Schroder
UK Mid & Small Cap Fund plc

Report and Accounts to 30 September 2008

Schroders

Investment Objective

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

Peter Timms (Chairman) (Aged 65)
Peter Timms, CBE, was appointed a non-executive Director of the Company in 1989 and Chairman in 2000. He is chairman and managing director of Flexible Technology Ltd, and is chairman of Argyll & the Islands Enterprise Company Ltd, CalMac Ferries Ltd, David MacBrayne Ltd, HIE Ventures Ltd, Northlink Ferries Ltd, Northlink Orkney & Shetland Ferries Ltd, and SETG Ltd.

Rachel Beagles (Aged 40)
Rachel Beagles was appointed a non-executive Director of the Company in March 2006. She was co-head of the Pan European Banks Equity Research and Sales Team and a Managing Director of the Corporate and Investment Bank Group Division at Deutsche Bank AG. She is a non-executive Director of Crown Place VCT plc, Newlon Housing Trust, Outward Housing, and Webface Technology Ventures Limited.

Malcolm Coubrough (Aged 62)
Malcolm Coubrough was appointed a non-executive Director of the Company in 1998. He is chairman and managing director of Charles Coubrough & Co Ltd and associated companies, currently farming 7,500 acres in Strathclyde and the Borders.

Chris Jones (Aged 67)
Christopher Jones was appointed a non-executive Director of the Company in 1994. From 1985 until his retirement in 2003 he was head of Investments at Merchant Investors Assurance Company Ltd, a subsidiary of Allianz (UK) Ltd. His other non-executive directorships comprise: Atlantis Japan Growth Ltd, Cayenne Trust plc, Ecofin Water & Power Opportunities PLC, Japan Accelerated Performance Fund PLC, Jupiter Second Enhanced Income Trust plc, Montanaro UK Smaller Companies Trust plc, Montanaro European Smaller Companies Ltd and Thompson Clive Investment plc.

Maxwell Packe FCA (Aged 63)
Maxwell Packe was appointed a non-executive Director of the Company in 1997. He is chairman of Personal Injury Medical Services and Close Enterprise VCT Limited, KH Holdings Limited and Vibrant Energy Savings Limited.

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

Mr Packe is Chairman of the Audit Committee.

Mr Timms is Chairman of the Management Engagement and Nomination Committees.

Advisers

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*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

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33 Bothwell Street
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Financial Highlights

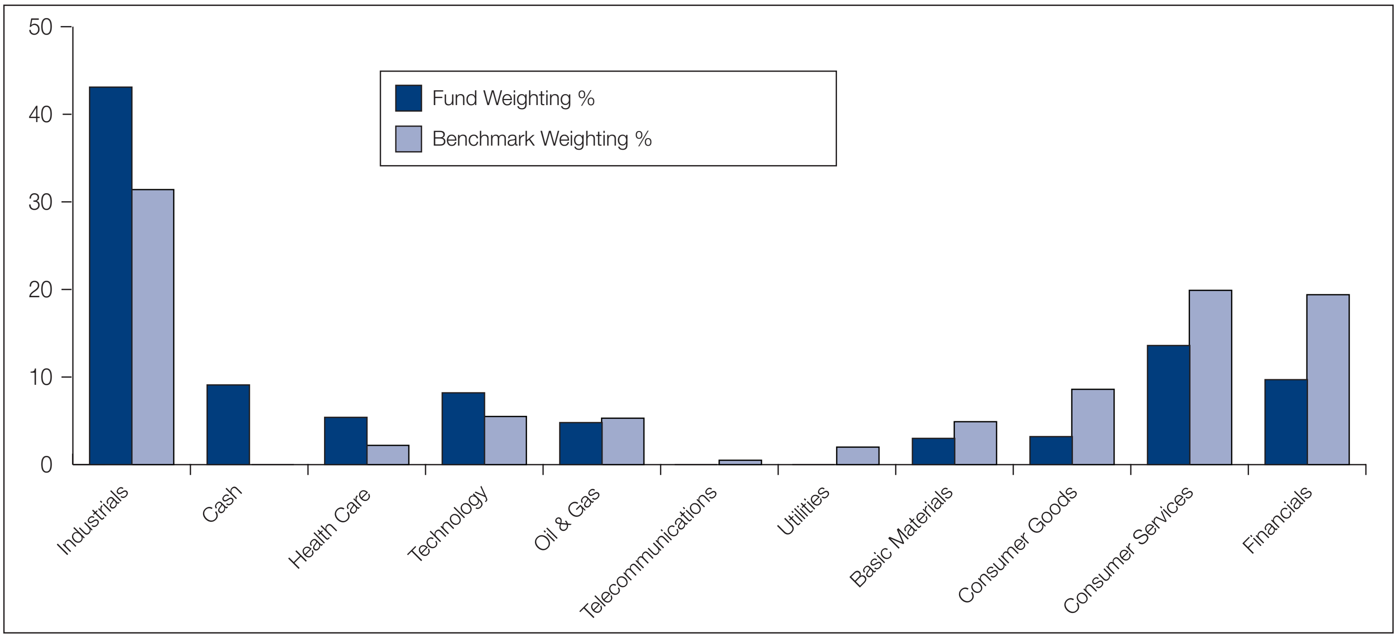
	30 September 2008	30 September 2007	% Change
Net asset value per ordinary share	**203.51p**	278.30p	(26.87)
Share price	**168.00p**	242.50p	(30.72)
Share price discount	**17.4%**	12.9%	–
Total assets* (£'000)	**73,556**	105,852	(30.51)
Total borrowings (£'000)	**–**	5,000	–
Shareholders' funds (£'000)	**73,556**	100,852	(27.07)
	Year ended 30 September 2008	Year ended 30 September 2007	% Change
FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index**	**2,157.21**	3,022.20	(28.62)
Shares in issue ('000)	**36,144**	36,239	–
Dividends per share	**5.30p**	4.11p	28.95
Total Expense Ratio (TER)***	**0.79%**	0.86%	–

*Total assets less current liabilities (excluding short term borrowings)

**Source: Thomson Financial Datastream

***Calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year (excluding the performance fee, VAT rebate on management fees and finance costs)

Comparison of Portfolio Sector Distribution with the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index* at 30 September 2008



Source: Schroders

* Sector distributions are shown as a percentage of total assets less current liabilities (excluding borrowings).

Ten Year Record

As at 30 September	Shareholders' funds £'000	Net asset value (NAV) per share** pence	Share price pence	Share price discount %
2008	73,556	203.5	168.0	17.4
2007	100,852	278.3	242.5	12.9
2006	88,055	239.6	209.5	12.6
2005*	69,498	188.7	171.5	9.1
2004	51,051	138.6	121.3	12.5
2003	30,508	112.5	106.0	5.8
2002	23,253	85.7	61.0	28.8
2001	36,185	146.7	111.0	24.3
2000	121,004	446.5	381.0	14.7
1999	40,548	162.8	130.0	20.1

* Restated to comply with the convergence of International Accounting Standards and UK GAAP.
** Lower of undiluted or diluted net assets per share. The warrants expired on 31 January 2002.

Ten Year Record

For the year ended 30 September	Revenue return per share pence	Net dividends per ordinary share pence	Cost of running trust* £'000
2008	6.2	5.30	1,005
2007	5.0	4.11	1,241
2006	3.5	2.85	1,104
2005	2.8	2.25	963
2004	2.4	2.00	695
2003	(0.3)	–	743
2002	(0.6)	–	814
2001	2.7	3.10	944
2000	2.8	1.00	974
1999	2.6	3.10	463

* Operating expenses excluding rebate of VAT on management fees, finance costs and performance fees.

Total Returns to 30 September 2008

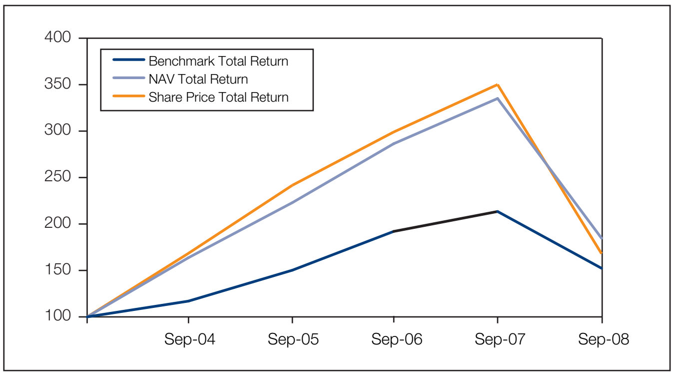
	Benchmark total return* %	NAV total return** %	Share price total return** %
1 year	(28.6)	(26.8)	(29.4)
2 years	(20.6)	(14.3)	(17.3)
3 years	1.4	10.0	2.4
4 years	30.3	49.9	46.9
5 years***	52.4	84.7	68.0

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

** Source: Fundamental Data.

*** Schroder Investment Management Limited was appointed as Investment Manager on 1 May 2003.

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



Source: Share Price Total Return: Fundamental Data; Benchmark Index Return: Thomson Financial Datastream (data rebased to 100 at 30 September 2003).

Chairman's Statement

Performance

The gathering storm in the global financial system drove markets sharply lower over the year to 30 September 2008. Following the previous five successive years of growth in the Company's net asset value, the year under review produced a negative total return of 26.8%, compared to a fall in the FTSE All-share, ex-Investment Companies, ex FTSE 100 index, of 28.6%. The share price fall of 30.7%, from 242.5p to 168.00p was higher as the shares traded on a wider discount at the year end than the start of the year, widening from a discount of 12.9% at 30 September 2007 to a discount of 17.4% by 30 September 2008.

Dividend

Following the 44.2% increase in dividend last year, the income generated by the portfolio again significantly increased during the year. The Directors are therefore pleased to recommend the payment of a final dividend of 5.30 pence per share for the year ended 30 September 2008, representing an increase of 29.0% on the final dividend of 4.11 pence per share for the previous year.

A resolution approving the payment of the final dividend will be proposed at the Annual General Meeting. If passed, the dividend will be paid on 12 February 2009 to shareholders on the register at 23 January 2009.

Earnings have risen sharply over the last few years, however, in light of current market conditions, Shareholders should be aware that the rate of dividend increases may not be sustained going forward.

Gearing Facility

The Company renewed its £10 million revolving credit facility in May 2008. The facility remains undrawn since the borrowings under it, amounting to £5 million, were repaid during the first half of the year under review. Parameters for the use of gearing have been established and these are reviewed regularly by the Board.

Purchase of Shares for Cancellation and Treasury Shares

At the Company's last Annual General Meeting held on 29 January 2008, the Company was granted authority to purchase up to 14.99% of its issued share capital for cancellation, of which a maximum of 50% could be held in treasury for later re-issue at a premium to net asset value. During the year ended 30 September 2008, the Directors purchased 95,000 shares for cancellation, but did not utilise the authority for holding shares in treasury for re-issue.

Your Board continues to consider whether share purchases should be made on a regular basis. To provide maximum flexibility for the future, your Board proposes that the existing authorities be renewed and updated at the forthcoming Annual General Meeting, so that a maximum of 5% of the Company's issued share capital may be held in treasury for later re-issue at a narrower discount than that prevailing when the shares were originally purchased. Shares not re-issued will be cancelled within one year from purchase.

VAT on Management Fees

As indicated in my Statement in the Company's Half-Yearly Report, the Board has been pursuing the potential reclaim of VAT on management fees previously paid to your Company's Investment Manager.

While the overall position remains complex, the Board has conservatively estimated that, following an audit of the Company's records undertaken by your Investment Manager and HM Revenue & Customs, we believe that the Company will be able to recover at least £350,000 (excluding interest) paid on management fees for the period from May 2003, following the appointment of Schroder Investment Management Limited as the Company's Investment Manager earlier that year, to October 2007. As a consequence, an amount of £350,000, representing 0.966 pence per share, was incorporated into the net asset value of the Company with effect from 2 September 2008.

Chairman’s Statement

There are three further periods, 1990-1996, 1996-2001 and 2001-2003, for which further recovery may be achieved but the extent of any potential VAT reclaim for those periods remains uncertain. Your Board will continue to monitor the situation.

Annual General Meeting

The Company’s Annual General Meeting will be held on Tuesday, 10 February 2009 at 31 Gresham Street, London EC2V 7QA at 12 noon, and shareholders are encouraged to attend. The meeting will include a presentation by the Investment Manager on the prospects for the UK market and investment strategy.

Peter Timms, CBE
Chairman

14 January 2009

Investment Manager's Review

Investment Philosophy

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

Performance

Over the 12 months to 30 September 2008 the Company's net asset value on a total return basis fell by 26.8%. This compared to a 28.6% fall in the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index over the same period.

Over the period from 1 May 2003 (when Schroders took responsibility for the management of the portfolio) to 30 September 2008, the net asset value has produced a total return of 84.7% compared to a total return of 52.4% for the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index and a 68.0% total return for the share price over the same period.

As in previous years, performance benefited from bid activity, with trade bids for construction and maintenance group Alfred McAlpine and security software specialist Detica, together with a private equity bid for oil services group Expro. In a progressively more difficult economic environment, companies with sound finances addressing defensive but growing markets still performed well. These included Dechra Pharmaceuticals, whose veterinary pharmaceutical product Vetoryl received U.S. regulatory approval, and Chloride, which rejected a bid approach but is enjoying strong global demand for its reliable uninterruptible power supplies. The principal detractors to performance have been various investments exposed to the property and construction sectors, such as Quintain Estates & Development, Grainger, Local Shopping REIT and Morgan Sindall. Investors have been anticipating a fall in property values and in construction activity as a result of the credit crunch.

Market Background

The past 12 months has seen rising levels of distress in the global financial system, culminating in the bankruptcy of Lehman Brothers, significant bank rescue packages in most developed economies, and extremely constrained credit availability both between banks and for consumer and corporate borrowers. Stock market volatility has been enormous, breaking all previous records. Companies with high levels of debt have seen their share prices decimated, but even well financed companies have been hit, unless their field of activity is perceived to be highly defensive. Dividend yields have not given protection. Economic activity has now begun to slow dramatically throughout the world.

Portfolio Update

New purchases in the past year have focussed on companies with strong balance sheets (often net cash) which address defensive markets, including VT Group and Ultra Electronics (defence suppliers), De La Rue (banknote printing), and IG Group (spread betting). In addition, some more cyclical businesses have been introduced where finances are strong and through-cycle valuations look too low, such as Bodycote (heat treatment), ITE (exhibitions), Keller (foundation specialists), Daily Mail & General Trust (newspapers and electronic media) and LMS (venture capitalist). Complete disposals have included Expro, Imprint, Detica, McAlpine and Whatman on bids; Cobham, Invensys (part), Wood Group upon promotion to the FTSE 100 Index; and Aveva, Intermediate Capital Group and Meggitt upon fears of a cyclical downturn. At 30 September 2008, 85% of the portfolio was invested in constituents of the benchmark and the Company has net cash available to invest.

Outlook

A sudden and pronounced contraction in economic activity is likely to emerge in the next few months, with many companies likely to warn of at best poor visibility and at worst declining turnover, profit margins and consequent breaches of banking covenants. The effects will be widespread, both in terms of geography (Spain, Ireland, UK,

Investment Manager's Review

Pakistan and Eastern Europe look particularly difficult), and by sector. We expect a rapid slowdown in UK commercial construction, followed by cutbacks in capital expenditure by corporates for 2009. The latter is likely to hit the IT sector hard, together with the recruitment & media sectors.

As regards the UK consumer, a sudden and sharp rise in unemployment is likely to continue to affect confidence, and the UK savings ratio, which recently moved into negative territory, will have to rise significantly. The behaviour of the banking sector is a conundrum, given a large part of it will be government controlled. There may be fewer bankruptcies than in a normal recession for political reasons. Equally private equity may find bank finance less forthcoming. The yield curve looks set to steepen, aiding a recovery in banking margins, with short term interest rates likely to fall but heavy gilt issuance leading to higher long term rates. It seems likely that government spending will remain with politicians citing "force majeure" for greatly increased government debt levels.

The savage correction in equity markets is starting to throw up good value, though near term catalysts are few. Bid activity will be hard to finance, and share buy back programmes are few. Our forces will be on a well-financed companies with (hopefully) secure dividend yields and strong market positions capable of medium term growth. As short term interest rates fall, we believe the yields on well financed equities will grow in attraction.

Schroders

14 January 2009

Investment Portfolio

As at 30 September 2008

Company	Sector Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
Dechra Pharmaceuticals	Pharmaceuticals & Biotech	Manufacturer of pharmaceutical products and equipment for veterinary industry	2,158	2.93
Carillion	Support Services	Infrastructure, building and business services	1,551	2.11
Chloride Group	Electronic & Electrical Equip't	Power protection solutions provider	1,524	2.07
Rotork	Industrial Engineering	Design, manufacture and support of valve actuators	1,520	2.07
Homeserve	Support Services	Provider of home emergency repair insurance coverage	1,464	1.99
Premier Oil	Oil & Gas Producers	Oil & gas exploration development and production	1,359	1.85
Atkins (WS)	Support Services	Engineering consultancy and architectural services	1,339	1.83
Consort Medical	Healthcare Equip't & Services	Leader in medical devices for inhaled drug delivery and anaesthesia	1,333	1.81
Fisher (James)	Industrial Transportation	Suppliers of maritime services	1,264	1.72
Victrex	Chemicals	Manufacturer of speciality plastics	1,250	1.70
Cranswick	Food producers	Manufacturer of pork products	1,193	1.62
Halma	Electronic & Electrical Equip't	Manufacturer of safety products	1,179	1.60
BPP Holdings	Support Services	Professional qualifications training and academic education	1,143	1.55
Shanks Group	Support Services	Provides integrated waste management and disposal services	1,139	1.55
Mitie Group	Support Services	Building and maintenance services	1,127	1.53
Bodycote International	Industrial Engineering	Specialist testing and thermal processing services	1,121	1.52
Babcock International	Support Services	Support services to defence, energy and transport sectors	1,118	1.52
Greggs	Food and drug retailers	Retails sandwiches, savouries and other bakery-related products	1,096	1.49
Spirax-Sarco	Industrial Engineering	Manufacturer of fluid control products	1,085	1.48
United Business Media	Media	Market research, news distribution and professional media	1,076	1.46
Twenty Largest Investments			**26,039**	**35.40**
Fidessa Group	Software & Computer Services	Supplies computer software products to customers in the financial trading systems market	1,067	1.45
Latchways	Support Services	Production, distribution and installation of industrial safety equipment	1,066	1.45
Hunting	Oil Equipment & Services	Provides oil & gas services	1,066	1.45
Venture Production	Oil & Gas Producers	Acquisition and exploitation of North Sea oil & gas reserves	1,060	1.44
Shaftesbury	Real Estate Investment Trusts	Property owner and developer in London's West End	1,056	1.44
VT Group	Aerospace & Defence	Provider of engineering and support services to governments and large organisations	1,040	1.41
CSR	Technology Hardware & Equip't	Designs and manufactures single-chip radio devices	1,035	1.41
Keller	Construction & Materials	International ground engineering specialist	995	1.35
Wilmington	Media	Provider of information to business markets and through various media	974	1.32
Ultra Electronics Holding	Aerospace & Defence	Design, manufacture and support of electronic and electromechanical systems, sub-systems & products	945	1.28
Inchcape	General Retailers	Imports, distributes and retails motor vehicles	918	1.25
Balfour Beatty	Construction & Materials	Engineering and construction	899	1.22
Elementis	Chemicals	Manufacture and sale of chromium chemicals, pigments and other chemicals	891	1.21
Eaga	Support Services	Provides energy efficient solutions	860	1.17
E2V Holdings	Electronic & Electrical Equip't	Manufactures high-technology electronic components	842	1.14
RM	Software & Computer Services	Supplier of ICT software and services to schools	835	1.13
Albemarle & Bond Holdings	Financial Services	Pawnbroking and cheque cashing business	815	1.11
Speedy Hire	Support Services	Tool hire services	815	1.11
Rathbone Bros	Financial Services	Provides private banking, financial advisory and investment management services	809	1.10
BSS Group	Support Services	Distributes, heating, plumbing and engineering products and services	800	1.09
Daily Mail & General Trust	Media	International media company with interests in newspapers and related digital operations, local media and radio	766	1.04
Laird Group	Electronic & Electrical Equip't	Design, manufacture and supply of antennae, EMI and thermal shields to mobile device sector	758	1.03

Company	Sector Classification	Activity	Market Value of Holdings £'000	% of Shareholders' Funds
Grainger	Real Estate & Investment Services	Purchase, letting, management and refurbishment of tenanted property	750	1.02
HMV Group	General Retailers	Music, video, game and book retailer	729	0.99
Alterian	Software & Computer Services	Global provider of database marketing technology	702	0.96
William Hill	Travel & Leisure	Fixed-odds bookmaking services and online casino	700	0.95
Rensburg	Financial Services	Personal asset management and stockbroking services	686	0.93
Wetherspoon (JD)	Travel & Leisure	Development and management of public houses	655	0.89
Kofax	Software & Computer Services	Provider of information capture and communications solutions	651	0.89
IG Group Holdings	Financial Services	Provides contracts for differences and spread betting on financial markets	594	0.81
LMS Capital	Financial Services	Independent investment company	580	0.79
SIG	Support Services	Leading European distributor of insulation materials	575	0.78
White Young Green	Support Services	Consulting engineers	564	0.77
Kier Group	Construction & Materials	Construction, development and service group, specialising in building and civil engineering	556	0.76
WSP Group	Support Services	Multi-disciplinary engineering consulting group	542	0.74
Axon Group	Software & Computer Services	Implementation and support of SAP for global companies	537	0.73
Holidaybreak	Travel & Leisure	Provider of camping and short break holidays	531	0.72
Morgan Sindall	Construction & Materials	Specialist construction company	531	0.72
Assetco	Support Services	Vehicle outsourcing for fire brigades	526	0.72
Bovis Homes Group	Household Goods	House builder	515	0.70
Management Consulting Group	Support Services	Consultancy services offering operational improvements to its clients	514	0.70
System C Healthcare	Software & Computer Services	Design and implementation of computer systems for the healthcare market	514	0.70
Big Yellow Group REIT	Real Estate Investment Trusts	Provision of self storage and related services	487	0.66
Local Shopping REIT	Real Estate Investment Trusts	Property investment focused on local shops throughout the UK	484	0.66
ITE Group	Media	Organiser of trade exhibitions and conferences	483	0.66
Morson Group	Support Services	Providers of temporary and permanent technical personnel	432	0.59
Go-Ahead Group	Travel & Leisure	Owner and operator of public transport services	415	0.56
Burberry Group	Personal Goods	Clothing and accessories design, manufacture and retail	390	0.53
Microgen	Software & Computer Services	Provider of information management	370	0.50
Hargreaves Lansdown	Financial Services	Provides investment management and financial planning services	359	0.49
De La Rue	Support Services	Provider of commercial security printing	359	0.49
Majestic Wine	General Retailers	Operator of wine warehouse chain	354	0.48
Quintain Estates & Development	Real Estate & Investment Services	Property investment and development company	348	0.47
Netplay TV	Media	Interactive gaming and gambling services	312	0.42
Diploma	Support Services	International distributor of specialist equipment	305	0.41
Kesa Electricals	General Retailers	Retails consumer electronics	300	0.41
Invensys	Software & Computer Services	Global technology group, supplying solutions, software, consultancy and equipment	295	0.40
Travis Perkins	Support Services	Distributes products to the construction and building trade industries	264	0.36
Findel	General Retailers	Home shopping and educational supplies	254	0.35
Corin Group	Healthcare Equip't & Services	Manufacture and marketing of orthopaedic devices	246	0.34
Chrysalis Group	Media	Music publisher	245	0.33
Redrow	Household Goods	House builder	218	0.30
Bango	Software & Computer Services	Provides technology for consumer purchases via internet on mobile telephones	162	0.22
Nestor Healthcare	Healthcare Equip't & Services	Provision of temporary healthcare personnel and services	148	0.20
Innovision Research Technology	Technology Hardware & Equip't	Integrated circuits for wireless connections	24	0.03
Pinnacle Staffing Group	Support Services	Providers of temporary healthcare staff	11	0.01
I Mate	Technology Hardware & Equip't	Developer and supplier of high end wireless integrated pocket pc	2	0.00
Ludgate 181 Jersey Ltd	Support Services	Venture capital investment fund	–	0.00
Total investments			**65,570**	**89.14**
Net current assets			**7,986**	**10.86**
Total equity shareholders' funds			**73,556**	**100.00**

All investments were equity investments as at 30 September 2008.

At 30 September 2007, the twenty largest investments represented 34.60% of Shareholders' funds.

Report of the Directors – Incorporating the Business Review

The Directors submit their Report and the audited Accounts of the Company for the year ended 30 September 2008.

Business Review

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of section 833 of the Companies Act 2006. In order to continue to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by HM Revenue & Customs is for the year ended 30 September 2007 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval.

Investment Objective

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

Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Investment Manager's Review on pages 6 and 7.

Investment Strategy

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

Investment Policy

In applying the investment objective, the Manager expects the Company to be fully invested and to borrow up to 25% of total assets when appropriate. The Company invests no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

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

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Board has imposed a number of restrictions on investment by the Manager. The key restrictions imposed on the Manager include (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investments policy not to invest more than 15% of their gross assets in other listed companies; (c) no more than 15% of the Company's total net assets may be invested in open-ended funds and; (d) no holding may represent 20% or more of the equity capital of any company. The Investment Portfolio on pages 8 and 9 demonstrates that, as at 30 September 2008, the Manager held 88 investments spread over a range of industry sectors. The largest investment, Dechra Pharmaceuticals, represented 2.93% of shareholders' funds at 30 September 2008. At the year end, the Company did not hold any unlisted investments, and did not hold open-ended funds however, the Company had an interest amounting to 1.32% of shareholders' funds in REITS, close ended investment companies. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Report of the Directors – Incorporating the Business Review

1. Measuring Success – Key Performance Indicators ("KPIs")

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

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

A full analysis of the Company's performance for the year under review and over the longer-term, together with the portfolio sector distribution relative to the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index as at 30 September 2008, can be found on pages 2 and 3 of this Report.

2. Discount Management

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

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

Share buy-backs are a more direct way of managing the discount. The discount of the Company's share price to its underlying net asset value, and the discounts of peer group companies, are monitored. The Board considers the use of its share buy-back authority on a regular basis and has adopted guidelines which outline circumstances in which the Company is prepared to buy-back its shares. During the year under review, a total of 95,000 shares were purchased for cancellation. These guidelines are updated as considered necessary.

At 30 September 2008, the Company's share price stood at a discount of 17.4% to net asset value. During the year under review, the discount reached a high of 17.4% and a low of 7.0%.

3. Control of Total Expenses

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

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

The TER for the Company for the year to 30 September 2008 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year (excluding the performance fee, VAT rebate on management fee and financial costs)) was 0.79% (2007: 0.86%).

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business together with a robust framework of internal control which is designed to monitor those risks and to provide a system to enable the Directors to mitigate those risks as far as possible. A full analysis of the Company's system of internal control is set out in the Corporate Governance Statement on page 20. The principal risks to the business are considered to be as follows:

Report of the Directors – Incorporating the Business Review

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

Gearing
The Company has in place a credit facility, amounting to £10 million. On 18 December 2007, the £5 million that had been drawn down under the facility was repaid and as at the date of this Report, the facility remains undrawn. In falling markets, any reduction in net asset value and share price is amplified by the gearing. The Directors keep the Company's gearing strategy under constant review and impose strict restrictions on borrowings to mitigate this risk.

Discount
Investment vehicles and asset classes can fall out of favour with investors, or investment trusts may fail to meet their investment objectives. This may result in a wide discount. The Board periodically reviews whether the Company's investment remit remains appropriate and continually monitors the success of the Company in meeting its stated objectives.

Regulatory Risks
The regulatory environment in which the Company operates is increasingly complex and the Company faces a number of regulatory risks. A breach of section 842 of the Income and Corporation Taxes Act 1988 (as amended) could result in the Company being subject to capital gains tax on the sale of its portfolio investments. Breaches of other regulations such as the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules could lead to a number of detrimental outcomes and damage the Company's reputation.

Resources
The Company has no employees; its investments are managed by the Manager, which also acts as Company Secretary and provides accounting and administration services to the Company. The principal terms of the Investment Management Agreement are set out on page 14.

Environmental Policy
As an investment trust, the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement on page 20.

Results and Dividend
The loss for the year ended 30 September 2008, after finance costs and taxation, was £25,646,000 (2007: return of £15,155,000).

The net revenue return for the year, after finance costs and taxation, was £2,253,000 (2007: £1,817,000), equivalent to a revenue return per ordinary share of 6.22p (2007: 4.97p).

For the year ended 30 September 2008, the Directors have recommended a final dividend of 5.30p per share (2007: 4.11p per share) which, subject to approval by shareholders at the forthcoming Annual General Meeting will be paid on 12 February 2009 to Shareholders on the register on 23 January 2009. The dividend, if approved, will not be accounted for until it is paid.

Net Asset Value
During the year under review, the net asset value of the Company decreased from 278.30 pence per share to 203.51 pence per share.

Policy for the Payment of Creditors
It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of

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business. There were no outstanding trade creditors, other than purchases for future settlement, at 30 September 2008 (2007: nil).

Purchase of Own Shares and Issue of Shares from Treasury

At the Annual General Meeting held on 29 January 2008, an authority for the Directors to purchase up to 14.99% of the issued share capital of the Company was renewed by shareholders. The Directors wish to renew the authority to purchase ordinary shares at the forthcoming Annual General Meeting. Accordingly, a resolution authorising the Directors to purchase up to 14.99% of the share capital in issue on 14 January 2009 will be proposed at the forthcoming Annual General Meeting for which notice is given on pages 39 and 40.

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. Purchases will only be made 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. This authority will lapse at the conclusion of the Company’s Annual General Meeting in 2010 unless renewed earlier.

Following the repurchase of ordinary shares the Company is permitted to hold up to 5% of its issued shares in treasury. These shares may then be reissued or cancelled at a future date rather than simply cancelled at the time of acquisition.

The Board’s intention is that shares held in treasury may be re-issued at any time, provided that the price at which the shares are reissued represents a discount to net asset value narrower than that prevailing at the time of acquisition. Any shares held in treasury for 12 months will be cancelled.

The Company purchased 95,000 shares for cancellation during the year ended 30 September 2008. No shares were purchased for holding in treasury during the year.

Issues of Shares and Disapplication of Pre-emption Rights

At the 2008 Annual General Meeting the Directors were given powers to allot new ordinary shares or shares held in treasury for cash other than pro rata to existing shareholders. The Directors wish to renew these powers at the forthcoming Annual General Meeting. Accordingly, resolutions 9, 11 and 12 as set out in the Notice of Meeting on pages 39 and 40 will be proposed as an ordinary and special resolutions respectively which, if passed, will give the Directors power to allot ordinary shares or sell ordinary shares out of treasury for cash on a non pre-emptive basis up to an aggregate nominal amount of £451,796 (equivalent to 1,807,184 ordinary shares of 25p, being 5% of the Company’s existing issued ordinary share capital at 14 January 2009), as if Section 89(1) of the Companies Act 1985 did not apply. These authorities will lapse unless renewed at the Company’s Annual General Meeting in 2010.

The Directors intend to use the authority to issue shares whenever they believe it is advantageous both to new investors and to the Company’s existing shareholders to do so.

Directors and their Interests

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

In accordance with the Company’s Articles of Association, Mr Malcolm Coubrough and Mr Maxwell Packe will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In addition, Mr Peter Timms and Mr Chris Jones retire in accordance with the Company’s policy on tenure, having each served as non-executive Directors for more than nine years, and, being eligible, offer themselves for re-election. The Board has assessed the independence of all Directors. Each of Mr Coubrough, Mr Packe, Mr Timms and Mr Jones are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years.

The Board supports the re-elections of Mr Coubrough, Mr Packe, Mr Timms and Mr Jones, as it considers that each of these Directors continues to demonstrate commitment to their roles as Directors and make a valuable

Report of the Directors – Incorporating the Business Review

contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections.

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 September 2008, all of which were beneficial, were as follows:

Director	Ordinary shares of 25p each 30 September 2008	Ordinary shares of 25p each 1 October 2007
Peter Timms	**10,000**	10,000
Rachel Beagles	**5,717**	5,717
Malcolm Coubrough	**4,925**	1,725
Chris Jones	**10,000**	10,000
Maxwell Packe	**40,660**	40,660

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

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

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

Substantial Share Interests	Number of Ordinary shares	Percentage of total voting rights
HBOS Plc	3,313,753	9.17%
Barclays Plc	3,177,570	8.77%
Legal & General Group plc	1,306,100	3.61%

Investment Manager

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

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

With effect from 1 October 2003, an annual performance fee was introduced. The fee is calculated on an annual basis as 0.1% of average monthly assets for each 1% out-performance of the benchmark (FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index) over and above 0.8%, to a maximum performance fee of 1% of average assets in any given year.

For the year to 30 September 2008, a performance fee of £92,000 was payable under the terms of the agreement (2007: £596,000 including VAT).

The Manager is also entitled to a secretarial fee amounting to £96,000 per annum. This fee increases each year on 30 April in line with the movement in the Retail Price Index for the preceding year.

Report of the Directors – Incorporating the Business Review

Schroder Investment Management Limited is authorised and regulated by the Financial Services Authority.

Independent Auditors

The Company's Auditors, Ernst & Young LLP, have expressed their willingness to remain in office and a resolution to re-appoint them as Auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee has approved a pre-approval policy on the engagement of the Auditors to supply non-audit services. During the year under review, the Company incurred non-audit fees amounting to £6,000 for the year under review (2007: £3,000), relating to the provision of taxation services.

Provision of Information to the Auditors

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period, and are in accordance with applicable United Kingdom law and Generally Accepted Accounting Principles (UK GAAP).

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Company consist predominantly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error, other irregularities and non-compliance with laws and regulations.

The Directors, who are listed on the inside front cover of this report, each confirm to the best of their knowledge that

- the accounts are prepared in accordance with applicable UK accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Report of the Directors includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Tuesday, 10 February 2009. The Notice of Meeting is set out on pages 39 and 40.

Registered Office:
33 Bothwell Street
Glasgow G2 6NL

Peter Timms
Director

14 January 2009

Registered Number: SC82551

Directors' Remuneration Report

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

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. During the year under review Directors received fees of £20,000 per annum, with £25,000 per annum for the chairman. Directors' fees are reviewed annually. The last review of Directors' fees was carried out in 2008 and it was agreed that the fees paid to Directors' fees should remain unchanged.

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

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

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

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

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

Performance Graph

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

Remuneration

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

Director	**For the year ended 30 September 2008**	For the year ended 30 September 2007
Peter Timms	**£25,000**	£20,000
Rachel Beagles	**£20,000**	£15,000
Malcom Coubrough	**£20,000**	£15,000
Chris Jones	**£20,000**	£15,000
Maxwell Packe	**£20,000**	£15,000
Total	**£105,000**	£80,000

The information in the above table has been audited (see the Independent Auditors' Report on pages 21 and 22).

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

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the 2006 Combined Code (the "Code").

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities set out on page 15, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of the Code, save in respect of the appointment of a senior independent Director, where departure from the Code is considered appropriate given the Company's position as an investment trust. The Board has considered whether a senior independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a senior independent Director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of the Code's Principles

Role of the Chairman

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

Role of the Board

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

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees are available on the Company's website at www.schroderukmidandsmallcapfund.com. Details of membership of the Committees at 30 September 2008 may be found on the inside front cover of this report and information regarding attendance at Committee Meetings during the year under review may be found on page 19.

Audit Committee

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

To discharge its duties, the Committee met on two occasions during the year ended 30 September 2008 and considered the annual accounts and half-yearly accounts, the external Auditors' year-end reports and management letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Management Engagement Committee

The role of the Committee is to review the terms of the management contract with the Investment Manager. In

Corporate Governance

addition, the Committee reviews Directors' fees and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 30 September 2008 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

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

The Committee did not have occasion to meet during the year ended 30 September 2008.

Composition and Independence

The Board currently consists of five non-executive Directors. The biography of each serving Director, including their age and length of service, may be found on the inside front cover of this Report. The Board considers each of the Chairman, Mrs Rachel Beagles, Mr Malcolm Coubrough, Mr Chris Jones and Mr Maxwell Packe to be independent of the Company's Investment Manager. The independence of each Director is considered on a continuing basis.

The Board has no executive Directors and has not appointed a Chief Executive Officer as the Company has contractually delegated management of the Company's investment portfolio, together with the provision of accounting and company secretarial services, to its Investment Manager.

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

Tenure

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

Induction and Training

When a Director is appointed he or she receives a full, formal and tailored induction, which is administered by the Company Secretary. Directors are thereafter provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise. In addition, other advisers to the Company provide relevant reports to the Board from time to time. Directors may attend ad hoc seminars and events covering issues and developments relevant to the investment trust industry.

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation took place in September 2008 utilising a questionnaire. The evaluation takes place in two stages. First, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

The Board has developed evaluation criteria which focuses on each Director's individual contribution to the Board and its Committees and the responsibilities, composition and agenda of the Committees and the Board as a whole.

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

Corporate Governance

Meetings and Attendance

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

Directors' Attendance at Meetings

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

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

Information Flows

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

Directors' and Officers' Liability Insurance

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

Directors' Indemnities

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

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

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

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year end, and holding the earliest possible Annual General Meeting, is valuable. The Notice of Meeting on pages 39 and 40 sets out the business of the Meeting.

Corporate Governance

Environmental Policy

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

Exercise of Voting Powers

The Company has delegated responsibility for voting to Schroders, which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website.

Internal Control

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

The Board believes that the key risks identified and the implementation of a continuing system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. Risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified during the course of the year and up to the date of this report, from the Board's continuing risk assessment.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

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

Independent Auditors' Report

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

We have audited the accounts of Schroder UK Mid & Small Cap Fund plc for the year ended 30 September 2008 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes 1 to 26. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the accounts.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only Directors and Advisors, Financial Highlights, Chairman's Statement, Investment Manager's Review, Portfolio of Investments, Report of the Directors, Directors' Remuneration Report, Statement of Directors' Responsibilities, Corporate Governance, Notice of Meeting and Company Summary and Shareholder information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP
Registered Auditor
London
United Kingdom

14 January 2009

Income Statement

		Year to 30 September 2008			Year to 30 September 2007		
		Revenue	Capital	Total	Revenue	Capital	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments held at fair value	2	–	(27,465)	(27,465)	–	14,692	14,692
Income	3	2,645	–	2,645	2,262	343	2,605
Investment management fee	4	(65)	(588)	(653)	(92)	(828)	(920)
VAT recoverable	4	35	315	350	–	–	–
Performance fee		–	(92)	(92)	–	(596)	(596)
Administrative expenses	5	(352)	–	(352)	(321)	–	(321)
Net (loss)/return before finance costs and taxation		2,263	(27,830)	(25,567)	1,849	13,611	15,460
Interest payable and similar charges	6	(10)	(69)	(79)	(32)	(273)	(305)
Net (loss)/return on ordinary activities before taxation		2,253	(27,899)	(25,646)	1,817	13,338	15,155
Taxation on ordinary activities	7	–	–	–	–	–	–
Net (loss)/return attributable to equity shareholders		2,253	(27,899)	(25,646)	1,817	13,338	15,155
Net (loss)/return per ordinary share	9	6.22p	(77.03)p	(70.81)p	4.97p	36.48p	41.45p

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

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

The notes on pages 27 to 38 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Note	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
At 30 September 2006		9,187	69	13,971	2,184	16,949	44,169	1,526	88,055
Net return on ordinary activities		–	–	–	–	–	13,338	1,817	15,155
Ordinary Dividend paid	8	–	–	–	–	–	–	(1,047)	(1,047)
Purchase of shares for cancellation		(127)	127	–	–	(1,311)	–	–	(1,311)
At 30 September 2007		9,060	196	13,971	2,184	15,638	57,507	2,296	100,852
At 30 September 2007		9,060	196	13,971	2,184	15,638	57,507	2,296	100,852
Net (loss) on ordinary activities		–	–	–	–	–	(27,899)	2,253	(25,646)
Ordinary Dividend paid	8	–	–	–	–	–	–	(1,489)	(1,489)
Purchase of shares for cancellation		(24)	24	–	–	(161)	–	–	(161)
At 30 September 2008		9,036	220	13,971	2,184	15,477	29,608	3,060	73,556

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

The notes on pages 27 to 38 form an integral part of these accounts.

Balance Sheet

	Note	At 30 September 2008 £'000	At 30 September 2007 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**65,570**	102,760
		65,570	102,760
Current assets			
Debtors	11	**1,721**	1,736
Cash at bank and short-term deposits		**7,167**	2,495
		8,888	4,231
Current liabilities			
Creditors – amounts falling due within one year	12	**(902)**	(6,139)
Net current assets/(liabilities)		**7,986**	(1,908)
Net assets		**73,556**	100,852
Capital and reserves			
Called up share capital	14	**9,036**	9,060
Capital redemption reserve	15	**220**	196
Share premium account	16	**13,971**	13,971
Merger reserve	17	**2,184**	2,184
Share purchase reserve	18	**15,477**	15,638
Capital reserve	19	**29,608**	57,507
Revenue reserve	20	**3,060**	2,296
Equity shareholders' funds		**73,556**	100,852
Net asset value per ordinary share	21	**203.51p**	278.30p

These accounts were approved and authorised for issue by the Board of Directors on 14 January 2009 and signed on its behalf by:

Peter Timms
Chairman

The notes on pages 27 to 38 form an integral part of these accounts.

Cash Flow Statement

	Note	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Operating activities			
Dividends received from investments		**2,300**	2,471
Interest received on deposits		**262**	66
Other income		**–**	3
Investment management fee paid		**(735)**	(806)
Administrative expenses paid		**(366)**	(395)
Performance fee paid		**(596)**	–
Net cash inflow from operating activities	**22**	**865**	1,339
Servicing of finance			
Bank overdraft interest paid		**(2)**	(2)
Bank loan interest paid		**(89)**	(298)
Net cash outflow from servicing of finance		**(91)**	(300)
Taxation			
Taxation paid		**(11)**	–
Total tax paid		**(11)**	–
Investment activities			
Acquisition of investments		**(25,382)**	(39,435)
Disposal of investments		**35,943**	39,769
Net cash inflow from investment activities		**10,561**	334
Equity dividends paid			
Ordinary shares		**(1,489)**	(1,047)
Net cash inflow before financing		**9,835**	326
Financing			
Bank loan repaid		**(5,000)**	–
Purchase of shares for cancellation		**(163)**	(1,311)
Net cash outflow from financing		**(5,163)**	(1,311)
Net cash inflow/(outflow)		**4,672**	(985)

Reconciliation of net cash flow to movement in net funds

	Note	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Net cash inflow/(outflow)		**4,672**	(985)
Movement in borrowings		**5,000**	–
Movement in net cash/(debt) resulting from cash flows		**9,672**	(985)
Net debt at 1 October		**(2,505)**	(1,520)
Net cash/(debt) at 30 September	**23**	**7,167**	(2,505)

The notes on pages 27 to 38 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 30 September 2008, are unchanged from 2007 (except for the adoption of FRS29) and are set out below.

a – Basis of Preparation

The accounts have been prepared on a going concern basis, in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice (‘SORP’) for “Financial Statements of Investment Trust Companies” issued in January 2003 and revised in December 2005 by the Association of Investment Companies (AIC).

The Company has adopted FRS 29: “Financial Instruments: Disclosures” for the first time in these accounts. FRS 29 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in note 26 on pages 35 to 38.

b – Presentation of Income Statement

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

c – Income

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

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

d – Expenses and interest payable

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

The investment management fee and finance costs on borrowings for investment purposes are apportioned 10% to the revenue return and 90% to the capital return. Performance fees are charged entirely to the capital return as they are primarily attributable to the capital performance of the Company’s investments.

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

e – Investments

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

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

f – Taxation

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

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

Due to the company’s status as an investment trust company, and the intention to continue to meet the conditions required by section 842 of the Income and Corporation Taxes Act 1988 to obtain approval in the foreseeable future, the company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

g – Dividends payable

Under FRS21 final dividends should not be accrued in the accounts unless they have been approved by shareholders before the Balance Sheet date. Interim dividends should not be accrued in the accounts unless they have been paid.

Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders’ Funds when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend and become a liability of the Company.

Notes to the Accounts

h – Capital Reserve - Realised

The following are accounted for in this reserve:

– gains and losses on the realisation of investments

– increases and decreases in the valuation of investments held at the year end; and

– other capital charges and credits charged to this account in accordance with the above policies.

2. (Losses)/gains on investments held at fair value

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Net gain on disposal of investments held at fair value through profit or loss	9,970	14,924
Unrealised depreciation of investments arising during the year	(37,435)	(232)
	(27,465)	14,692

3. Income

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Income from investments held at fair value through profit or loss:		
Franked dividends	2,285	2,195
Unfranked dividends	65	–
Stock dividends	9	–
	2,359	2,195
Interest on deposits	286	64
Underwriting commission	–	3
	2,645	2,262
Capital:		
UK special dividend income taken to capital	–	343

Notes to the Accounts

4. Investment management fee

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Management fee		
– charged to revenue	65	92
– charged to capital	588	828
	653	920
Backdated VAT recoverable		
– Revenue	(35)	–
– Capital	(315)	–
	(350)	–

Following a decision made by HM Revenue & Customs in November 2007, management fees invoiced after this date have not incurred a VAT charge.

The bases for calculating the management fee are set out in the Report of the Directors on page 14.

5. Administrative expenses

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Allocated to revenue:		
General expenses	125	124
Directors' fees	105	80
Secretarial fee	96	96
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	20	18
Fees payable to the company's auditor and its associates for other services:		
Other services	6	3
Total	352	321

6. Interest payable

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Bank overdraft interest payable	2	2
Bank loan interest payable	77	303
	79	305
Allocated to:		
Revenue	10	32
Capital	69	273
	79	305

Notes to the Accounts

7. Taxation

(a) Factors affecting tax charge for the year

No provision has been made for taxation on any realised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 842 of the Income and Corporation Taxes Act 1988.

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (28%) (2007: 30%). Approved investment trust companies are exempt from tax on capital gains within the Company. The differences are explained below:

	Year to 30 September 2008			Year to 30 September 2007		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
(Loss)/return on ordinary activities before tax	**2,253**	**(27,899)**	**(25,646)**	1,817	13,338	15,155
(Loss)/return on ordinary activities multiplied by standard rate of:						
corporation tax in the UK of 30% (2007:30%)	**338**	**(4,185)**	**(3,847)**	545	4,001	4,546
corporation tax in the UK of 28%* (2007:30%)	**315**	**(3,906)**	**(3,591)**	–	–	–
Effects of:						
Capital returns on investments	**–**	**7,965**	**7,965**	–	(4,408)	(4,408)
Irrecoverable tax suffered on unfranked dividends	**–**	**–**	**–**	–	–	–
UK dividends not chargeable to corporation tax	**(665)**	**–**	**(665)**	(659)	–	(659)
Movement in unutilised management expenses	**15**	**126**	**141**	114	407	521
Movement in overseas dividends taxable on receipt	**(3)**	**–**	**(3)**	–	–	–
Current tax charge for the year	**–**	**–**	**–**	–	–	–

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

(b) Provision for deferred tax

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

(c) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £3,710,000 (2007: £3,289,000) in respect of unutilised management expenses. It is unlikely that these amounts will be utilised in future accounting periods unless the investment policy of the Company or the tax treatment is changed.

8. Dividends

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Amounts recognised as distributions in the period		
Final Dividend of the prior year of 4.11p (2007: 2.85p)	**1,489**	1,047

The final dividend of 5.30p (2007: 4.11p) is based on 36,238,690 (2007: 36,748,690) ordinary shares in issue.

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

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Final Dividend 5.30p (2007: 4.11p)	**1,916**	1,489

The proposed dividend for the year is based on 36,143,690 (2007: 36,238,690) ordinary shares in issue.

Notes to the Accounts

9. (Loss)/return per ordinary share

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Revenue	**2,253**	1,817
Capital	**(27,899)**	13,338
Total	**(25,646)**	15,155
Weighted average number of shares	**36,215,589**	36,565,526
Revenue	**6.22p**	4.97p
Capital	**(77.03)p**	36.48p
Total	**(70.81)p**	41.45p

10. Investments held at fair value through profit or loss

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	**75,612**	62,643
Acquisitions at cost	**25,767**	39,365
Proceeds of disposals	**(35,492)**	(41,320)
Net gains realised on disposals	**9,970**	14,924
Book cost at 30 September	**75,857**	75,612
Unrealised (depreciation)/appreciation of investments	**(10,287)**	27,148
Valuation of investments at 30 September	**65,570**	102,760

All investments are listed on a recognised stock exchange.

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

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
On acquisitions	**166**	231
On disposals	**48**	59
	214	290

11. Debtors

	At 30 September 2008 £'000	At 30 September 2007 £'000
Amounts receivable within one year:		
Sales for future settlement	**1,100**	1,551
Accrued income	**250**	176
Prepaid expenses	**10**	9
VAT recoverable (see note 25)	**350**	–
Income Tax recoverable	**11**	–
	1,721	1,736

Notes to the Accounts

12. Creditors

	At 30 September 2008 £'000	At 30 September 2007 £'000
Amounts falling due within one year:		
Bank loan	–	5,000
Purchases for future settlement	553	177
Accrued expenses	257	366
Performance fee payable	92	596
	902	6,139

The Company has in place a 364 day £10,000,000 unsecured loan facility with ING Bank N.V. The facility was available in 2008 and was not drawn down at the year end (2007: £5 million).

13. Contingent Liabilities

The Company had no contingent liabilities at the balance sheet date (2007: Nil).

14. Called up share capital

	At 30 September 2008 £'000	At 30 September 2007 £'000
Authorised:		
42,000,000 (2007: 42,000,000) ordinary shares of 25p each	10,500	10,500
Allotted, Called up and Fully paid:		
Opening balance 36,238,690 (2007: 36,748,690) ordinary shares of 25p each	9,060	9,187
Transfer to capital redemption reserve on purchase of 95,000 (2007: 510,000) shares for cancellation (see note 15)	(24)	(127)
Closing balance 36,143,690 (2007: 36,238,690) ordinary shares of 25p each	9,036	9,060

15. Capital redemption reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward	196	69
Transfer from share capital (see note 14)	24	127
Balance carried forward	220	196

16. Share premium account

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward and carried forward	13,971	13,971

Notes to the Accounts

17. Merger Reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward and carried forward	**2,184**	2,184

18. Share purchase reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward	**15,638**	16,949
Purchase of 95,000 (2007: 510,000) ordinary shares for cancellation	**(161)**	(1,311)
Balance carried forward	**15,477**	15,638

19. Capital reserves

	Realised £'000	Unrealised £'000	Total £'000
Balance brought forward	**30,359**	**27,148**	**57,507**
Transfer of brought forward unrealised reserve*	**27,148**	**(27,148)**	**–**
Loss on investments held at fair value	**(27,465)**	**–**	**(27,465)**
Investment management fee	**(273)**	**–**	**(273)**
Performance fee	**(92)**	**–**	**(92)**
Interest payable	**(69)**	**–**	**(69)**
Balance carried forward	**29,608**	**–**	**29,608**

* Under a technical release issued by the ICAEW Tech 01/08 "Distributable Profits – Implications of Recent Accounting Changes", the definition of realised profits as originally defined in Tech 7/03 for Investment Companies has been amended to the extent that under fair value accounting, any mark to market gains and losses at the balance sheet date will be carried to realised rather than unrealised reserves, provided that the gains and losses recognised are deemed to be readily realisable to cash. Accordingly, the brought forward unrealised reserve balance has been transferred to the realised reserve, and subsequent increases and decreases in the valuation of investments at the year-end have been included within the capital reserve – realised, rather than the capital reserve – unrealised.

20. Revenue reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward	**2,296**	1,526
Dividends paid	**(1,489)**	(1,047)
Net revenue return for the year	**2,253**	1,817
Balance carried forward	**3,060**	2,296

Notes to the Accounts

21. Net asset value per ordinary share

	At 30 September 2008	At 30 September 2007
Net asset value per ordinary share	**203.51p**	278.30p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £73,556,000 (2007: £100,852,000) and 36,143,690 (2007: 36,238,690) ordinary shares in issue at the year-end.

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

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Net (loss)/return before finance costs and taxation	**(25,567)**	15,460
Losses/(gains) on investments held at fair value	**27,465**	(14,692)
Increase in accrued income	**(74)**	(66)
Stock dividend received	**(9)**	–
Increase in prepayments and other debtors	**(351)**	(1)
(Decrease) / increase in accrued expenses (excl. interest)	**(599)**	638
Net cash inflow from operating activities	**865**	1,339

23. Analysis of changes in net funds

	At 30 September 2007 £'000	Cash flow £'000	Movement in borrowings £'000	At 30 September 2008 £'000
Cash at bank & short-term deposits	2,495	4,672	–	**7,167**
Bank loan	(5,000)	–	5,000	**–**
Net funds at 30 September	(2,505)	4,672	5,000	**7,167**

24. Related party transactions

The Company has appointed Schroders to provide investment management, secretarial and administration services. Details of the management and secretarial fee arrangements for these services are given in the Report of the Directors on page 14. The total management fee payable under this agreement to Schroders in respect of the year ended 30 September 2008 was £653,000 (2007: £783,000 excluding VAT), of which £144,000 (2007: £192,000 excluding VAT) was outstanding at the year end. With effect from 1 October 2003 an annual performance fee was introduced. Details of the performance fee arrangements are given in the Report of the Directors on page 14. The performance fee under the fee agreement payable to Schroders in respect of the year ended 30 September 2008 was £92,000 (2007: £596,000).

In addition to the above services, Schroders also provided investment trust dealing services to the Company. The total cost to the Company of this service, payable to Equiniti Limited, for the year ended 30 September 2008 was £2,000 (2007: £1,500), of which £3,000 (2007: £1,000) was outstanding at the year end.

During the year banking facilities were provided by Schroder & Co Limited. At 30 September 2008, the balance held at Schroder & Co Limited was Nil (2007 : £1,000).

Notes to the Accounts

25. Contingent asset

In June 2007 the European Court of Justice (ECJ) ruled that investment trusts are exempt from VAT on management and performance fees. HM Revenue & Customs (HMRC) have accepted the ruling.

The Manager has submitted a claim to HMRC in respect of periods from May 2003 to October 2007 which fall within scope of the ECJ ruling and during which VAT was collected from the Company by the Manager. The Company expects to recover VAT of at least £350,000 (excluding any simple interest) paid on management and any performance fees for the period May 2003 to October 2007. As a consequence and as a result of the initial audit undertaken by HMRC of the Company's records, an amount of £350,000 has been recognised in these accounts.

There are three further periods, 1994-96, 1996-2001 and 2001-03, for which further recovery may be achieved but this remains uncertain, and no recognition has been made in these accounts.

26. Financial Instruments

Risk management policies and procedures

The Company's investment objective is to invest in Mid and Small cap equities with the aim of providing a total return in excess of the FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index. Consistent with that objective, the Company's financial instruments largely comprise UK equity investments.

In addition, the Company holds cash and short-term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value.

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

The Company does not enter into derivatives contracts. As an investment trust, the Company invests in securities for the long term. Accordingly, it is the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

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

1. Market Risk

The fair value or future cashflows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - price risk, interest rate risk and currency risk. The Company's investment manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

a. Price risk

The Company's exposure to other price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on pages 8 and 9. Investments are valued in accordance with the Company's accounting policies as stated in note 1. Uncertainty arises as a result of future changes in the market prices of the Company's equity investments.

Management of the risk

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and comparable investment trusts. The Company does not generally hedge against the effect of changes in the underlying prices of the investments as it is believed that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board.

Price risks exposure

The Company's exposure to changes in market prices at 30 September on its quoted equity investments was as follows:

	At 30 September 2008 £'000	At 30 September 2007 £'000
Fixed asset investments at fair value through profit or loss	**65,570**	102,760

Notes to the Accounts

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the net asset value to an increase or decrease of 20% in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	At 30 September 2008		At 30 September 2007	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	**(10)**	**10**	(16)	16
Effect on capital return	**13,024**	**(13,024)**	20,408	(20,408)
Effect on total return and on net assets	**13,014**	**(13,014)**	20,392	(20,392)

b. Interest rate risk

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

The Company has in place a 364 day £10 million loan facility with the ING Bank N.V., which was undrawn at the year end (2007: £5 million drawn). This facility was unsecured and available in 2008 and 2007.

Management of the risk

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

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

Interest rate exposure

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

– floating interest rates (giving cashflow interest rate risk) – when the rate is due to be re-set;

– fixed interest rates (giving fair value interest rate risk) – when the financial instrument is due for repayment.

	At 30 September 2008		At 30 September 2007	
	Within one year £'000	**More than one year £'000**	Within one year £'000	More than one year £'000
Exposure to floating interest rates:				
Cash at bank and short-term deposits	**7,167**	**–**	2,495	–
Creditors: due within one year – bank loan	**–**	**–**	(5,000)	–
Total exposure to interest rates	**7,167**	**–**	(2,505)	–

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

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

During the year the maximum loan drawn down was £5,000,000 with £nil having been drawn since 18 December 2007 (2007: £5,000,000 throughout the year), and the cash balance has fluctuated between £3,988,000 and £7,377,000 (2007: £648,000 to £3,462,000).

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2007: 50) basis points in interest rates in regard to the Company's monetary financial assets and 50 (2007: 50) basis points in regard to the Company's monetary liabilities, which are subject to interest rate risk.

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

Notes to the Accounts

	At 30 September 2008 Increase in rate £'000	At 30 September 2008 Decrease in rate £'000	At 30 September 2007 Increase in rate £'000	At 30 September 2007 Decrease in rate £'000
Effect of revenue return	**36**	**(36)**	12	(12)
Effect of capital return	**–**	**–**	(25)	25
Effect on total return and on net assets	**36**	**(36)**	(13)	13

In the opinion of the directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently throughout the year.

c. Currency risk

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

2. Credit risk

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

Management of the risk

The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of Schroder Investment Management Limited. These arrangements were in place throughout the current and prior year.

Credit risk exposure

The exposure to credit risk at the year end comprised:

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balances due from brokers	**1,100**	1,551
Accrued income	**261**	176
Cash at bank and on deposit	**7,167**	2,495
	8,528	4,222

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

3. Liquidity risk

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

Management of the risk

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

4. Fair Values of Financial assets and financial liabilities

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

Notes to the Accounts

5. Summary of financial assets and financial liabilities

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

Financial assets

	At 30 September 2008 £'000	At 30 September 2007 £'000
Financial assets at fair value through profit or loss:		
Fixed assets investments – designated as such on initial recognition	**65,570**	102,760
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable and accrued income)	**1,721**	1,736
Cash at bank and short-term deposits	**7,167**	2,495
	8,888	4,231

Financial liabilities

	At 30 September 2008 £'000	At 30 September 2007 £'000
Creditors: amounts falling due within one year:		
Borrowings under the loan facility	**–**	5,000
Due to brokers	**553**	177
Accruals	**349**	962
	902	6,139

6. Capital management policies and procedures

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

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

(i) the planned level of gearing through the Company's loan facility;

(ii) the need to buyback or issue equity shares; and

(iii) the determination of dividend payments.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period. The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of section 842 Income and Corporation Taxes Act 1988 and the Companies Act respectively.

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

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Mid & Small Cap Fund plc will be held at 12.00 noon on Tuesday, 10 February 2009 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 9 will be proposed as Ordinary Resolutions and resolutions 10 to 12 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2008.
2. To approve a final dividend of 5.30 pence per share for the year ended 30 September 2008.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2008.
4. To re-elect Mr Malcolm Coubrough as a Director of the Company.
5. To re-elect Mr Chris Jones as a Director of the Company.
6. To re-elect Mr Maxwell Packe as a Director of the Company.
7. To re-elect Mr Peter Timms as a Director of the Company.
8. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.
9. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:
   "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £451,796 (representing 5% of the share capital in issue on 14 January 2009); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
10. To consider and, if thought fit, to pass, the following resolution as a special resolution:
    "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares of 25p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 5,417,939, representing 14.99% of the issued share capital as at 14 January 2009;
    (b) the minimum price which may be paid for a share is 25p;
    (c) the maximum price which may be paid for a Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased, and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
    (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;
    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
    (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."
11. To consider and, if thought fit, to pass, the following resolution as a special resolution:
    "That, subject to the passing of Resolution 9 set out above, the Directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (including any shares held in treasury) (as defined in Section 94 of the Act) pursuant to the authority given by Resolution 9 above and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £451,796 (representing 5% of the aggregate nominal amount of the share capital in issue on 14 January 2009); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, it thought fit, to pass, the following resolution as a special resolution:
    "That, subject to the passing of Resolution 11 set out above, the Directors of the Company be and are hereby authorised, for the purposes of paragraph 15.4.23 of the Listing Rules of the United Kingdom Listing Authority, to issue ordinary shares of 25p each in the capital of the Company at a price below the prevailing net asset value per ordinary share, provided always that such issue will be limited to:

    (a) up to an aggregate nominal amount of £451,796, representing 5% of the share capital in issue on 14 January 2009;
    (b) the sale of Shares which, immediately before such sale, were held by the Company as Treasury Shares; and

Notice of Meeting

(c) in the event of a sale of shares which, immediately before such sale, were held by the Company as Treasury Shares, such shares shall be issued at a narrower discount to net asset value than when purchased by the Company in accordance with Resolution 10 set out above.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
30 Bothwell Street
Glasgow G2 6NL

Registered Number: SC82551
14 January 2009

Notes

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

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0871 384 2713, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6GT, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting.

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m on 8 February 2009, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m on 8 February 2009 shall be disregarded in determining the right of any person to attend and vote at the meeting.

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

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (UK public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 30 September 2008.

7. As at 14 January 2009, 36,143,690 ordinary shares of 25 pence were in issue (no shares were held in treasury). Accordingly, the total number of voting rights of the Company as at 14 January 2009 was 36,143,690.

Company Summary and Shareholder Information

The Company

Schroder UK Mid & Small Cap Fund plc was launched in 1983 under the name of Murray Technology Investments plc. It is an independent investment trust, whose shares are listed on the London Stock Exchange. The Company's assets are managed and it is administered by Schroders, which took over investment management of the Company on 1 May 2003.

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

Website and Price Information

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

The Company releases its Net Asset Value on both a cum and ex income basis to the market on a daily basis.

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

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at PO Box 28448, Finance House, Orchard Brae, Edinburgh, Scotland EH4 1WQ. The helpline telephone number of Equiniti Registrars is 0871 384 2713. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

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

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

Association of Investment Companies

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

www.schroderukmidandsmallcapfund.com

Schroders