to exploit investment opportunities, thereby boosting returns for shareholders and repaying the facility upon realising investments. At the year end the Company held net cash of 3.0% and since then the Manager has started to use the credit facility again, to take advantage of October's fall in share prices. The gearing at the date of this report is 4.2%. Parameters for the use of gearing are reviewed regularly by the board.

Share buy backs and discount management

The Company's share price discount to NAV per share, while still wider than the board would prefer, continued to narrow slightly during the year, falling to 16.0% at the year end. The average discount for the year was 15.7% and it ranged between 13.1% and 18.7%. The board monitored the discount throughout the year and received input from the Company's broker and the Manager.

Your board believes that the best way to close the share price discount is to increase demand for the Company's shares using effective marketing, and a continuation of the Company's strong longer-term performance. In the meantime, the board will continue to consider on a regular basis whether purchases of the Company's shares should be made, alongside other means of discount control. To provide maximum flexibility for the future, it is proposed that the existing authority to buy back up to 14.99% of its share capital be renewed at the forthcoming AGM. Any shares so purchased would be cancelled or held in treasury for potential reissue.

Chairman's Statement

Board succession

The board undertook its annual review of board composition and, as part of the discussions, agreed that in order to ensure an orderly succession as part of its ongoing policy on refreshment, the nomination committee should begin reviewing new candidates for a non-executive director during 2019. This will result in a temporary increase in the size of the board.

Outlook

It is frustrating that UK mid-caps are not a popular investment at the moment. UK equities in general are out of favour, and mid caps particularly so. It has been reflected in a share price, after the fall in October, that has not made any progress since the start of 2016, and a discount to net asset value that is higher than we would like. This is despite most companies in the portfolio doing just what we want: to take one measure, the Company's income from investments – essentially the dividends they pay the Company – is up by more than a sixth on last year, after the 11% rise the year before.

“...we know there will be as many opportunities in mid caps in the future...”

The standard explanation for the asset class's unpopularity, of course, is Brexit: the uncertainty of the negotiations, and the fear that domestic UK businesses will face a more difficult environment. It is still too early to see where the negotiations will end, but if our Manager can find the right companies we know that there will be as many opportunities in mid caps in the future as there have been in the past. Long-term shareholders in the Company will know that it has been the best performing UK equity investment trust since the Manager took over responsibility in 2003 .

Annual General Meeting

The Company's Annual General Meeting will be held at 12.00 noon on Thursday, 24 January 2019 and shareholders are encouraged to attend. The meeting will be held at the Manager's new office at 1 London Wall Place, EC2Y 5AU, London and will include a presentation by the Manager on the prospects for the UK market and the Company's investment strategy.

Eric Sanderson

Chairman

17 December 2018

Manager's Review

Market review

The broad UK market, as represented by the FTSE All-Share Index, returned 5.9% over the period (source: Schroders), as the world economy continued to grow at a steady pace. Despite this, tightening global monetary conditions intermittently dampened demand for equities, as did deteriorating US-China trade relations.

The "Goldilocks" scenario of low and stable growth and inflation was put to the test amid fears around the pace of policy tightening in the US. The Bank of England increased rates by 0.5%. Sterling was volatile amid political noise related to the Brexit negotiations, and the same uncertainty weighed on the shares of many UK domestic companies. This held back mid caps – the FTSE 250 (ex investment companies) lagged the FTSE 100, with the indices recording gains of 4.2% and 6.1% respectively.

UK market performance



Source: Thomson Reuters, total return, 12 months to end September 2018. Total return (%) rebased to zero.

The gains were however offset by weakness after the financial year-end, with markets worldwide falling on fears over the outlook for growth. The NAV as at 11 December 2018 is 14.4% lower than at the end of September.

Portfolio performance

“...Income from the holdings grew by 17.9% ...”

The NAV produced a total return of 3.5% in the financial year, whilst the Benchmark return was 4.2% (source: Schroders). Income from the holdings, an increasingly important part of sustainable returns in this part of the market, grew by 17.9%, on top of the 11.5% increase last year.

This increase may seem surprising in a section of the market being shunned by global investors, in the form of a persistent underweight to the UK and in particular to domestically focused stocks. Many of these have demonstrated good growth underpinned by solid balance sheets, for example house builder Redrow and homewares

retailer Dunelm (both in our “opportunistic ideas” basket). On the other hand, mid caps include a rich set of opportunities outside domestically focused stocks, since around half of their revenue is generated internationally, so it is possible to construct a “best of both” portfolio.

Positive contributors

	Portfolio weight ¹ %	Weight relative to index %	Relative performance ² %	Impact ³ %
SSP	3.6	2.7	33.0	0.8
Diploma	2.1	1.7	31.6	0.5
Petrofac	1.3	0.9	46.6	0.4
HomeServe	3.1	2.4	21.8	0.4
Dechra Pharma	2.4	1.7	3.7	0.4

Source: Schroders, Factset, 30 September 2017 to 30 September 2018.

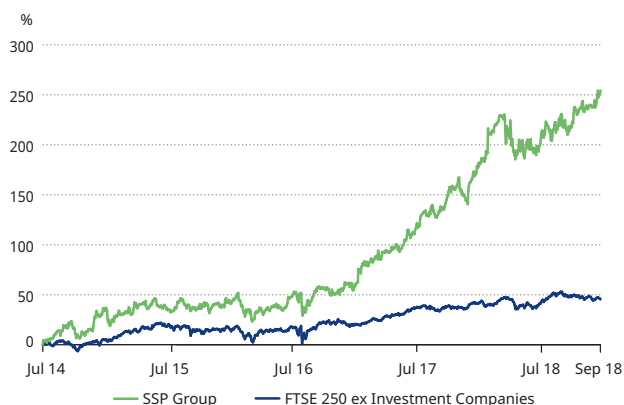
¹Weights are averages over the period.

²Performance relative to the FTSE 250 (ex. ITCs) Index return over the period.

³Impact is the contribution to performance relative to the FTSE 250 (ex. ITCs) Index

Travel food and beverage company SSP was the top contributor. It is a good example of one of the high quality “long-term growth opportunity” stocks which make up the majority of the portfolio, benefiting from structural growth in air travel, led by a proven management team. SSP has maintained its strong performance, particularly in the growth market of international airport catering where it continued to win new contracts whilst retaining tight control of costs.

SSP vs. FTSE 250 ex Investment Companies since its inclusion in the portfolio



Source: Thomson Reuters Datastream, 10 July 2014 to 28 September 2018 (total return %, rebased to zero at 10 July 2014)

Another long-term growth opportunity stock, and disruptor, is home emergency services group HomeServe. This delivered robust full-year results and a positive AGM statement. Another example is Diploma, a supplier of

Manager's Review

specialist equipment to life sciences companies, was rewarded for its continued growth, which has been supplemented by well-received acquisitions.

The largest detractor relative to the index was food retailer Ocado, which was not held. While we recognise that it is a disruptor, it is not as profitable or cash flow positive as our other success story Rightmove, which was also promoted to the FTSE 100.

Negative contributors

	Portfolio weight ¹ %	Weight relative to index %	Relative performance ² %	Impact ³ %
N Brown	0.8	0.8	-51.1	-0.8
Pets At Home	1.4	1.2	-43.6	-0.7
Superdry	1.5	1.3	-38.9	-0.5
Thomas Cook	1.4	1.0	-55.8	-0.5
Rank Group	1.4	1.3	-24.5	-0.4

Source: Schroders, Factset, 30 September 2017 to 30 September 2018

¹Weights are averages over the period.

²Performance relative to the FTSE 250 (ex. ICs) Index return over the period.

³Impact is the contribution to performance relative to the Index.

Although the portfolio benefited from exposure to some consumer stocks, this part of the market had many detractors. The common theme for three of the five principal detractors was the unusual weather patterns, which gives us a degree of comfort that it should normalise.

The most significant detractor was online clothing retailer N Brown. Whilst downgrades have been small, the regulatory environment for the credit division has continued to harden. Product sales have been disappointing, partly weather-related and partly self-inflicted. On the positive side, the company has now closed all its stores and has, sensibly in our view, cut its dividend. A return to real wage inflation, together with a budget which should be beneficial to the typical N Brown customer, may now provide a helpful following wind. We trimmed the position, and await a new CEO before taking further action.

The portfolio was also negatively impacted by animal care retailer Pets at Home. We remain positive on its retail side: like-for-like sales growth is in mid single digits, something many other retailers are struggling to deliver. The market is now questioning the highly profitable veterinary services business. The time the typical vet practice achieves breakeven has lengthened but we continue to see upside, with evidence that consumer spending on pets continues to grow. We see it as a "long-term growth opportunity".

Portfolio activity

Among the new holdings are precision control and measurement instrument manufacturer Spectris, where we see opportunities for new management to reshape its portfolio into a more specialist, higher margin group. A

position was started in generic pharmaceuticals manufacturer Hikma which we perceived to be oversold and benefiting from new management. We also started a position in betting company William Hill: we think that the shares have overreacted to the reduction in maximum stakes on fixed odds betting terminals, and are not pricing in the opportunity now available in the US. We initiated a position in Eastern European airline Wizz Air, where we see growth prospects from an increase in business and leisure air travel and growing disposable income from a young Eastern European population.

Meanwhile we sold out of companies on valuation grounds or where developments meant the holding no longer fits our investment strategy. Our strategy of searching for the FTSE 100 Index companies of the future and investing in them during their strongest periods of performance was played out in Rightmove and Halma, as they were promoted to the FTSE 100 Index and duly sold. Property company Kennedy Wilson Europe, insurer esure and challenger bank Virgin Money were bid for. We exited Auto Trader due to concerns over the high margins the company generates whilst its customers are under pressure, and as we saw disruption from tech. Where positions had become very large and/or valuations stretched, we have trimmed holdings, for example in Dechra, Redrow and Renishaw.

Outlook

“...the valuation of the market continues to look attractive...”

Due to the uncertainty around Brexit, many international investors remain nervous about investing in UK companies. In Bank of America Merrill Lynch's November survey the UK remains the most out-of-favour asset class, with allocations around 20-year lows. Accordingly, the valuation of the market continues to look attractive relative to other major markets.

Away from the Brexit headlines, the backdrop for the more domestically-focused part of the mid cap universe is far from dire, as reflected in the results by many of the holdings. UK growth has strengthened, and the country's fiscal position is improving, allowing for a small fiscal stimulus in the Autumn Budget. Despite their depressed levels of confidence in the outlook, UK consumers are continuing to increase their spend on areas such as pet care and casual dining. Furthermore, UK consumers should benefit from the increased basic tax rate threshold in the Budget, paired with real wage inflation.

As an illustration of the above, Restaurant Group recently reported positive like-for-like sales growth for the first time in two to three years. Restaurant Group has in six months created the UK's largest gourmet burger restaurant without creating a high street presence, delivering to customers' homes and supplying them from existing kitchens. As competition intensifies whilst bricks and mortar capacity comes out of the casual dining market, companies with strong management willing to embrace disruption can outperform. Restaurant Group also participates in another of our structural growth themes of airline travel, being the

Manager's Review

number one UK airport F&B concession operator – ahead of even SSP, one of our most successful holdings.

As we see an ever-faster pace of disruption, nowhere is this more keenly felt than on the high street. Companies which are not carrying out the disruption or adapting to take account of it will be strongly disadvantaged. We see opportunities for management teams which are nimble and creative to take advantage of disruptive trends.

Largest overweight positions

Company Name	Load Difference %	Description
HomeServe	2.6	Home emergency insurance/service provider
SSP Group	2.6	International airport and railway food and beverage
Renishaw	2.2	Specialist engineering technology company
Grainger	2.2	Private rented sector landlord
Diploma	2.1	Specialist equipment to industrial & healthcare customers
Brewin Dolphin	2.0	Wealth manager
Telecom Plus	1.8	Multi-utility provider under brand "Utilitywise"
Dunelm Group	1.8	Homewares retail specialist
Northgate	1.8	Van rental and sales business in UK and Spain
Intermediate Capital	1.8	Private equity and debt asset manager

Source: Schroders, Factset, at 30 September 2018. Difference between portfolio and the Benchmark.

The securities shown above are for illustrative purposes only and are not to be considered recommendations to buy or sell.

Our investment management strategy

“...We are always looking for the next mid cap disruptor...”

This illustrates some of the thinking around our process of selecting dynamic, high-quality growth companies; those with organic growth, pricing power and strong management teams, with disruptive tendencies; complemented by opportunistic positions in strong companies – those which may be cyclical, in turnaround, in areas where capacity is coming out. We likewise look to avoid companies in structural decline, with too much debt to support their business model. Examples of the long-term growth opportunities mentioned here are HomeServe and SSP:

examples of “opportunistic ideas” investment are Restaurant Group (which also has some disruptive and rapid growth features) and Redrow. We are always looking for the next mid cap disruptor, while looking to avoid exposure to the next industry to be disrupted.

The market has fallen sharply since September, and we are seeing opportunities at a stock level. We have therefore drawn down part of the loan facility, with the portfolio geared by 4.2% as at 11 December 2018.

We believe that the Company's holdings are well placed to continue to generate superior long-term returns. Many are enjoying a virtuous circle where a rising stream of earnings is underpinning progressive dividend policies and simultaneously supporting reinvestment into the business to drive future growth.

Schroder Investment Management Limited

17 December 2018

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Investment Portfolio as at 30 September 2018

Stocks in bold are the 20 largest investments, which by value account for 49.0% (30 September 2017: 46.3%) of total investments. Investments are all equities.

	£'000	%
Financials		
Phoenix	6,544	3.0
Intermediate Capital	6,283	2.8
Grainger	6,000	2.7
Brewin Dolphin	5,402	2.4
Man Group	4,528	2.0
Investec	4,423	2.0
Safestore	4,164	1.9
IG	3,893	1.8
CLS	3,850	1.7
Paragon	3,352	1.5
Londonmetric Property	3,286	1.5
Jupiter Fund Management	2,634	1.2
Workspace REIT	1,610	0.7
Just Group	1,237	0.6
Total Financials	57,206	25.8
Industrials		
HomeServe	8,118	3.7
Renishaw	6,317	2.8
Diploma	5,864	2.6
Bodycote International	4,980	2.2
Spectris	4,742	2.1
Northgate	4,158	1.9
James Fisher	3,990	1.8
Keller	3,494	1.6
Grafton	3,030	1.4
BCA Marketplace	2,652	1.2
Capita	2,554	1.2
Paypoint	2,035	0.9
Total Industrials	51,934	23.4

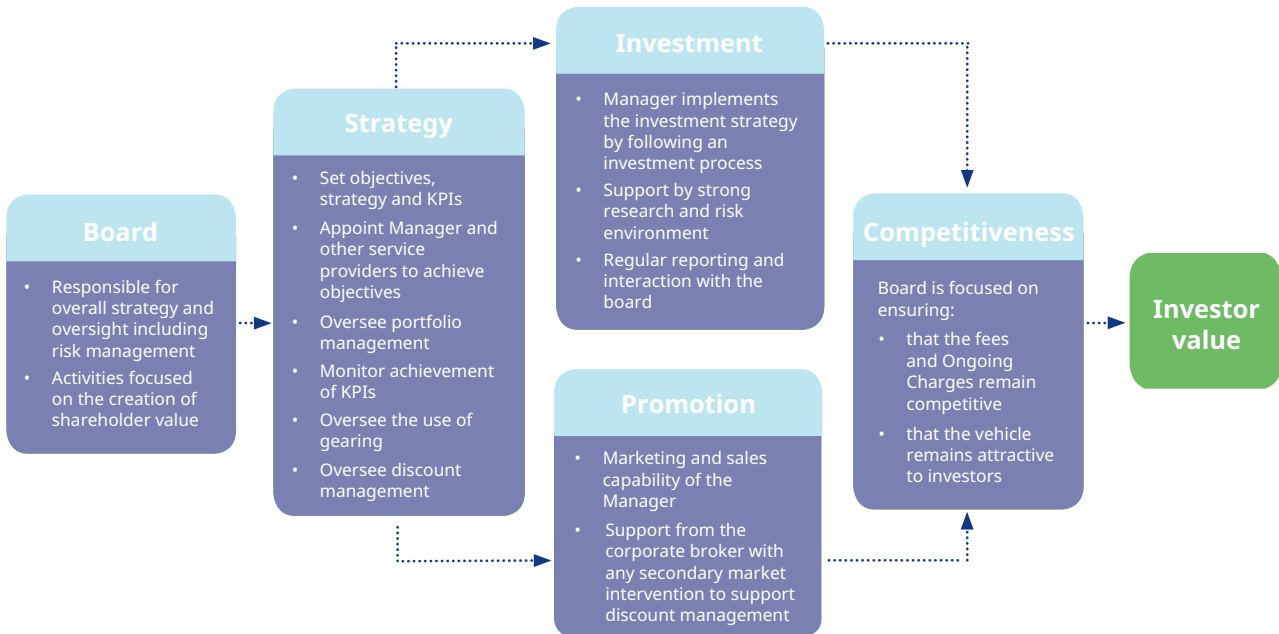
	£'000	%
Consumer Services		
Cineworld	4,964	2.2
Dunelm	4,637	2.1
JD Sports	3,902	1.8
Saga	3,859	1.7
Superdry	3,580	1.6
William Hill	3,254	1.5
J D Wetherspoon	3,132	1.4
Inchcape	3,008	1.3
Wizz Air	2,973	1.3
Pets at Home	2,436	1.1
Lookers	2,226	1.0
Photo-me International	1,966	0.9
Restaurant Group	1,699	0.8
Thomas Cook	1,685	0.8
N Brown	1,290	0.6
Total Consumer Services	44,611	20.1
Consumer Goods		
SSP	8,392	3.8
Cranswick	4,548	2.1
Redrow	4,444	2.0
Coats	2,993	1.4
Bovis Homes	2,252	1.0
Crest Nicholson	2,066	0.9
Total Consumer Goods	24,695	11.2
Oil & Gas		
Petrofac	5,118	2.3
Cairn Energy	4,872	2.2
Lamprell	1,193	0.5
Total Oil & Gas	11,183	5.0
Basic Materials		
Victrex	3,839	1.7
Anglo Pacific	2,993	1.4
Elementis	2,548	1.1
Total Basic Materials	9,380	4.2

Investment Portfolio as at 30 September 2018

	£'000	%
Technology		
SDL	3,583	1.3
Computacenter	2,587	1.1
Playtech	1,852	1.3
Total Technology	8,022	3.7
Healthcare		
Hikma Pharmaceuticals	3,492	1.6
Dechra Pharmaceuticals	3,282	1.5
Indivior	918	0.4
Total Healthcare	7,692	3.5
Telecommunications		
Telecom Plus	4,689	2.1
TalkTalk	2,279	1.0
Total Telecommunications	6,968	3.1
Total investments	221,691	100.0

Strategic Review

Business model



The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010 by way of a one-off application and it is intended that 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.

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

Investment objective and policy

Details of the Company's investment objective and policy may be found on the inside front cover.

The board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate.

Gearing

The board has authorised borrowings of up to 25% of total assets, as appropriate.

The Company currently has in place a £15 million (2017: £15 million) revolving credit facility. As at 30 September 2018 it was undrawn (2017: undrawn). In falling markets any




reduction in NAV and share price would be amplified by the gearing. The Company's gearing continues to be operated within pre-agreed limits so that it does not exceed 25% of total assets. The flexibility to utilise gearing remains an important tool in allowing the Manager to pursue investment opportunities when appropriate.

Investment philosophy and approach

The Manager believes that as broker coverage on small and mid cap companies is limited in scope and often in quality, (and there is some evidence to suggest that this is even more the case with the advent of MIFID II), detailed analysis of company report and accounts, company meetings and visits, governance engagements and the use of industry experts are all a vital part of the Manager's research process. It is the application of experience to these varied inputs, coupled with an extensive global in-house small cap and mid cap analytical resource that the Board believes gives the team an advantage over others.

As a result of the fundamental research, companies and industries are classified in the investment universe within a simple framework, as set out below.

Strategic Review

		
Long-term growth opportunities	Opportunistic ideas	Stocks to avoid
Disruptors. Growth companies.	Cyclical stocks or franchises in transition.	Typically experiencing long-term decline which can lead to cash flow and ultimately balance sheet challenges.
Operate in industries where demand for their goods or services exceeds supply, which gives them pricing power and drives organic growth, and strong cash flow.	Cyclical industries or areas where capacity is reducing.	Companies which operate in industries where supply exceeds demand, which are being disrupted.
Sectors are typically concentrated demand for shares exceeds supply, which appreciates in value as investors ascribe a higher rating to the company and its prospects.	Balance of supply and demand for these shares shifts over time as companies reduce capacity and shrink the amount of equity on the market by buying back shares.	Supply of shares in these companies will typically exceed demand, leading to downward pressure on share prices.
Increase and decrease exposure depending on valuation.	Trade into and out of depending on valuation.	Do not hold.

The team



Andy Brough is head of the team. He has been with Schroders for 31 years and is an FE (Financial Express) Alpha Manager and Chartered Accountant. Jean Roche became co-manager with Andy in September 2016. She has 19 years of investment experience and holds the CFA (Chartered Financial Analyst) designation. Jean has an MSc in Financial and Industrial Mathematics and a BA in Mathematics and French.

Strategic Review

Investment restrictions and spread of investment risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The key restrictions imposed on the Manager are that: (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies; (c) no more than 15% of the Company's gross assets may be invested in other listed investment companies (including listed investment trusts); (d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (e) no holding may represent 20% or more of the equity capital of any company. No breaches of these investment restrictions took place during the financial year.

The investment portfolio on page 9 demonstrates that, as at 30 September 2018, the Company held 61 investments spread over a range of industry sectors. The largest investment, SSP, represented 3.8% of total investments. The board therefore believes that the objective of spreading investment risk has been achieved.

Promotion

The Company promotes its shares to a broad range of investors who have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary fund managers. The Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.
- Execution-only investors. The Company promotes its shares including to retail investors via engaging with platforms and through its webpages. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.
- Institutional investors.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate.

Details of the board's approach to discount management and share issuance may be found in the Chairman's

Statement on page 4 and in the Explanation of Special Business of the AGM on page 48.

Key performance indicators

The board measures the development and success of the Company's business through achievement of its investment objectives, which is considered to be the most significant key performance indicator for the Company.

The board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including the management fee, directors' fees and general expenses, is submitted to each board meeting. The management fee is reviewed at least annually.

Corporate and social responsibility

Board gender diversity

As at 30 September 2018, the Board comprised four men and one woman. The board's approach to diversity is that candidates for board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skill set and experience.

Responsible investment policy

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The board expects the Manager to exercise the Company's voting rights in consideration of these issues.

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy.

Greenhouse gas emissions

As the Company outsources its operations to third parties, it has no greenhouse gas emissions to report.

Strategic Review

Principal risks and uncertainties

The board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in September 2018.

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 principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review. Cyber risk relating to all of the Company's key service providers is considered an ongoing threat in light of the rising propensity and impact of cyber attacks on businesses and institutions. To address the risk, the board receives enhanced reporting on cyber risk mitigation and management from its key service providers to ensure that it is managed and mitigated appropriately.

Actions taken by the board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Risk	Mitigation and management
<p>Strategic</p> <p>The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.</p>	<p>The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored.</p> <p>The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis.</p> <p>The marketing and distribution activity is actively reviewed. Proactive engagement with investors.</p>
<p>The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.</p>	<p>The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors.</p> <p>Annual consideration of management fee levels is undertaken.</p>
<p>Investment management</p> <p>The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.</p>	<p>The review of: the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets.</p> <p>Annual review of the ongoing suitability of the Manager is undertaken.</p>
<p>Financial</p> <p>The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company's underlying investments.</p>	<p>The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager.</p>

Strategic Review

Risk	Mitigation and management
<p>Custody</p> <p>Safe custody of the Company's assets may be compromised through control failures by the depository, including cyber hacking.</p>	<p>The depository reports on the safe custody of the Company's assets, including cash and portfolio holdings which are independently reconciled with the Manager's records.</p> <p>The review of audited internal controls reports covering custodial arrangements is undertaken.</p> <p>An annual report from the depository on its activities, including matters arising from custody operations is received.</p>
<p>Gearing and leverage</p> <p>The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.</p>	<p>Gearing is monitored and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of total assets.</p>
<p>Accounting, legal and regulatory</p> <p>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.</p> <p>Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.</p>	<p>The confirmation of compliance with relevant laws and regulations by key service providers is reviewed.</p> <p>Shareholder documents and announcements, including the Company's published Annual Report are subject to stringent review processes.</p> <p>Procedures are established to safeguard against the disclosure of inside information.</p>
<p>Service provider</p> <p>The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider, could lead to disruption, reputational damage or loss.</p>	<p>Service providers are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations.</p> <p>Regular reports are provided by key service providers and the quality of their services are monitored.</p> <p>Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls is undertaken.</p>

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit and Risk Committee, including 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 from the Audit and Risk Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 19 on pages 42 to 46.

Strategic Review

Viability statement

The directors have assessed the viability of the Company over a five year period to 30 September 2023, taking into account the Company's position at 30 September 2018 and the potential impacts of the principal risks and uncertainties it faces for the review period.

A period of five years has been chosen as the board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 14 and 15 and in particular the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio. The directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period.

Based on the Company's processes for monitoring operating costs, the board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council ("FRC") in 2014, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By order of the board

Schroder Investment Management Limited
Company Secretary

17 December 2018

Board of Directors



Eric Sanderson

Status: independent non-executive Chairman

Length of service: 7 years – appointed a director in January 2011 and Chairman in June 2014

Experience: Mr Sanderson is a Chartered Accountant and a Banker and was Chief Executive of British Linen Bank from 1989 to 1997 and a member of the Management Board of Bank of Scotland in his role as Head of Group Treasury Operations from 1997 to 1999. He was also formerly Chairman of MyTravel Group PLC, MWB Group Holdings PLC and Dunedin Fund Managers Limited and has held a number of non-executive Board positions. He is Chairman of BlackRock Greater Europe Investment Trust plc.

Committee membership: Management Engagement and Nomination Committees (Chairman of the Nomination and the Management Engagement Committees)

Current remuneration: £36,000 per annum (effective 1 October 2018)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None



Clare Dobie

Status: independent non-executive director

Length of service: 5 years – appointed a director in September 2013

Experience: Mrs Dobie is a non-executive director of Alliance Trust PLC, BMO Capital and Income Trust plc and Aberdeen New Thai Investment Trust PLC. She was a marketing consultant after holding senior positions in the asset management industry at Barclays Global Investors and GAM. She began her career as a financial journalist, working at The Times and The Independent, where she was City Editor.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees

Current remuneration: £24,000 per annum (effective 1 October 2018)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None



Andrew Page

Status: independent non-executive director

Length of service: 4 years – appointed a director in October 2014

Experience: Mr Page was, until August 2014, the Chief Executive Officer of The Restaurant Group plc ("TRG"), a FTSE 250 company which operates 460 restaurants throughout the UK. He is chairman of Northgate plc, senior independent director at Carpentry plc (retiring 31 December 2018) and senior independent director of JP Morgan Emerging Markets Investment Trust plc. Prior to joining TRG in 2001, Mr Page held a number of senior positions within the leisure and hospitality sector including Senior Vice President with InterContinental Hotels. Before that he spent six years working in Kleinwort Benson's Corporate Finance department. Mr Page is a Chartered Accountant.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees (Chairman of the Audit and Risk Committee).

Current remuneration: £29,000 per annum (effective 1 October 2018)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None

Board of Directors



Robert Rickman

Status: independent non-executive director

Length of service: 7 years – appointed a director in January 2011

Experience: Mr Rickman is a founding partner of the Rockley Group, making and managing technology based investments worldwide and particularly in China. He was an independent non-executive director of Cambium Global Timberland Ltd from 2007 until October 2014 when he stepped down from the board to manage the realisation of the assets. From 2001 until 2007 he was a director and latterly chairman of the AIM-listed Highland Timber PLC. Mr Rickman was a director of telecoms and datacoms equipment manufacturer Bookham Technology PLC from 1994 to 2004, during which time the company was listed on the LSE and NASDAQ.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees

Current remuneration: £24,000 per annum (effective 1 October 2018)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None



Robert Talbut

Status: independent non-executive director

Length of service: 2 years – appointed a director in February 2016

Experience: Mr Talbut is Chairman of Shires Income plc and a director of JPMorgan American Investment Trust plc and Pacific Assets Trust plc. He is also the Chairman of EFG Asset Management (UK) Ltd, a member of the Independent Governance Committee of Aviva PLC and an independent investment adviser to the British Airways Pension Fund Investment Committee. He was formerly the Chief Investment Officer of Royal London Asset Management and has over 30 years of financial services experience. He has represented the asset management industry through the chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. He was also a member of the Financial Conduct Authority's Listing Advisory Panel.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees

Current remuneration: £24,000 per annum (effective 1 October 2018)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None

Directors' Report

The directors submit their Report and the audited financial statements of the Company for the year ended 30 September 2018.

Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £6,015,000 (2017: £5,031,000), equivalent to a revenue return per share of 16.78 pence (2017: 13.96 pence).

For the year ended 30 September 2018, the directors have declared an interim dividend of 3.30 pence per ordinary share and have recommended a final dividend of 12.70 pence per ordinary share which, subject to approval by shareholders at the AGM on Thursday 24 January 2019, will be paid on 1 February 2019 to shareholders on the register on 4 January 2019. The dividend, if approved, will not be accounted for until it is paid. The payment of the final dividend, if approved by shareholders, will bring total dividends for the year ended 30 September 2018 to 16.0 pence per share (2017: 13.10 pence).

Directors and their interests

The directors of the Company and their biographical details can be found on pages 17 and 18. Details of directors' share interests in the Company are set out in the Remuneration Report on page 26.

Notwithstanding the provisions of the Company's articles of association and the UK Corporate Governance Code in respect of the periodic re-election of directors, the board considers that shareholders should be given the opportunity to vote on the re-election of all of its members on an annual basis. Accordingly, all of the directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Re-appointment as a director is not automatic and follows a formal process of evaluation of each director's performance. Directors who have served for more than six years are subject to particularly rigorous assessment of their independence and contribution.

The board does not believe that length of service, by itself, necessarily affects a director's independence of character or judgment. Directors who have served for more than nine years on the board may therefore continue to offer themselves for re-election at the AGM. The board has assessed the independence of the directors, all of whom are considered to be independent in character and judgment.

Having received the composition, structure and diversity of the board, succession planning, the independence of the directors and whether each of the directors has sufficient time available to discharge their duties effectively, the Nomination Committee and the board considers that each director is able to discharge their duties effectively.

The board, having taken all relevant matters into account, considers that all directors continue to demonstrate commitment to their roles, provide valuable contributions to the deliberations of the board, and remain free from conflicts

with the Company and its directors. It therefore recommends that shareholders vote in favour of their re-election.

Share capital

As at the date of this report, the Company had 36,143,690 ordinary shares of 25p in issue. 292,500 shares were held in treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 35,851,190.

Substantial share interests

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares as at 30 September 2018	% of total voting rights
Barclays plc	2,281,470	6.31
Wells Capital Management	1,854,549	5.17
Smith & Williamson Holdings Ltd	1,821,654	5.04
Lloyds Banking Group plc	1,806,240	5.00
Charles Stanley Group plc	1,777,996	4.96
Rathbone Brothers PLC	1,762,334	4.92
Standard Life Aberdeen	1,739,728	4.85
Border to Coast Pensions Partnership Limited	1,715,000	4.78

There have been no notified changes to the above holdings since the year end.

Key service providers

The board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an alternative investment fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an alternative investment fund manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this Report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, and administrative, accounting and company secretarial services

Directors' Report

to the Company under the AIFM agreement. The Manager 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 Manager has delegated investment management and administrative accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £439.1 billion (as at 30 September 2018) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

For the financial year ended 30 September 2018, the Manager was entitled to a fee of 0.7% per annum, of chargeable assets, paid quarterly in arrears. Chargeable assets are defined as total assets less current liabilities other than short-term borrowings, provided that if there are any short-term borrowings, the value of cash up to the level of such borrowings is deducted from the calculation of assets.

From 30 November 2018, the management fee will be charged at 0.65% per annum of chargeable assets up to £250 million and 0.60% of any amounts in excess of that.

The management fee payable in respect of the year ended 30 September 2018 amounted to £1,618,000 (2017: £1,472,000).

The Manager is also entitled to receive a fee for providing administrative, accounting and company secretarial services to the Company. For these services, for the year ended 30 September 2018 it received a fee of £128,000 (2017: £123,000), including VAT. The fee continues to be subject to annual adjustment in line with changes in the Retail Prices Index.

Details of all amounts payable to the Manager are set out in note 16 on page 42.

The board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. Thus, the board considers that the Manager's appointment under the terms of the AIFM agreement, is in the best interests of shareholders as a whole.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the depositary may terminate the depositary agreement at any time by giving 90 days' notice in writing. The depositary may only be removed from office when a new depositary is appointed by the Company.

Registrar

Equiniti Limited has been appointed as the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

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 trust in order to comply with the principles of the UK Corporate Governance Code (the "Code"). The disclosures in this statement report against the provisions of the Code, as revised in April 2016. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The board has noted the publication of a further revised UK Corporate Governance Code, in July 2018, which applies to financial years beginning on or after 1 January 2019. The board is considering the Company's governance framework in light of the new provisions.

Compliance statement

The UK Listing Authority requires all companies with a listing on the premium segment of the London Stock Exchange to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 25 and the viability statement and going concern statement set out on page 16, indicate how the Company has applied the Code's principles of good governance and its requirements on internal control.

The board believes that the Company has, throughout the year under review, complied with all the provisions set out in the Code, save in respect of those relating to executive directors as the Company, in line with most investment companies, has delegated management functions to third party service providers. In addition, the Company has not complied with the provision relating to the appointment of a senior independent director ("SID"), where departure from the Code is considered appropriate given the Company's position as an investment company. As the board comprises entirely non-executive directors, the appointment of a SID has not been considered necessary. The chairman of the Audit and Risk Committee effectively acts as the SID, leads the evaluation of the performance of the chairman and is available to directors and/or shareholders if they have

Directors' Report

concerns which cannot be resolved through discussion with the chairman. The board is however considering whether formally creating the role of a SID on the board may be beneficial for the further development of the Company's governance structure.

Operation of the board

Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 17. He has no conflicting relationships.

Role and operation of the board

The board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The board also ensures that the Manager adheres to the investment restrictions set by the board and acts within the parameters set by it in respect of any gearing.

A formal schedule of matters specifically reserved for decision by the board has been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all directors receive relevant management, regulatory and financial information in a timely manner and that they 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 Manager and other key advisers and ad hoc reports and information are supplied to the board as required.

The board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

On appointment, directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are considered as part of the evaluation process and are agreed with the Chairman.

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.

Board evaluation

In order to review the effectiveness of the board, the committees and the individual directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the directors and the Audit and Risk Committee Chairman. The process is considered by the board to be constructive in terms of identifying areas for improving the functioning and performance of the board and the committees, the contribution of individual directors and building and developing individual and collective strengths. The last evaluation took place in September 2018.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the directors throughout the year. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court. This is a qualifying third party indemnity policy and was in place throughout the year under review for each director and to the date of this report.

Directors' attendance at meetings

Five board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of discount of the Company's shares to underlying NAV per share; promotion of the Company; and services provided by third parties. Additional meetings of the board are arranged as required.

The number of scheduled meetings of the board and its committees held during the financial year and the attendance of individual directors is shown below. Whenever possible all directors attend the AGM.

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
Eric Sanderson	5/5	1/1	2/3	1/1
Clare Dobie	5/5	1/1	3/3	1/1
Andrew Page	5/5	1/1	3/3	1/1
Robert Rickman	5/5	1/1	3/3	1/1
Robert Talbut	5/5	1/1	3/3	1/1

Directors' Report

The board is satisfied that the Chairman and each of the other non-executive directors commits sufficient time to the affairs of the Company to fulfil their duties as directors.

Relations with shareholders

Shareholder relations are given high priority by both the board and the Manager. The Company communicates with shareholders through its webpages and the annual and half year reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

The chairs of the board and its committees attend the AGM and are available to respond to queries and concerns from shareholders.

It is the intention of the board that the annual report and notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chairman or the board are, in each case, considered by the Chairman and the board.

Committees

In order to assist the board in fulfilling its governance responsibilities, it has delegated certain functions to committees.

The committees of the board have defined terms of reference, setting out the committees' duties and responsibilities, which are available on the Company's webpages at www.schroders.co.uk/ukmidcap. Membership of the committees is set out on pages 17 and 18.

Nomination committee

The committee is responsible for succession planning bearing in mind the balance of skills, knowledge, experience and diversity existing on the board and will recommend to the board when the further recruitment of non-executive directors is required. The committee aims to maintain a balance of relevant skills, experience and length of service of the directors serving on the board, taking gender and other diversity factors into account.

Before the appointment of a new director, the committee prepares a description of the role and capabilities required for a particular appointment. While the committee is

dedicated to selecting the best person for the role, the board also recognises the importance of diversity. The board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new director. The board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are drawn from suggestions put forward by an external agency and the company. Candidates are then interviewed by members of the committee, which makes a recommendation to the board.

To discharge its duties the committee met once during the year to consider its terms of reference and board balance, skills and succession planning.

Management engagement committee

The role of the committee is to ensure that the 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 service providers and fees paid to directors. All directors are members of the committee which is chaired by the Chairman of the board. The board considers each member of the committee to be independent.

To discharge its duties the committee met once during the year to consider the management fee paid to the Manager, its terms of reference, the performance and suitability of the Manager, general terms and conditions of the AIFM agreement, the performance and suitability of other service providers, and the fees paid to directors.

Audit and risk committee

The role and activities of the audit and risk committee are set out overleaf in the audit and risk committee Report which is incorporated into and forms part of the Directors' Report.

By order of the board

Schroder Investment Management Limited
Company Secretary

17 December 2018

Report of the Audit and Risk Committee

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/ukmidcap. Membership of the committee is as set out on pages 17 and 18. The board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and as a whole, the committee has the required skills and experience to discharge its duties.

The committee met three times during the year ended 30 September 2018. The committee discharged its responsibilities by:

- reviewing the operational controls maintained by the Manager, depositary and registrar;
 - reviewing the half year and annual report and accounts and related audit plan and engagement letter;
 - reviewing the need for an internal audit function;
 - reviewing the independence of the auditor;
 - evaluating the auditor's performance;
 - reviewing the principal risks and uncertainties faced by the Company and the system of internal control; and
 - reviewing, and discussing with the auditor, the results of the Financial Reporting Council's annual review of the auditor's audits.
- considering its terms of reference;

Annual report and financial statements

During its review of the Company's financial statements for the year ended 30 September 2018, the committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the auditor during its reporting:

Issue considered	How the issue was addressed
- Valuation and existence of holdings	- Review of portfolio holdings and assurance reports on controls from the Manager and depositary.
- Recognition of investment income	- Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
- Overall accuracy of the annual report and accounts	- Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor.
- Calculation of the investment management fee	- Consideration of methodology used to calculate the fee, matched against the criteria set out in the AIFM agreement.
- Internal controls and risk management	- Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports on their controls.
- Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	- Consideration of the Manager's report confirming compliance.

As a result of the work performed, the committee has concluded that the annual report and accounts for the year ended 30 September 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the board. The board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 25.

Report of the Audit and Risk Committee

Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the committee considered feedback from the Manager on the audit process and the year end report from the auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the committee also met the auditor without representatives of the Manager present.

Representatives of the auditor attend the committee meeting at which the draft annual report and accounts is considered. Having reviewed the performance of the auditor as described above, the committee considered it appropriate to recommend the firm's re-appointment.

KPMG LLP has provided audit services to the Company since 30 September 2016. This is the second year that KPMG LLP will be undertaking the Company's audit.

There are no contractual obligations restricting the choice of independent auditor.

Independent auditor

KPMG LLP have indicated their willingness to continue to act as auditor. Accordingly, resolutions to re-appoint KPMG LLP as auditor to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

Provision of information to the auditor

The directors at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Provision of non-audit services

The committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The auditor may, if required, provide non-audit services however, and this will be judged on a case-by-case basis, having regard to recent restrictions introduced by the Statutory Audit Amending Directive and Regulation.

The auditor has not provided any non-audit services to the Company during the year (2017: same).

Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The committee will continue to monitor the Company's system of internal control in order to provide assurance that it operates as intended and the directors will continue to annually review whether an internal audit function is needed.

Andrew Page

Audit and risk committee chairman

17 December 2018

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 its profit or loss 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual report and accounts

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the board

Eric Sanderson
Chairman

17 December 2018

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM to be held in 2020 and the policy provisions will continue to apply until that date. The below Directors' remuneration report is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 31 January 2017, 99.9% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' remuneration policy were in favour while 0.1% were against. 19,834 votes were withheld.

At the AGM held on 31 January 2018, 98.22% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' remuneration report for the year ended 30 September 2016 were in favour while 1.78% were against. 2,880 votes were withheld.

Directors' remuneration policy

The determination of the directors' fees is a matter dealt with by the management engagement committee and the board.

It is the board's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. This aggregate level of directors' fees is currently set at £200,000 per annum and any increase in this level requires approval by the board and the Company's shareholders.

The Chairman and the chairman of the audit and risk committee each receives fees at a higher rate than the other directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The board and its committees exclusively comprise non-executive directors. No director past or present has an entitlement to a pension from the Company, and the Company has not, and does not intend to, operate a share scheme for directors or to award any share options or long-term performance incentives to any director. No director has a service contract with the Company, however directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The board did not seek the views of shareholders in setting this remuneration policy. Any comments on the policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this remuneration policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the directors. New directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 30 September 2018.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the management engagement committee and the board in September 2018. The members of the board at the time that remuneration levels were considered were as set out on pages 17 and 18. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the annual review, the board agreed that the fees paid to the Chairman would increase to £36,000 per annum, the fees paid to the audit and risk committee chairman would increase to £29,000 and the fees paid to other directors would increase to £24,000. These increases took effect from 1 October 2018.

Directors' Remuneration Report

Fees paid to directors

The following amounts were paid by the Company to the directors for services as non-executive directors in respect of the year ended 30 September 2018 and the previous financial year:

Director	Fees		Taxable benefits ¹		Total	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Eric Sanderson	35,250	33,500	-	2,359	35,250	35,859
Clare Dobie	23,500	22,500	415	475	23,915	22,975
Andrew Page	28,200	27,000	-	810	28,200	27,810
Robert Rickman	23,500	22,500	641	1,448	24,141	23,948
Robert Talbut	23,500	22,500	340	334	23,840	22,834
	133,950	128,000	1,396	5,426	135,346	133,426

¹Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

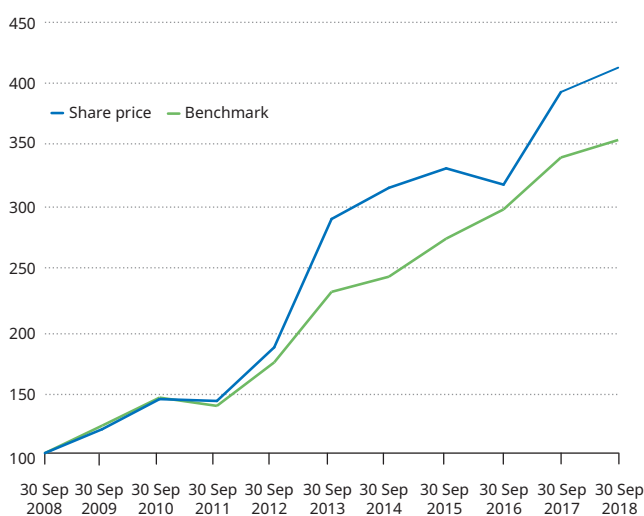
The information in the above table has been audited.

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objectives.

	Year ended 30 Sep 2018 £'000	Year ended 30 Sep 2017 £'000	Change (%)
Remuneration payable to directors	135	133	1.5
Distributions paid to shareholders:			
Dividends	4,768	4,183	14.0
Share buy backs	-	1,543	N/a
Total distributions paid to shareholders	4,768	5,726	(16.7)

10 year share price and Benchmark total returns



Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2008.

Directors' Remuneration Report

Directors' share interests

The Company's articles of association do not require directors to own shares in the Company.

The interests of the directors, including those of connected persons, in the Company's share capital at the beginning and end of the financial year ended 30 September 2018, all of which were beneficial, were as follows:

	Ordinary shares of 25p each 30 September 2018	Ordinary shares of 25p each 1 October 2017
Eric Sanderson	2,070	2,070
Clare Dobie	2,044	2,044
Andrew Page	4,000	4,000
Robert Rickman	4,300	4,300
Robert Talbut	5,064	5,064

There have been no changes notified since the year end.

The information in the above table has been audited.

On behalf of the board

Eric Sanderson
Chairman

17 December 2018

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund plc

1. Our opinion is unmodified

We have audited the financial statements of Schroder UK Mid Cap Fund plc ("the Company") for the year ended 30 September 2018 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 September 2018 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were appointed as auditor by directors on 21 June 2017. The period of total uninterrupted engagement is for the two financial years ended 30 September 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£2.3m
Financial statements as a whole	1% of total assets

Risk of material misstatement

Risk	Carrying amount of listed equity investments
-------------	--

2. Key audit matter: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2017) in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently is incidental to that opinion, and we do not provide a separate opinion on this matter.

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund plc

	The risk	Our response
<p>Carrying amount of listed equity investments</p> <p>£221.7 million (2017: £225.7 million)</p> <p><i>Refer to pages 23 and 24 (Report of the audit and risk committee), page 36 (accounting policy) and pages 40 and 43 to 46 (financial disclosures)</i></p>	<p>Low risk, high value:</p> <p>The Company's portfolio of listed equity investments makes up 96.3% of the Company's total assets (by value) and is considered to be the key driver of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - Tests of detail: agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and - Enquiry of custodian: agreeing 100% of investment holdings in the portfolio to independently received third party confirmations from the custodian. <p>Our results</p> <ul style="list-style-type: none"> - We found the carrying amount of listed equity investments to be acceptable (2017: acceptable).

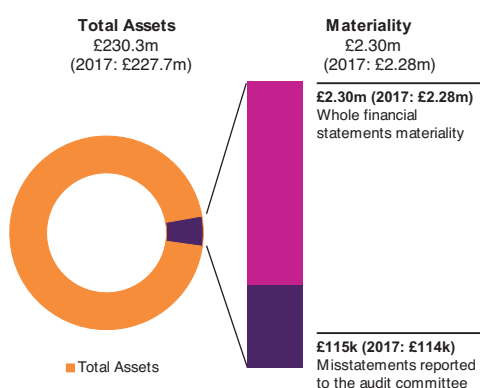
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £2.30m (2017: £2.28m), determined with reference to a benchmark of total assets, of which it represents 1%.

In addition, we applied materiality of £300,000 (2017: £252,000) to income from investments for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £115,000 (2017: £114,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the offices of HSBC Securities Services in Edinburgh and KPMG Glasgow.



4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 16 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund plc

5. We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 16 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement.

We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the audit and risk committee does not appropriately address matters communicated by us to that committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund plc

- the financial statements and the part of the Directors' 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 25, the directors are responsible for: the preparation of the financial statements, including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and the Manager (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements, including financial reporting (including related company legislation) as well as the Company's qualification as an investment trust under UK tax legislation, any breach of which could lead to the Company losing exemption from UK capital gains tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team, which included individuals with experience relevant to those laws and regulations, and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Merchant (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

17 December 2018

Income Statement for the year ended 30 September 2018

	Note	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	2	-	1,607	1,607	-	35,316	35,316
Income from investments	3	6,997	1,459	8,456	5,933	274	6,207
Other interest receivable and similar income	3	7	-	7	-	-	-
Gross return		7,004	3,066	10,070	5,933	35,590	41,523
Investment management fee	4	(485)	(1,133)	(1,618)	(442)	(1,030)	(1,472)
Administrative expenses	5	(482)	-	(482)	(457)	-	(457)
Net return before finance costs and taxation		6,037	1,933	7,970	5,034	34,560	39,594
Finance costs	6	(10)	(23)	(33)	(3)	(6)	(9)
Net return on ordinary activities before taxation		6,027	1,910	7,937	5,031	34,554	39,585
Taxation on ordinary activities	7	(12)	-	(12)	-	-	-
Net return on ordinary activities after taxation		6,015	1,910	7,925	5,031	34,554	39,585
Return per share	9	16.78p	5.33p	22.11p	13.96p	95.87p	109.83p

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 Company has no other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

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 36 to 47 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 30 September 2018

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2016	9,036	13,971	220	2,184	15,477	145,723	6,107	192,718
Net return on ordinary activities	-	-	-	-	-	34,554	5,031	39,585
Repurchase of the Company's own shares into treasury	-	-	-	-	(1,543)	-	-	(1,543)
Dividends paid in the year	8	-	-	-	-	-	(4,183)	(4,183)
At 30 September 2017	9,036	13,971	220	2,184	13,934	180,277	6,955	226,577
Net return on ordinary activities	-	-	-	-	-	1,910	6,015	7,925
Dividends paid in the year	8	-	-	-	-	-	(4,768)	(4,768)
At 30 September 2018	9,036	13,971	220	2,184	13,934	182,187	8,202	229,734

The notes on pages 36 to 47 form an integral part of these accounts.

Statement of Financial Position at 30 September 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	221,691	225,659
Current assets			
Debtors	11	1,796	1,063
Cash at bank and in hand		6,781	1,020
		8,577	2,083
Current liabilities			
Creditors: amounts falling due within one year	12	(534)	(1,165)
Net current assets		8,043	918
Net assets		229,734	226,577
Capital and reserves			
Called-up share capital	13	9,036	9,036
Share premium	14	13,971	13,971
Capital redemption reserve	14	220	220
Merger reserve	14	2,184	2,184
Share purchase reserve	14	13,934	13,934
Capital reserves	14	182,187	180,277
Revenue reserve	14	8,202	6,955
Total equity shareholders' funds		229,734	226,577
Net asset value per share	15	640.80p	631.99p

These accounts were approved and authorised for issue by the board of directors on 17 December 2018 and signed on its behalf by:

Eric Sanderson
Chairman

The notes on pages 36 to 47 form an integral part of these accounts.

Registered in Scotland as a public company limited by shares

Company registration number: SC082551

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"), in particular in accordance with Financial Reporting Standard ("FRS") 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 November 2014 and updated in February 2018. All of the Company's operations are of a continuing nature.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions.

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

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 September 2017.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial years.

(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 objective 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 at 2400 hours on the accounting date, for investments traded in active markets.

Any investments that are unlisted or not actively traded would be valued using a variety of techniques to determine their fair value; any such valuations would be reviewed by both the AIFM's fair value pricing committee and by the directors.

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

(c) Accounting for reserves

Gains and losses on sales of investments and the management fee or finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves. 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".

(d) Income

Dividends receivable 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.

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.

(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 of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. 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 40.

(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 FRS 102.

Notes to the Accounts

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.

(g) Financial instruments

Cash at bank and in hand 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 measured at amortised cost. They are recorded at the proceeds received net of direct issue costs.

(h) Taxation

Taxation on ordinary activities comprises amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

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 accounting date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Dividends payable

In accordance with FRS 102, dividends are included in the accounts in the year in which they are paid.

(k) Repurchases of shares into treasury

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is dealt with in the Statement of Changes in Equity and charged to "Share purchase reserve". Share repurchase transactions are accounted for on a trade date basis.

2. Gains on investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Gains on sales of investments based on historic cost	16,004	10,116
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(12,678)	(8,473)
Gains on sales of investments based on the carrying value at the previous balance sheet date	3,326	1,643
Net movement in investment holding gains and losses	(1,719)	33,673
Gains on investments held at fair value through profit or loss	1,607	35,316

Notes to the Accounts

3. Income

	2018 £'000	2017 £'000
Revenue:		
Income from investments:		
UK dividends	6,684	5,680
UK property income distributions	293	212
Stock dividends	20	41
	6,997	5,933
Other interest receivable and similar income:		
Deposit interest	7	-
	7,004	5,933
Capital:		
Special dividends allocated to capital	1,459	274

4. Investment management fee

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Management fee	485	1,133	1,618	442	1,030	1,472

The basis for calculating the investment management fee is set out in the Directors' Report on page 20 and details of all amounts payable to the Manager are given in note 16 on page 42.

5. Administrative expenses

	2018 £'000	2017 £'000
Directors' fees	134	128
Secretarial fee	128	123
Auditor's remuneration for audit services ¹	23	23
Other administrative expenses	197	183
	482	457

¹Includes £3,000 (2017: £3,000) irrecoverable VAT.

6. Finance costs

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Interest on bank loans and overdrafts	10	23	33	3	6	9

Notes to the Accounts

7. Taxation on ordinary activities

	2018 £'000	2017 £'000
(a) Analysis of charge in the year:		
Taxation on ordinary activities	12	-

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2017: lower) than the Company's applicable rate of corporation tax for the year of 19.0% (2017: 19.5%).

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

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Net return on ordinary activities before taxation	6,027	1,910	7,937	5,031	34,554	39,585
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2017: 19.5%)	1,145	363	1,508	981	6,738	7,719
Effects of:						
Capital returns on investments	-	(305)	(305)	-	(6,886)	(6,886)
Income not chargeable to corporation tax	(1,274)	(277)	(1,551)	(1,109)	(53)	(1,162)
Unrelieved expenses	129	219	348	128	201	329
Irrecoverable overseas tax	12	-	12	-	-	-
Taxation on ordinary activities	12	-	12	-	-	-

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,977,000 (2017: £4,665,000) based on a prospective corporation tax rate of 17.0% (2017: 17.0%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

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 intention to meet the conditions required to retain its 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

	2018 £'000	2017 £'000
2017 final dividend of 10.00p (2016: 8.50p) paid out of revenue profits	3,585	3,072
Interim dividend of 3.30p (2017: 3.10p) paid out of revenue profits	1,183	1,111
Total dividends paid in the year	4,768	4,183
	2018 £'000	2017 £'000
2018 final dividend declared of 12.70p (2017: 10.00p) to be paid out of revenue profits	4,553	3,585

Notes to the Accounts

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

The requirements of Section 1158 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 £6,015,000 (2017: £5,031,000).

	2018 £'000	2017 £'000
Interim dividend of 3.30p (2017: 3.10p)	1,183	1,111
Final dividend of 12.70p (2017: 10.00p)	4,553	3,585
	5,736	4,696

9. Return per share

	2018 £'000	2017 £'000
Revenue return	6,015	5,031
Capital return	1,910	34,554
Total return	7,925	39,585
Weighted average number of shares in issue during the year	35,851,190	36,043,409
Revenue return per share	16.78p	13.96p
Capital return per share	5.33p	95.87p
Total return per share	22.11p	109.83p

10. Investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Opening book cost	169,959	164,412
Opening investment holding gains	55,700	30,500
Opening valuation	225,659	194,912
Purchases at cost	68,454	39,786
Sales proceeds	(74,029)	(44,355)
Gains on sales of investments based on the carrying value at the previous balance sheet date	3,326	1,643
Net movement in investment holding gains and losses	(1,719)	33,673
Closing valuation	221,691	225,659
Closing book cost	180,388	169,959
Closing investment holding gains	41,303	55,700
Total investments held at fair value through profit or loss	221,691	225,659

All investments are listed on a recognised stock exchange.

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

	2018 £'000	2017 £'000
On acquisitions	278	221
On disposals	47	43
	325	264

Notes to the Accounts

11. Debtors

	2018 £'000	2017 £'000
Securities sold awaiting settlement	672	229
Dividends and interest receivable	1,113	825
Other debtors	11	9
	1,796	1,063

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

12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Securities purchased awaiting settlement	-	670
Other creditors and accruals	534	495
	534	1,165

The Company has a £15 million revolving credit facility with Scotiabank. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. The facility was undrawn at the current and comparative year end. Further details of the facility are given in note 19(a)(i) on page 43.

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

13. Called-up share capital

	2018 £'000	2017 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 35,851,190 (2017: 36,143,690) shares of 25p each:	8,963	9,036
Repurchase of nil (2017: 292,500) shares into treasury	-	(73)
Subtotal of 35,851,190 (2017: 35,851,190) shares	8,963	8,963
292,500 (2017: 292,500) shares held in treasury	73	73
Closing balance ¹	9,036	9,036

¹Represents 36,143,690 (2017: 36,143,690) shares of 25p each, including 292,500 (2017: 292,500) shares held in treasury.

Notes to the Accounts

14. Reserves

	Share premium ¹ £'000	Capital redemption reserve ¹ £'000	Merger reserve ¹ £'000	Share purchase reserve ² £'000	Capital reserves Gains and losses on sales of investments ² £'000	Investment holding gains and losses ³ £'000	Revenue reserve ⁴ £'000
Opening balance	13,971	220	2,184	13,934	124,577	55,700	6,955
Gains on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	-	3,326	-	-
Net movement in investment holding gains and losses	-	-	-	-	-	(1,719)	-
Transfer on disposal of investments	-	-	-	-	12,678	(12,678)	-
Management fee allocated to capital	-	-	-	-	(1,133)	-	-
Special dividend allocated to capital	-	-	-	-	1,459	-	-
Finance costs allocated to capital	-	-	-	-	(23)	-	-
Dividends paid	-	-	-	-	-	-	(4,768)
Retained revenue for the year	-	-	-	-	-	-	6,015
Closing balance	13,971	220	2,184	13,934	140,884	41,303	8,202

¹These reserves are not distributable. The "Merger reserve" represents the premium over the nominal value of shares issued following a merger in 1989.

²These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends. The "Share purchase reserve" is for the purpose of financing share buy-backs and was created following the cancellation of the "Warrant reserve" in 2003.

³This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.

⁴The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

15. Net asset value per share

	2018	2017
Net assets attributable to the Ordinary shareholders (£'000)	229,734	226,577
Shares in issue at the year end	35,851,190	35,851,190
Net asset value per share	640.80p	631.99p

16. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee and a company secretarial fee. Details of the basis of these calculations are given in the Directors' Report on page 20. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the management fee calculation and therefore incur no fee.

The management fee payable in respect of the year ended 30 September 2018 amounted to £1,618,000 (2017: £1,472,000) of which £405,000 (2017: £400,000) was outstanding at the year end. The secretarial fee payable for the year amounted to £128,000 (2017: £123,000) including VAT, of which £32,000 (2017: £31,000) was outstanding at the year end.

No director of the Company served as a director of any member of the Schroder Group, at any time during the year.

17. Related party transactions

Details of the remuneration payable to directors and details of directors' shareholdings are given in the Remuneration Report on page 28. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2017: nil).

Notes to the Accounts

18. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

FRS 102 requires that financial instruments held at fair value are categorised into a hierarchy consisting of the three levels below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

Level 1: valued using unadjusted quoted prices in an active market for identical assets.

Level 2: valued using inputs other than quoted prices included within Level 1, that are observable (ie developed using market data).

Level 3: valued using inputs that are unobservable (ie for which market data is unavailable).

Details of the valuation techniques used by the Company are given in note 1(b) on page 36.

At 30 September 2018, the Company's investments were all categorised in Level 1 (2017: same).

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

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 (ex-Investment Companies) Index. 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 other 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 significant 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 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 assist with financing 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 other 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.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The board's policy is to permit gearing up to 25%, where gearing is defined as borrowings used for investment purposes less cash, expressed as a percentage of net assets. However any drawings on the credit facility are normally for one-month periods at a fixed rate of interest and therefore exposure to interest rate risk is not significant.

Notes to the Accounts

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:

	2018 £'000	2017 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	6,781	1,020
Total exposure	6,781	1,020

Interest receivable on cash balances is at a margin below LIBOR (2017: same).

During the year, the Company extended its £15 million revolving credit facility with Scotiabank to 8 July 2019. The facility is unsecured but subject to covenants and restrictions which are customary for a facility of this nature. 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. The facility was undrawn at the current and comparative year end.

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

	2018 £'000	2017 £'000
Maximum credit interest rate exposure during the year – net cash	10,540	7,024
Maximum debit interest rate exposure during the year – net debt	(5,869)	(3,808)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2017: 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 accounting date with all other variables held constant.

	2018		2017	
	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	34	(34)	5	(5)
Capital return	–	–	–	–
Total return after taxation	34	(34)	5	(5)
Net assets	34	(34)	5	(5)

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) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of 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 September comprises the following:

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss	221,691	225,659

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 pages 9 and 10. The Company's investments are all listed in the United Kingdom. Accordingly there is a concentration of exposure to this country. 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 20% (2017: 20%) in the fair values of the Company's investments. 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 through its investments and includes the impact on the management fee, but assumes that all other variables are held constant.

	2018		2017	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(93)	93	(95)	95
Capital return	44,121	(44,121)	44,910	(44,910)
Total return after taxation and net assets	44,028	(44,028)	44,815	(44,815)
Percentage change in net asset value	19.2	(19.2)	19.8	(19.8)

(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 and that the credit facility be used to manage working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

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

	Three months or less 2018 £'000	Three months or less 2017 £'000
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	–	670
Other creditors and accruals	534	495
	534	1,165

Notes to the Accounts

(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.

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.

Exposure to the custodian

The custodian of the Company's assets is HSBC Bank plc which has Long-Term Credit Ratings of AA- with Fitch and Aa3 with Moody's. The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

Credit risk exposure

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the current and comparative year end.

	2018		2017	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	1,796	1,785	1,063	1,054
Cash at bank and in hand	6,781	6,781	1,020	1,020
	8,577	8,566	2,083	2,074

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

(d) Fair values of financial assets and financial liabilities

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

Notes to the Accounts

20. Capital management policies and procedures

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

The Company's capital structure comprises the following:

	2018 £'000	2017 £'000
Equity		
Called-up share capital	9,036	9,036
Reserves	220,698	217,541
Total equity	229,734	226,577

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.

The board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes less cash, expressed as a percentage of net assets. The Company had no borrowing at the current or comparative year end and thus the gearing calculation produces a negative "net cash" position, as follows:

	2018 £'000	2017 £'000
Borrowings used for investment purposes, less cash	(6,781)	(1,020)
Net assets	229,734	226,577
Net cash	(3.0)%	(0.5)%

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 shares for cancellation or to hold in treasury, 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.

Annual General Meeting – Explanation of Special Business

The Annual General Meeting (“AGM”) of the Company will be held on Thursday, 24 January 2019 at 12.00 noon. The formal Notice of Meeting is set out on page 49.

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.

Special business to be proposed at the AGM

Resolution 11 – directors’ authority to allot ordinary shares (ordinary resolution) and resolution 12 – power to disapply pre-emption rights (special resolution)

At the AGM held on 31 January 2018, 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 January 2018, power was also given to the directors to allot a limited number of new shares, or shares held in treasury, other than pro rata to existing shareholders. This power will also expire at the forthcoming AGM and resolutions to renew both authorities will be proposed at the forthcoming AGM, the details of which are set out in full in the Notice of Meeting.

An ordinary resolution will be proposed to authorise the directors to allot shares for cash up to a maximum aggregate nominal amount of £448,139 (being 5% of the issued share capital (excluding any shares held in treasury) as at 14 December 2018). 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 £448,139 (being 5% of the Company’s issued share capital (excluding any shares held in treasury) as at 14 December 2018). Pre-emption rights under the Companies Act 2006 apply to the reissue of treasury shares for cash as well as the allotment of new shares. Resolution 12 therefore relates to both issues of new shares and the sale of treasury shares.

The directors intend to use the authorities to issue new ordinary shares or reissue shares from treasury 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 ordinary shares at a premium to NAV per share.

If renewed, both authorities will expire at the conclusion of the AGM in 2020 unless renewed or revoked earlier.

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

At the AGM held on 31 January 2018, the Company was granted authority to make market purchases of up to 5,374,093 ordinary shares of 25p each for cancellation or holding in treasury. No shares have been bought back into treasury under this authority and the Company therefore has remaining authority to purchase up to 5,374,093 ordinary shares. This authority 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 NAV per share 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 as at the date of the Notice of the AGM. The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the 2019 AGM will lapse at the conclusion of the AGM in 2020 unless renewed or revoked earlier.

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.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Mid Cap Fund plc will be held on Thursday, 24 January 2019 at 12.00 noon at 1 London Wall Place, London EC2Y 5AU, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2018.
2. To approve a final dividend of 12.70 pence per share for the year ended 30 September 2018.
3. To approve the Directors' annual report on remuneration for the year ended 30 September 2018.
4. To re-elect Mr Eric Sanderson as a Director of the Company.
5. To re-elect Mrs Clare Dobie as a Director of the Company.
6. To re-elect Mr Andrew Page as a Director of the Company.
7. To re-elect Mr Robert Rickman as a Director of the Company.
8. To re-elect Mr Robert Talbut as a Director of the Company.
9. To re-appoint KPMG LLP as auditor of the Company.
10. To authorise the directors to determine the remuneration of KPMG LLP as auditor of the Company.
11. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

"That the directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £448,139 (representing 5% of the share capital in issue on 14 December 2018); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."

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

"That, subject to the passing of resolution 11 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in Section 560 of the Act) pursuant to the authority given by resolution 11 above and/or where

such allotment constitutes an allotment of equity securities by virtue of Section 560(2) of the Act as if Section 560(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £448,139 (representing 5% of the aggregate nominal amount of the share capital in issue on 14 December 2018); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

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

"That the Company be and is hereby generally and unconditionally authorised in accordance with Section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:

- (a) the maximum number of Shares hereby authorised to be purchased shall be 5,374,093, representing 14.99% of the issued share capital as at 14 December 2018;
- (b) the minimum price which may be paid for a Share is 25p;
- (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased, and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
- (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value per share;
- (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed or revoked prior to such time; and
- (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

By order of the board
Schroder Investment Management Limited
Company Secretary

17 December 2018

Registered Office:
1 Exchange Crescent,
Conference Square,
Edinburgh EH3 8UL

Registered number: SC082551

Explanatory Notes to the Notice of Meeting

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

A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 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, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, Shareholders who have already registered with Equiniti Limited's Shareview service can appoint their proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in click "View" on the "My Investments" page, click on the link to vote then follow the on screen instructions. The on screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 48 hours before the time fixed for the meeting, or an adjourned Meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 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 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 6.30 p.m. on 22 January 2019, or 6.30 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 6.30 p.m. on 22 January 2019 shall be disregarded in determining the right of any person to attend and vote at the Meeting.

Explanatory Notes to the Notice of 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 (ID RA19) by the latest time for receipt of proxy appointments.
5. Copies of the terms of appointment of the non-executive directors and a statement of all transactions of each director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the directors has a contract of service with the Company.
6. The biographies of the directors offering themselves for re-election are set out on pages 17 and 18 of the Company's annual report and accounts for the year ended 30 September 2018.
7. As at 14 December 2018, 36,143,690 ordinary shares of 25 pence each were in issue of which 292,500 shares were held in treasury; accordingly, the total number of voting rights in the Company as at 14 December 2018 is 35,851,190.
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 from the Company's webpages: www.schroders.co.uk/ukmidcap.
9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting 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.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified Alternative Performance Measures as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

Net asset value ("NAV") per share

The NAV per share represents the net assets attributable to equity shareholders divided by the number of shares in issue, excluding any shares held in treasury. The NAV per share is published daily.

Benchmark

A Benchmark measure against which the performance of an investment company is compared, or against which it sets its objective. With effect from 1 April 2011, the Company's benchmark has been the FTSE 250 (ex-Investment Companies) Index. Prior to that date the benchmark was the FTSE All-share, ex-Investment Companies Index, ex-FTSE 100. The return for 2011 is based on a combination of both of these indices, calculated on a pro-rata basis.

Discount/premium

The discount/premium represents the amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is normally expressed as a percentage of the NAV per share.

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "Net cash" position. The gearing calculation is included in note 20 on page 47.

Ongoing charges

Ongoing charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year of £230,789,000 (2017: £206,867,000).

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its NAV and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

Total return

Total return represents the combined effect of any dividends paid, together with the rise or fall in the NAV per share or share price. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 30 September 2018 is calculated as follows:

Opening NAV at 30/09/2017	631.99p
Closing NAV at 30/09/2018	640.80p

Dividends received	XD date	NAV on XD date	Factor	Cumulative factor
10.0p	04/01/2018	654.70p	1.015	1.015
3.3p	12/07/2018	643.20p	1.005	1.021

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage increase in the opening NAV: 3.5%

The share price total return for the year ended 30 September 2018 is calculated as follows

Opening share price at 30/09/2017	524.50p
Closing share price at 30/09/2018	538.00p

Dividends received	XD date	Share price XD date	Factor	Cumulative factor
10.0p	04/01/2018	556.00p	1.018	1.018
3.3p	12/07/2018	562.00p	1.006	1.024

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage increase in the opening share price: 5.0%

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/ukmidcap. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of annual 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 webpages contain 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". The Company releases its NAV per share on both a cum and ex-income basis to the market on a daily basis. Share price information may also be found in the Financial Times and on the Company's webpages. The Manager publishes monthly and quarterly updates on the Company and other Schroders investment trusts, which may be found under the "Literature" section on the webpages www.schroders.co.uk/ukmidcap.

Association of Investment Companies

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

Individual Savings Account ("ISA") status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

Annual General Meeting	January
Final dividend paid	February
Half year results announced	May/June
Interim dividend paid	June
Financial year end	30 September
Annual results announced	December

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the Company's webpages.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFM Directive are published on the Company's webpages and within this report. The Company is also required to publish periodically its actual leverage exposures. As at 31 October 2018 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.0
Commitment method	2.0	1.0

Illiquid assets

As at the date of this Report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFM Directive information disclosure document published on the Company's webpages.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Directors

Eric Sanderson
Clare Dobie
Andrew Page
Robert Rickman
Robert Talbut

Advisers

Alternative Investment Fund Manager (the “Manager”)

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 6596

Registered Office

1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe plc
201 Bishopsgate
6th Floor
London EC2M 3NS

Corporate Broker

Panmure Gordon & Co
1 New Change
London EC4M 9AF

Independent auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

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.

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 the address above.

Lawyers

Shepherd and Wedderburn
1 Exchange Crescent
Edinburgh EH3 8UL

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the address set out above.

Dealing Codes

ISIN: GB0006108418
SEDOL: 0610841
Ticker: SCP

Global Intermediary Identification Number (GIIN)

9GN3DU.99999.SL.826

Legal Entity Identifier (LEI)

549300SOEWCYZTK2SP87

The Company's privacy notice is
available on its webpages.