Schroder
UK Growth Fund plc

Report and Accounts to 30 April 2008

Schroders

Investment Objective

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

Directors

Alan Clifton (Chairman)*†
Aged 61, was appointed as a Director on 18 June 2001 and was previously the Managing Director of Morley Fund Management, the asset management arm of Aviva plc. He is currently Chairman of JPMorgan Fleming Japanese Smaller Companies Investment Trust plc and a Director of International Biotechnology Trust plc and a number of other investment companies. He also serves as Chairman of the Strategic Investment Board at the Ministry of Justice.

Keith Niven†
Aged 59, was appointed as a Director on 28 January 1994. He is Chairman of Matrix Income & Growth VCT PLC and Matrix Income & Growth 3 VCT PLC and a Director of three other investment trusts, Schroder Income Growth Fund plc, Impax Environmental Markets plc and Advance UK Trust plc. He is also an investment adviser to the Rolls-Royce Pension Fund. Mr Niven was previously a Vice Chairman of Schroder Investment Management Limited.

Ian Phillips*†
Aged 69, was appointed as a Director of the Company on 2 February 1994 and is a Director of M&G Equity Investment Trust plc and on the management boards of Pan European Property Unit Trust and the Gloucestershire Hospitals Foundation Trust.

Stella Pirie OBE*†
Aged 57, was appointed as a Director on 5 August 2002. She is currently a Director of Avon Rubber plc and the Highcross Group. She is Chair of Governors of Bath Spa University and Chairman of Capital Radio Pension Scheme.

David Ritchie*†
Aged 63, was appointed as a Director on 6 August 2001. He is Chairman of Edinburgh New Income Trust plc and of Cornelian Asset Management Limited and a Director of AMEC Staff Pensions Trustee Limited. He is a former Executive Chairman of Scottish Widows Investment Management Limited.

* Member of the Audit and Management Engagement Committees

† Member of the Nomination Committee

Mr Clifton is Chairman of the Nomination and Management Engagement Committees

Mr Ritchie is Chairman of the Audit Committee

Advisers

Investment Manager
Schroder Investment Management Limited
31 Gresham Street, London EC2V 7QA

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

Bankers
ING Bank NV
60 London Wall, London EC2M 5TQ

Custodian
JP Morgan Chase Bank
London Branch
125 London Walk, London EC2Y 5AJ

Independent Auditors
PricewaterhouseCoopers LLP
Hay's Galleria, 1 Hay's Lane,
London SE1 2RD

Registrar
Equiniti Limited
PO Box 28448, Finance House,
Orchard Brae, Edinburgh EH4 1WQ
Shareholder Helpline: 0871 384 2449
Website: www.shareview.co.uk

Solicitors
Slaughter and May
One Bunhill Row, London EC1Y 8YY

Contents

Financial Highlights

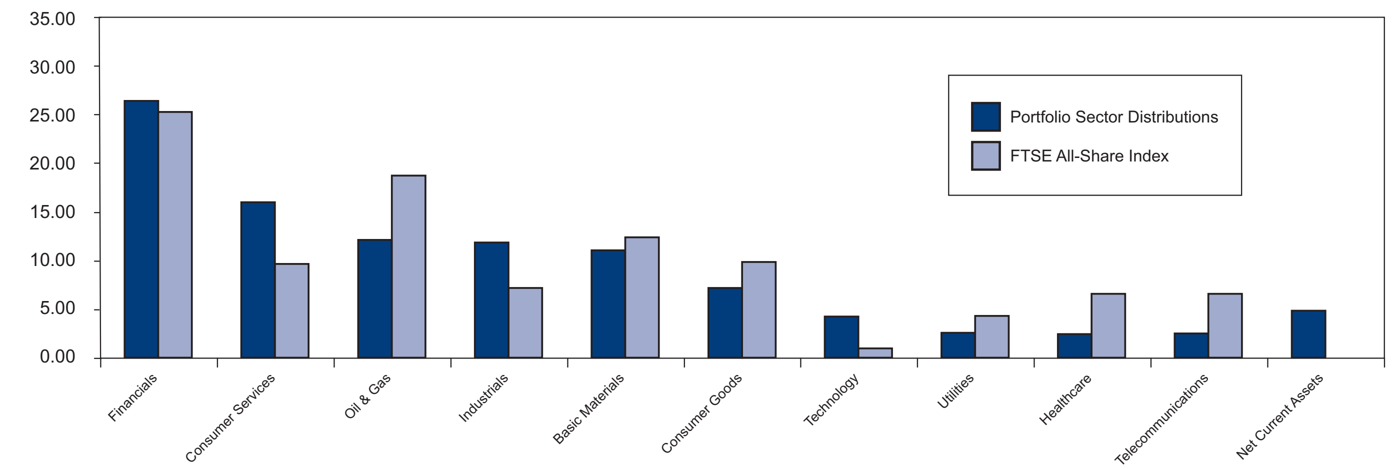
	30 April 2008	30 April 2007	% Change
Net asset value per ordinary share	**143.59p**	155.36p	(7.6)
Net asset value per ordinary share (excluding undistributed current year revenue)	**140.98p**	152.83p	(7.8)
Share price	**134.25p**	143.75p	(6.6)
Share price discount (based on NAV excluding undistributed current year revenue)	**4.8%**	5.9%	
Total assets	**£267.8m**	£279.5m	(4.2)
Loans	**£42.5m**	£35.0m	21.4
Shareholders' funds	**£225.3m**	£244.5m	(7.9)
Market capitalisation (excluding shares held in treasury)	**£210.6m**	£226.2m	(6.9)
Shares in issue (excluding shares held in treasury)	**156.9m**	157.4m	(0.3)
Shares held in treasury	**3.4m**	5.8m	(41.4)
	Year ended 30 April 2008	Year ended 30 April 2007	
Dividends per ordinary share	**3.85p**	3.50p	10.0
Net asset value total return*	**(6.0)%**	13.7%	
FTSE All-Share Index total return**	**(4.3)%**	12.7%	
Total expense ratio***	**0.64%**	0.69%	

* Source: Fundamental Data

** Source: Thomson Datastream

*** Calculated in accordance with AIC guidance. Based on operating costs, excluding performance fee, finance costs and back dated VAT recoverable, and expressed as a percentage of average monthly net assets

Comparison of Portfolio Sector Distribution with the FTSE All-Share Index* at 30 April 2008



Source: Schroders.
*Sector distributions are shown as a percentage of total assets.

Ten-Year Record

As at 30 April	Total assets £	Shareholders' funds* £	NAV per Ordinary share**	Market price of Ordinary shares	Share price (discount)/ premium*** %
2008	267.8m	225.3m	143.59p	134.25p	(6.50)
2007	279.5m	244.5m	155.36p	143.75p	(7.47)
2006	257.1m	229.1m	139.59p	123.00p	(11.89)
2005	204.3m	179.3m	108.90p	94.00p	(13.68)
2004	192.9m	172.9m	102.92p	93.50p	(9.15)
2003	161.7m	141.7m	84.24p	77.75p	(7.70)
2002	240.0m	210.0m	119.73p	100.50p	(14.40)
2001	338.3m	288.3m	150.75p	126.00p	(12.88)
2000	368.0m	365.0m	175.63p	145.50p	(12.70)
1999	402.7m	402.7m	178.58p	149.00p	(11.91)

* From 1 May 1999 to 30 April 2008, the Company purchased 66,751,684 shares for cancellation, at a cumulative cost of £84.9 million
From 1 May 2006 to 30 April 2008 the Company purchased 6,649,000 shares to be held in treasury at a cumulative cost of £9.2 million of which 2,900,000 shares were cancelled before 30 April 2008

** Warrants expired 2 September 2002

*** Discount based on Net Asset Value including undistributed current year revenue

As at 30 April	Return per Ordinary Share	Net dividends per Ordinary Share	Cost of running trust* £'000	Actual gearing ratio***
2008	4.11p****	3.85p	1,489****	1.14
2007	3.94p	3.50p	1,539	1.14
2006	3.36p	3.35p	1,366	1.12
2005	3.20p	3.15p	1,208	1.13
2004	2.96p	3.00p	1,159	1.10
2003	2.91p	3.00p	1,057	1.13
2002	3.42p	3.50p	1,531	1.14
2001	3.07p	4.80p**	2,128	1.10
2000	3.41p	4.00p	2,451	0.98
1999	4.59p	3.90p	2,986	0.99

* Operating expenses before tax relief (excl. performance fees and interest payable)

** Includes a special dividend of 1.80p per share

*** Total assets less cash divided by shareholders' funds

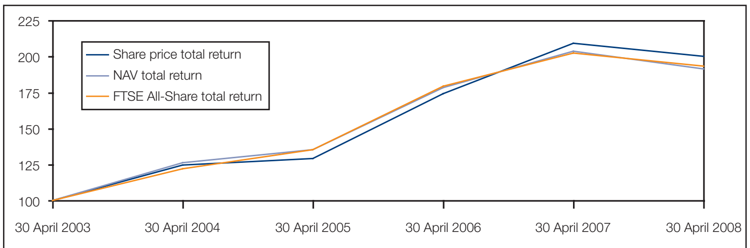
**** Excludes £800,000 for back dated VAT recovery on management fee

Ten-Year Total Returns to 30 April 2008

	Share price %	NAV %	FTSE All-Share Index %
1 year	(4.24)	(6.04)	(4.31)
2 years	14.92	7.18	7.81
3 years	54.86	41.14	42.70
4 years	60.80	51.47	57.94
5 years	99.93	90.93	93.05
6 years	61.47	42.17	50.54
7 years	33.88	19.36	35.32
8 years	19.23	5.91	32.41
9 years	19.67	12.44	34.23
10 years	8.66	7.21	49.55

Source: Fundamental Data

Five-Year Share Price and NAV Performance*



*All data has been rebased to 100 at start of period
Source: Fundamental Data

Chairman's Statement

Performance

For the year ended 30 April 2008, a difficult one for all investors in the UK market, the Company's net asset value produced a negative total return of –6.0%, while the share price posted a negative total return of –4.2%. These compare with a negative total return of –4.3% produced by the FTSE All-Share Index over the same period.

Earnings and Dividends

Earnings per share increased in the current year from 3.94p per share to 4.11p per share (excluding an expected recovery of VAT payments on management fees paid between 2001 and 2007).

The Company's focus continues to be on total return without constraining the Manager to deliver any given level of investment income. I would reiterate that income streams are expected to be more volatile following the change in investment policy in November 2006 and this will impact on the Company's ability to pay an increasing dividend stream. However, we are pleased that we are in a position to announce a significant increase in dividend for the year to 30 April 2008.

The Directors have declared a second interim dividend of 2.20p per share, making a total of 3.85p per share for the year as a whole, an increase of 10% on the previous year. The second interim dividend will be payable on 31 July 2008 to shareholders on the Register on 18 July 2008.

Gearing Policy

During the year, the Company maintained its borrowing facility of £45 million, of which £42.5 million was drawn down at the end of the year.

The actual gearing level (which takes account not only of the borrowings but also of any cash held by the Investment Manager) at the beginning of the year was 13.5% and had increased slightly to 14.0% by the end of the year. The Company's gearing continues to operate within pre-agreed limits so that actual gearing does not represent more than 20% of shareholders' funds.

Discount Management Policy

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

This policy was effective during the year ended 30 April 2008 and the average discount during the period was 4.4%*.

As part of the discount management policy, the Company purchased 850,000 shares to be held in treasury during the year ended 30 April 2008. The Directors are seeking authority from shareholders for a renewal of the required authorities to purchase shares for cancellation and to hold shares in treasury for re-issue at a premium to net asset value, to assist with achieving the target longer-term discount level established by the formal discount management policy.

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

VAT on Management Fees

I indicated in my Statement in the Half-Yearly Report that UK investment trusts would be exempt from paying VAT on management fees and, with effect from 1 October 2007, management fees have been invoiced without VAT being levied on them. This change will create significant savings each year for the Company. The Board continues to examine how VAT paid on management fees in the past can be reclaimed. The current position is extremely complex but, what we can conservatively estimate at this stage, following an initial audit of the Company's records undertaken by our Manager and HMRC, is that we will be able to recover at least £800,000 in VAT paid on management fees in respect of the period from 2001-2007. Recognition has been made for this amount as an asset in these accounts.

Chairman's Statement

At this stage, there is no definitive agreement with Schroders or advice from HMRC in relation to the full extent of the VAT reclaim. We continue to negotiate with our Manager and to consider all our options for the recovery of VAT paid in the past.

New Articles of Association

The Directors are asking shareholders to approve a number of amendments to the Company's Articles of Association primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the existing articles of association is set out in the Explanatory Notes on page 40 of this Report.

Board

Having served as an independent member of the Board since the Company's formation in March 1994, Ian Phillips has decided not to seek re-election as a Director of the Company at the forthcoming Annual General Meeting. On behalf of the Board, I would like to thank Ian for his considerable contribution to the Company throughout its life and for his commitment and unfailing wise counsel. The Directors are seeking to appoint a non-executive Director to replace Ian during the current financial year.

Outlook

A world of slowing economic growth, with UK inflation above target and commodity prices continuing to rise, is not one without risks. The Board takes comfort, however, from our Manager's belief that much of the uncertainty is already reflected in current share prices, and that many of the Company's holdings appear to offer outstanding value. We remain confident in our chosen strategy of concentrating the portfolio on a small number of shares where the manager has strong conviction, in the belief that this will result in sustained outperformance in the future.

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Tuesday 5 August 2008, and shareholders are encouraged to attend. I hope as many of you as possible will be able to come along. The meeting, as in previous years, will include a presentation by the Investment Manager on the prospects for the UK market and the Company's investment strategy.

Alan Clifton
Chairman

4 July 2008

* source: AIC month-end NAV statistics.

Investment Manager's Review

Performance

Over the 12 months to 30 April 2008 the net asset value's return was –6.0% compared to the total return of the FTSE All-Share index of –4.3%. Positive contributions from holdings in the resources and industrials sectors (eg BG, Dana Petroleum and Xstrata) were offset by continued pressure on cyclical and consumer-related holdings such as Marks & Spencer, NEXT, and British Airways, while the portfolio also suffered from holding Northern Rock. Portfolio gearing accentuated the fall.

Market Background

While the market ended the 12 months down only 4.3%, it has been a turbulent period for equities. Share prices started their fall in July of last year, on concerns about the fallout from the deteriorating US housing market. The feared impact of the latter on mortgage defaults escalated into a crisis of confidence in the financial sector. The actions of the Central Banks moved into focus, with the US Federal Reserve reducing interest rates by 3%, while there was a concerted effort globally to inject liquidity into the financial system. Significantly for the UK market, the Bank of England acknowledged that the downside risks had increased enough to warrant the first cuts in UK rates since August 2005.

The impact on UK share prices included a broad-based flight from equities, with large caps and defensive names dropping back to meet cyclical shares that had been affected already. Oil and mining shares surged, by contrast, as bid rumours resurfaced and commodity prices rose to record levels.

Investment Activity and Portfolio Strategy

The sell-off in UK equities has created some compelling value opportunities. With this in mind, we trimmed names such as BG and ICAP, which had held up relatively well, and have been adding to a number of the collapsing cyclical and retail stocks. We have been using the opportunities as they arise to add to Rolls Royce, Logica, Shire, and Charter. REITS and house-builders continue to be volatile, but we believe the UK housing downturn is still in its early phases and we can afford to wait.

Other changes to the portfolio include switching from closed life fund manager Resolution into fellow life assurer Legal & General. We have felt for some time that the UK life sector is significantly undervalued, particularly on the new business streams of the open life companies. With Resolution due to be acquired by Pearl, we see this as an ideal opportunity to switch. Legal & General's undervalued asset management business also provides an incentive for investment.

In light of the strength in resource stocks, we have decided that it is time to start gently reducing the portfolio's exposure. Although we remain convinced about the long-term case for oil and commodities, the scale of the price moves since November seems to reflect speculative money rather than the recognition of fundamentals. As a result, we sold a small proportion of the holding in Xstrata and completed the sale of oil services firm Wood Group, locking in substantial profits.

Our focus continues to be on companies whose long-term prospects are much better than the market has allowed for in the short term. Alongside this, they need to have strong business models, healthy balance sheets and the ability to deliver a good absolute return for the Fund within a reasonable timeframe.

Outlook

Given the degree of monetary and fiscal stimulus applied by the Federal Reserve in recent months, we are confident that the US can avoid a severe recession and potentially start to bounce back as we move into 2009. In contrast, the UK policy response has been subdued and drawn-out and, as such, we are expecting a more prolonged state of 'near-recession' in this country.

Investment Manager's Review

These two developments are likely to create opposing forces for the UK equity market. With its tendency to be highly correlated to the US, the UK market could be led higher as the US starts to rebound. However, the extent of the economic pain still to come, and the fact that UK banks have only just begun the necessary cleansing process, means that the UK market could still revisit its recent lows. In the medium term, however, we remain confident that much has already been discounted in UK share prices, and we believe that a choppy and uncertain ride over the next few months should be followed by significant upside.

Within the portfolio, we continue to see plenty of opportunity in areas such as industrials and believe that there is now a lot of value in the retail holdings. While there will inevitably be further bad news from the sector in the coming weeks, we believe that much of the bad news has already been discounted in stocks such as Burberry, NEXT and Marks & Spencer, which all have strong balance sheets. In contrast, it remains too early, in our opinion, to re-enter property stocks and the housebuilders as we believe there is still weakness likely for these particular areas.

Schroders

4 July 2008

Investment Portfolio

As at 30 April 2008

Company	Sector Classification	Principal Activity	Market Value of Holding £'000	% of Shareholders' Funds
Standard Chartered	Financials	Banking and financial services group	14,267	6.34
BG Group	Oil and Gas	Oil and gas exploration and production group	12,645	5.61
Xstrata	Basic Materials	Global diversified mining group	12,083	5.36
Barclays	Financials	Banking and financial services group	11,117	4.94
BHP Billiton	Basic Materials	Global mining company	11,002	4.88
BP	Oil and Gas	Integrated oil group	10,219	4.54
Invensys	Industrials	Energy resource management services	9,765	4.33
Legal & General	Financials	UK financial services group	9,209	4.09
Charter	Industrials	International engineering company	9,104	4.04
Dana Petroleum	Oil and Gas	Oil and gas exploration company	9,071	4.03
Burberry	Consumer Goods	Designs and sources apparels and accessories	8,016	3.56
Royal Bank of Scotland	Financials	Banking and financial services group	7,907	3.52
WPP Group	Consumer Services	Communication services group	7,415	3.29
Unilever	Consumer Goods	Consumer goods group	6,624	2.94
Vodafone Group	Telecommunications	Global mobile telephone service provider	6,440	2.86
Drax Group	Utilities	Coal-fired power station operator	6,436	2.86
Experian Group	Industrials	Credit and marketing services	6,351	2.82
Man Group	Financials	Alternative investments products provider	6,202	2.75
Logica CMG	Technology	Technology solutions company	6,134	2.72
Shire	Healthcare	International speciality pharmaceutical company	6,123	2.72
Twenty largest investments			**176,130**	**78.20**
Rolls Royce	Industrials	Power systems provider	6,106	2.71
Rio Tinto	Basic Materials	Global mining company	6,093	2.70
British Airways	Consumer Services	International airline	5,951	2.64
Provident Financial	Financials	Operates an international personal finance group	5,709	2.53
International Personal Finance	Financials	Provider of financial products and services	5,584	2.48
ICAP	Financials	Interdealer broker	5,582	2.48
Tesco	Consumer Services	International food retailing group	5,525	2.45
Marks and Spencer	Consumer Services	UK fashion and accessories	5,264	2.34
NEXT	Consumer Services	UK fashion and accessories	5,191	2.30
Misys	Technology	Global application and software services provider	4,787	2.13
Home Retail Group	Consumer Services	Home and general merchandising retailer	4,703	2.09
Whitbread	Consumer Services	Leisure group	4,601	2.04
3I Group	Financials	Private equity company	4,409	1.96
Imperial Tobacco	Consumer Goods	International cigarette company	4,376	1.94
Thomson Reuters	Consumer Services	News and financial information provider	4,057	1.80
Rolls Royce "B"	Industrials	Power systems provider	1	–
Northern Rock	Financials	Banking and financial services group	0	–
Total investments			**254,069**	**112.79**
Net current liabilities			**(28,809)**	**(12.79)**
Total equity shareholders' funds			**225,260**	**100.00**

At 30 April 2007, the twenty largest investments represented 84.06% of Shareholders' Funds.

Report of the Directors – Incorporating the Business Review

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

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of section 266 of the Companies Act 1985 (as amended). 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 United Kingdom Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by the Inland Revenue is the year ended 30 April 2007 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

Business Review

Investment Objective

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

Investment Policy

Following approval from shareholders at an Extraordinary General Meeting held on 17 November 2006, the Company's investment policy was changed to:

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

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

The Board has delegated management of the Company's portfolio to Schroders (the "Manager"). The Company now invests in a portfolio of stocks principally selected for their potential to provide attractive absolute returns for shareholders. The Company's portfolio is not constructed along index – relative lines (the market capitalisation of a stock for example has no bearing on whether it is held in the portfolio or in what size). Instead, a relatively concentrated portfolio of between 20 and 40 large and mid-cap stocks is selected on the basis of the Manager's investment conviction that they will provide attractive absolute returns. The size of individual stock holdings depends on the Manager's degree of conviction, not the stock's weight in any index. The underlying investment philosophy and process adopted in the research and selection of stocks has not changed. However, this investment approach places more emphasis on generating attractive absolute returns in a relatively short time horizon than a more traditional index-relative one.

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

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

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio on an on-going basis with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Investment Portfolio on page 8 demonstrates that, as at 30 April 2008, the Manager held 37 investments spread over several sectors. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Performance

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

Report of the Directors – Incorporating the Business Review

Dividend Policy

The Company's focus is on total return without constraining the Manager to deliver any given level of investment income. Prior to the change in investment policy in 2006, the Board aimed to provide shareholders with a stable stream of income rising over the long term. As stated in the Circular to shareholders dated 23 October 2006, income from investee companies may be somewhat more volatile in future. Whilst this could impact on the Company's ability to pay an increasing dividend stream, the Company will continue to pay interim dividends for each financial year on 31 January and 31 July.

Measuring Success – Key Performance Indicators

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

Investment Performance

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

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

For the year ended 30 April 2008, the Company achieved a total return on net asset value of –6.0% compared to a total return of –4.3% for the benchmark. Charts showing the Company's five-year performance and sector distribution measured against the benchmark as at 30 April 2008 can be found on pages 2 and 3 of this Report.

Each year the Board conducts an assessment of the Manager in the light of the performance achieved. Explanations of the factors behind the performance for the year under review are set out in statements from the Chairman and Investment Manager in this Report. The Board remains supportive of the Manager and believes that it has the depth of resource in its management team to enable the Company to out-perform over the longer-term, backed by strong distribution capabilities and administration. It continues to work with the Manager to adopt strategies to improve performance.

Discount Management

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

As the discount is a function of the balance between the supply and demand for the Company's shares, a principal objective for the Board is to ensure that, through 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 on a daily basis. The Board introduced a formal discount management policy to take effect once the change in investment policy had been approved by shareholders in November 2006, under which the Company will seek to maintain the discount to the net asset value at which shares are quoted on the London Stock Exchange at no greater than 5% over the long-term, subject to adverse market conditions. From time to time, it will be necessary for the Board to review target levels should general market conditions change.

An authority allowing the Company to re-issue shares held in treasury at or above the prevailing net asset value per share was also approved at the Annual General Meeting held in August 2007.

Report of the Directors – Incorporating the Business Review

During the year under review the share price reached a premium of 3.6% and fell to a discount of 8.2%. The Directors utilised the Company's share buy-back powers to purchase 850,000 shares to be held in treasury. A total of 350,000 shares were re-issued from treasury during the year. At 30 April 2008, the Company's share price stood at a discount of 4.8% to net asset value, which compared with those of AIC UK Growth Sector companies ranging between a premium of 3.6% and a discount of 16.1%.

Control of Total Expenses

One of the advantages of closed ended vehicles is their relatively low running costs compared with other investment vehicles. The Board has adopted a third KPI which assists the Board in keeping the total expense ratio ("TER") of the Company under review.

An analysis of the Company's 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 providers including bankers, auditors, insurance providers and printers are also reviewed annually.

The TER for the Company for the year to 30 April 2008 (calculated in accordance with AIC guidance as total annualised net operating expenses excluding back dated VAT recovery on management fees after tax divided by average net assets during the year) was 0.64%. This is significantly below the average for investment trusts in general and for our peer group.

Principal Risks and Uncertainties

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

Market Risk

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

Gearing

The Company utilises a credit facility, currently in the amount of £45 million, which increases the funds available for investment through borrowing ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the share price is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. In the Circular to shareholders dated 23 October 2006, the Directors indicated that some form of gearing may be employed by the Company from time to time, but they do not anticipate gearing levels in excess of 20% of Shareholders' funds. They also indicated that the Company may hold up to 20% of Shareholders' funds in cash or cash equivalents. The Company's gearing continues to operate within pre-agreed limits so that actual gearing does not represent more than 20% of shareholders' funds.

Discount

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

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 could result in the Company being subject to capital gains tax on the sale of portfolio investments. Breaches of other regulations such as the UK Listing Authority's Listing Rules could lead to a number of detrimental outcomes and damage the

Report of the Directors – Incorporating the Business Review

Company's reputation. Breaches of controls by service providers such as the Manager could also lead to reputational damage or loss.

Resources

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

Revenue and Earnings

The net revenue return before finance costs and taxation for the year was £7,491,000 (2007: £6,862,000). After deducting interest charges and taxation the amount available for distribution to shareholders was £6,681,000 (2007: £6,383,000), equivalent to net revenue of 4.26p (2007: 3.94p) per ordinary share. Excluding recognition of a recovery of £800,000 in respect of VAT on management fees to be reclaimed, net revenue was equivalent to 4.11p per share.

Dividend Policy

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

Having already paid a first interim dividend of 1.65p per share, the Board has now declared a second interim dividend of 2.20p per share for the year ended 30 April 2008 which is payable on 31 July 2008 to Shareholders on the Register on 18 July 2008. Thus, dividends for the full year amount to 3.85p per share (2007: 3.50p per share). As in previous years, the dividend is declared as an interim to enable payment at the end of July, ahead of the Company's Annual General Meeting in August.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 30 April 2008 (2007: nil).

Purchase of Own Shares

The total number of shares in issue on 4 July 2008 was 156,876,900. At the General Meeting held on 3 August 2007, 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 4 July 2008 will be proposed at the forthcoming Annual General Meeting for which notice is given on page 39.

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 2009 unless renewed earlier.

The Company is also permitted to purchase up to 10% of its own issued shares and hold those 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 authority for the Company to purchase its own shares will allow the Company to hold up to 5% of the shares so purchased in treasury for potential reissue as an alternative to the immediate cancellation of those shares.

Report of the Directors – Incorporating the Business Review

The Company purchased 850,000 shares into treasury during the year ended 30 April 2008. In addition, a total of 2,900,000 shares were cancelled and 350,000 shares were re-issued during the year.

The Board has determined that shares may only be held in treasury for up to 12 months, after which time they will be cancelled.

Issues of Shares and Disapplication of Pre-emption Rights

At the 2007 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 6 and 7 as set out in the Notice of Meeting on page 39 will be proposed as an ordinary and a special resolution respectively which, if passed, will give the Directors power to allot ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £1,960,961 (equivalent to 7,843,845 ordinary shares of 25p and 5% of the Company's existing issued ordinary share capital at 4 July 2008), 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 2009.

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. The authority will only be used to issue shares at a premium to net asset value at the time of issue.

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, Ms Pirie will retire by rotation and, being eligible, offers herself for re-election. In addition, in accordance with the Company's policy on tenure as outlined in the Corporate Governance Statement, Mr Niven, having served as a non-executive Director for more than 9 years, will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election. Mr Phillips will retire at the forthcoming Annual General Meeting and does not offer himself for re-election.

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

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

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

Director	Ordinary shares of 25p each 30 April 2008	Ordinary shares of 25p each 1 May 2007
Alan Clifton	**35,000**	35,000
Keith Niven	**27,959**	27,397
Ian Phillips	**15,955**	15,688
Stella Pirie	**15,573**	10,516
David Ritchie	**20,000**	20,000

There have been no changes in the above holdings between the end of the financial year and 4 July 2008.

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Rensburg Sheppards Investment Management Limited	9,417,181	6.00
Legal & General Group Plc	6,319,729	4.03
Barclays plc	6,018,095	3.84
East Riding of Yorkshire Council	5,000,000	3.19

Report of the Directors – Incorporating the Business Review

Independent Auditors

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

The Audit Committee has adopted a policy on the engagement of the Auditors to supply non-audit services to the Company. The Auditors did not supply any non-audit services during the year under review.

Provision of Information to Auditors

The Directors at the date of approval of this report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he 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.

Investment Manager

During the year under review the Board considered the services provided by the Investment Manager, Schroder Investment Management Limited. The Board continues to consider that the Manager has the appropriate depth of resource to provide above-average returns in the longer-term. The Board therefore considers that the Manager's continued appointment under the terms of the current Investment Management Agreement, further details of which are set out below, remains in the interests of shareholders as a whole.

The Investment Manager provides investment management and company secretarial services to the Company in accordance with an Investment Management Agreement. Fees (excluding performance fees) payable to the Investment Manager under the Agreement are based on 0.4% of the Company's net assets. Net assets are defined as total assets less all current liabilities other than short term borrowings. The value of cash up to the level of short term borrowing is deducted from this calculation of net assets. The Manager is also entitled to receive an annual performance fee, capped at £500,000, provided that the total return generated by the Company's net asset value out-performs the FTSE All-Share Index by at least 0.50% per annum. The performance fee equating to 10% of the amount of the out-performance will be calculated annually but averaged and accumulated over a rolling three-year period. The amount of management fees payable in respect of the year ended 30 April 2008 is shown in note 4 to the accounts. No performance fee is payable in respect of the year ended 30 April 2008.

Under the Investment Management Agreement, Schroder Investment Management Limited is entitled to a secretarial fee amounting to £61,200 (plus VAT) for the year ended 30 April 2008. This fee increases each year in line with the Retail Price Index.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

4 July 2008

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 limit the aggregate fees payable to the Board of Directors to a total of £125,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors carry out in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 30 April 2008, Directors received fees of £16,500 per annum and the Chairman received fees of £25,000 per annum to reflect his more onerous role. The Chairman of the Audit Committee received an additional £2,000 per annum.

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

The Board believes that the principles in Code 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 terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting ("AGM").

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

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

Performance Graph

A graph showing the Company's net asset value and share price total return compared with its benchmark, the FTSE All-Share Index, over the last 5 years is shown on page 3.

Remuneration for Qualifying Services

Director	**For the year ended 30 April 2008 fees for services to the Company £**	For the year ended 30 April 2007 fees for services to the Company £
Alan Clifton (Chairman and highest paid Director)	**25,000**	22,500
Keith Niven	**16,500**	15,000
Ian Phillips	**16,500**	15,000
Stella Pirie	**16,500**	15,000
David Ritchie	**18,500**	16,000
	93,000	83,500

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

4 July 2008

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 United Kingdom 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. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

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 believe that they have complied with these responsibilities.

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 16, 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 Code 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.schroderukgrowthfund.com. Details of membership of the Committees at 30 April 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 three occasions during the year ended 30 April 2008 and considered the annual financial statements and half-yearly financial statements, 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 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.

Corporate Governance

To discharge its duties, the Committee met on one occasion during the year ended 30 April 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, with the exception of Mr Niven, to be independent.

To discharge its duties, the Committee met on three occasions during the year ended 30 April 2008 and considered an evaluation of the balance of skills and expertise of the Board, succession planning, the selection of suitable candidates for a new director and arrangements for candidates to be interviewed.

Composition and Independence

The Board currently consists of five non-executive Directors. The biographies of each of these Directors, including their age and length of service, are set out on the inside front cover of this Report. The Board considers each of the Chairman, Mr Phillips, Ms Pirie and Mr Ritchie to be independent. Mr Niven is not deemed independent by virtue of his previous relationship with the Investment Manager and because he is a Director of Schroder Income Growth Fund plc, another investment trust managed by Schroders. The independence of each Director is considered on a continuing basis.

The Board has no executive Directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of the Company's investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services.

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

Induction and Training

The Board has adopted a full, formal and tailored induction programme for new Directors, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice. Advisers to the Company also prepare reports for the Board from time to time. In addition, Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment trust industry.

Board Evaluation

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

Evaluation is conducted utilising a questionnaire. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director and the responsibilities, composition and agenda of the Committees and of the Board itself.

Corporate Governance

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

Meetings and Attendance

The Board meets at least five times each year and, in addition, meets specifically to discuss strategy once 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 five scheduled Board meetings and at 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
Alan Clifton	5/5	3/3	3/3	1/1
Keith Niven	5/5	N/A	3/3	N/A
Ian Phillips	5/5	3/3	3/3	1/1
Stella Pirie	5/5	3/3	3/3	1/1
David Ritchie	5/5	3/3	3/3	1/1

Information Flows

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

Directors' and Officers' Liability Insurance

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

Directors' Indemnities

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

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. It has, since its launch, sought engagement with investors. The Chairman, and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. 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 the full Board of Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the chairmen of the Board, Audit and Management Engagement Committees at the Annual General 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.

Corporate Governance

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

Environmental Policy

The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Providing 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 when selecting or retaining investments.

Exercise of Voting Powers

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

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

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

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

Independent Auditors' Report[1]

To the shareholders of Schroder UK Growth Fund plc

We have audited the accounts of Schroder UK Growth Fund plc for the year ended 30 April 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. 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.

Respective Responsibilities of Directors and Auditors

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

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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Managers' Report that is cross referenced from the Business Review section of the Directors' Report.

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 Combined Code 2006 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 the Financial Highlights, the Chairman's Statement, the Investment Managers' Review and the other elements of the Investment Review, the Directors' Report, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and Financial Highlights. 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[1]

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 April 2008 and of its net loss and cash flows 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

4 July 2008

[1] The accounts are published on the Company's website, www.schroderukgrowthfund.com. The maintenance and integrity of the website maintained by the Company is the responsibility of the Company. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website or any other website upon which the accounts may be published and accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Income Statement

		For the year ended 30 April 2008			For the year ended 30 April 2007		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	2	–	(17,409)	(17,409)	–	25,426	25,426
Income	3	7,957	–	7,957	7,559	–	7,559
Investment management fee	4	(96)	(223)	(319)	(352)	(821)	(1,173)
Administrative expenses	5	(370)	–	(370)	(345)	(21)	(366)
Net return before finance costs and taxation		7,491	(17,632)	(10,141)	6,862	24,584	31,446
Interest payable and similar charges	6	(803)	(1,811)	(2,614)	(479)	(1,115)	(1,594)
Net return on ordinary activities before taxation		6,688	(19,443)	(12,755)	6,383	23,469	29,852
Taxation on ordinary activities	7	(7)	–	(7)	–	–	–
Net return attributable to equity shareholders		6,681	(19,443)	(12,762)	6,383	23,469	29,852
Return per ordinary share	9	4.26p	(12.40)p	(8.14)p	3.94p	14.49p	18.43p

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

All Revenue and Capital items in the above statement derive from continuing operations.

The notes on pages 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	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Total £'000
At 30 April 2006		41,036	16,233	944	95,098	417	70,927	4,476	229,131
Net return on ordinary activities		–	–	–	–	–	23,469	6,383	29,852
Ordinary Dividends paid	8	–	–	–	–	–	–	(5,419)	(5,419)
Purchase of shares for cancellation		(242)	242	–	(1,133)	–	–	–	(1,133)
Purchase of shares into Treasury		–	–	–	(7,935)	–	–	–	(7,935)
At 30 April 2007		40,794	16,475	944	86,030	417	94,396	5,440	244,496
At 30 April 2007		40,794	16,475	944	86,030	417	94,396	5,440	244,496
Net return on ordinary activities		–	–	–	–	–	(19,443)	6,681	(12,762)
Ordinary Dividends paid	8	–	–	–	–	–	–	(5,719)	(5,719)
Purchase of shares into Treasury		–	–	–	(1,280)	–	–	–	(1,280)
Cancellation of shares from Treasury		(725)	725	–	–	–	–	–	–
Re-issue of shares from Treasury		–	–	41	484	–	–	–	525
At 30 April 2008		**40,069**	**17,200**	**985**	**85,234**	**417**	**74,953**	**6,402**	**225,260**

* 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 April 2008 £'000	At 30 April 2007 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	254,069	281,323
Current assets			
Debtors	11	8,894	1,682
Cash at bank and short-term deposits		10,416	854
		19,310	2,536
Current liabilities			
Creditors – amounts falling due within one year	12	(48,119)	(39,363)
Net current liabilities		(28,809)	(36,827)
Net assets		225,260	244,496
Capital and reserves			
Called-up share capital	14	40,069	40,794
Capital redemption reserve	15	17,200	16,475
Share premium account	16	985	944
Share purchase reserve	17	85,234	86,030
Warrant exercise reserve	18	417	417
Capital reserves	19	74,953	94,396
Revenue reserve	20	6,402	5,440
Equity shareholders' funds		225,260	244,496
Net asset value per ordinary share	21	143.59p	155.36p

The Accounts were approved by the Board of Directors on 4 July 2008 and signed on behalf of the Board by:

Alan Clifton
Chairman

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

Cash Flow Statement

	Note	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Operating activities			
Dividends received from investments		**7,118**	7,366
Interest received on deposits and other income		**169**	239
Investment management fee paid		**(1,185)**	(1,128)
Administrative expenses paid		**(332)**	(363)
Net cash inflow from operating activities	22	**5,770**	6,114
Servicing of finance			
Bank overdraft interest paid		**(27)**	–
Bank loan interest paid		**(2,549)**	(1,567)
Net cash outflow from servicing of finance		**(2,576)**	(1,567)
Taxation			
Overseas tax paid		**(7)**	–
Recoverable tax paid		**(27)**	–
Total tax paid		**(34)**	–
Investment activities			
Acquisition of investments		**(132,590)**	(127,393)
Disposal of investments		**138,012**	130,940
Net cash inflow from investment activities		**5,422**	3,547
Equity dividends paid			
Ordinary shares		**(5,719)**	(5,419)
Net cash inflow before financing		**2,863**	2,675
Financing			
Purchase of shares for cancellation		**–**	(1,139)
Purchase of shares into Treasury		**(1,326)**	(7,881)
Re-issue of shares from Treasury		**525**	–
Bank loan drawn down		**7,500**	7,000
Net cash inflow/(outflow) from financing		**6,699**	(2,020)
Net cash inflow		**9,562**	655

Reconciliation of Net Cash Flow to Movement in Net Debt			
Net cash inflow		**9,562**	655
Movement in borrowings		**(7,500)**	(7,000)
Movement in net debt resulting from cash flows		**2,062**	(6,345)
Net debt at 1 May		**(34,146)**	(27,801)
Net debt at 30 April	23	**(32,084)**	(34,146)

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 April 2008 are unchanged from 2007 and are set out below.

a – Basis of preparation

The accounts have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of investments and 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 FRS29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS29 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classificiation 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 266 of the Companies Act 1985, 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 in cash, the amount of the cash dividend foregone is recognised as income. 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 30% to the revenue return and 70% 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 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 – Foreign exchange

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling at the date of such transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, and the resulting gains or losses are taken to the capital return.

g – 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 of 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.

h – Dividends payable

Under FRS 21 final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the Balance Sheet date. Interim dividends should not be accrued in the financial statements unless they have been paid.

Notes to the Accounts

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.

i – Capital reserve – realised

The following transactions 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;
– other capital charges and credits charged to this account in accordance with the above policies;
– cost of purchasing ordinary share capital and warrants.

j – Capital redemption reserve

The nominal value of ordinary share capital repurchased for cancellation is transferred out of share capital and into the capital redemption reserve.

k – Capital reserves

Capital reserve – realised

The following transactions are accounted for in this reserve:
– gains and losses on the realisation of non current asset investments
– realised exchange differences of a capital nature
– costs of professional advice, including irrecoverable VAT, relating to the capital structure of the Company
– other capital charges and credits charged or credited to this account in accordance with the above policies
– cost of purchasing ordinary share capital and warrants

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

	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Net profit on disposal of investments	**23,181**	39,882
Unrealised depreciation of investments arising during the year	**(40,590)**	(14,456)
	(17,409)	25,426

3. Income

	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Income from investments:		
UK franked dividend income	**7,571**	7,312
UK unfranked dividend income	**206**	–
	7,777	7,312
Interest on deposits	**178**	246
Other income	**2**	1
	7,957	7,559

Notes to the Accounts

4. Investment management fee

	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Management fee		
– charged to revenue	**321**	300
– irrecoverable VAT	**15**	52
– charged to capital	**749**	699
– irrecoverable VAT	**34**	122
	1,119	1,173
Back dated VAT recoverable (note 25)		
– Revenue	**(240)**	–
– Capital	**(560)**	–
Total	**319**	1,173

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

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

No performance fee is payable in respect of the 3 year performance period ended 30 April 2008 and no fee is accrued in respect of the performance periods ending 30 April 2009 and 30 April 2010.

5. Administrative expenses

	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Allocated to revenue:		
General expenses	**185**	163
Administrative costs incurred in change of investment policy	**–**	9
Directors' fees	**93**	84
Secretarial fee	**72**	69
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	**20**	20
Fees payable to the company's auditor and its associates for other services:		
Other services	**–**	–
	370	345
Allocated to capital:		
Administrative costs incurred in change of investment policy	**–**	21
	–	21
Total	**370**	366

Notes to the Accounts

6. Interest payable

	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Bank overdraft interest payable	**27**	–
Bank loan interest payable	**2,587**	1,594
	2,614	1,594
– charged to revenue	**803**	479
– charged to capital	**1,811**	1,115
	2,614	1,594

7. Taxation

(a) Analysis of charge in the year:

	2008 £'000	2007 £'000
Irrecoverable overseas tax	**7**	–
Total current taxation (note 7 (b))	**7**	–

The Company has no corporation tax liability in the year to 30 April 2008 (2007: £nil).

(b) 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. Approved investment trust companies are exempt from tax on capital gains within the Company.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2007: 30%).

The differences are explained below:

	For the year ended 30 April 2008			For the year ended 30 April 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/profit on ordinary activities before tax	**6,688**	**(19,443)**	**(12,755)**	6,383	23,469	29,852
(Loss)/profit on ordinary activities multiplied by standard rate of:						
corporation tax in the UK of 30% (2007: 30%)	**1,839**	**(5,347)**	**(3,508)**	1,915	7,041	8,956
corporation tax in the UK of 28%* (2007: 30%)	**156**	**(454)**	**(298)**	–	–	–
Effects of:						
Capital returns on investments	**–**	**5,194**	**5,194**	–	(7,628)	(7,628)
UK dividends not chargeable to corporation tax	**(2,259)**	**–**	**(2,259)**	(2,194)	–	(2,194)
Expenses not deductible for tax purposes	**2**	**–**	**2**	–	–	–
Expenses not utilised in the year	**262**	**607**	**869**	279	587	866
Overseas tax	**7**	**–**	**7**			
Current tax charge for the year	**7**	**–**	**7**	–	–	–

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

(c) Provision for deferred tax

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

(d) Factors that may affect future tax charges

The Company has deferred tax assets in respect of unutilised management expenses of £5,822,000 (2007: £6,097,000), non-trading deficits £1,386,000 (2007: 752,000) and eligible unrelieved foreign tax of £15,000 (2007: nil) which have not been recognised as it is not certain that the Company will have sufficient profits in the future to utilise these amounts.

Notes to the Accounts

8. Dividends

	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Amounts recognised as distributions in the period:		
Second interim dividend of prior year of 2.00p (2007: 1.85p)	**3,131**	3,020
First interim dividend of 1.65p (2007: 1.50p)	**2,588**	2,399
Total dividends of 3.65p (2007: 3.35p) per ordinary share	**5,719**	5,419

The first interim dividend of 1.65 pence per share (2007: 1.50 pence per share) is based on 156,876,900 (2007: 159,925,900) ordinary shares in issue.

The second interim dividend of the prior year of 2.00 pence per share (2007: 1.85 pence per share) is based on 156,526,900 (2007: 163,175,900) ordinary shares in issue.

The total dividends 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 April 2008 £'000	For the year ended 30 April 2007 £'000
First interim dividend of 1.65p (2007: 1.50p)	**2,588**	2,399
Second interim dividend of 2.20p (2007: 2.00p)	**3,452**	3,131
Total dividends of 3.85p (2007: 3.50p) per ordinary share	**6,040**	5,530

The second interim dividend of 2.20 pence per share (2007: 2.00 pence per share) is based on 156,876,900 (2007: 156,526,900) ordinary shares in issue.

9. Return per ordinary share

	For the year ended 30 April 2008	For the year ended 30 April 2007
Revenue (£'000)	**6,681**	6,383
Capital (£'000)	**(19,443)**	23,469
Total (£'000)	**(12,762)**	29,852
Weighted average number of shares	**156,789,605**	161,955,514
Revenue	**4.26p**	3.94p
Capital	**(12.40)p**	14.49p
Total	**(8.14)p**	18.43p

10. Investments held at fair value through profit or loss

	For the year ended 30 April 2008 £'000	For the year ended 30 April 2007 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	**239,892**	200,042
Acquisitions at cost	**133,885**	130,908
Proceeds of disposals	**(143,730)**	(130,940)
Net gains realised on disposals	**23,181**	39,882
Closing book cost	**253,228**	239,892
Unrealised appreciation of investments	**841**	41,431
Closing valuation of investments	**254,069**	281,323

Notes to the Accounts

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 April 2008 £'000	For the year ended 30 April 2007 £'000
On acquisitions	**852**	793
On disposals	**172**	182
	1,024	975

11. Debtors

	At 30 April 2008 £'000	At 30 April 2007 £'000
Amounts receivable within one year:		
Sales for future settlement	**5,718**	–
Accrued income	**2,327**	1,657
VAT recoverable (note 25)	**800**	–
Tax recoverable	**27**	–
Prepaid expenses	**22**	25
	8,894	1,682

12. Creditors

	At 30 April 2008 £'000	At 30 April 2007 £'000
Amounts falling due within one year:		
Bank loan	**42,500**	35,000
Purchases for future settlement	**5,088**	3,793
Purchases of shares into treasury	**–**	53
Accrued expenses	**531**	517
	48,119	39,363

The Company has a £45 million 364 day revolving credit facility with ING Bank N.V., of which £42.5 million (2007: £35 million) was drawn down at 30 April 2008. The facility is unsecured and is not subject to any early termination charges.

13. Contingent liabilities

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

Notes to the Accounts

14. Called-up share capital

	At 30 April 2008 £'000	At 30 April 2007 £'000
Authorised: 1,272,500,000 (2007:1,272,500,000) ordinary shares of 25p each	**318,125**	318,125
Allotted, Called up and Fully paid:		
Shares in issue:		
Opening balance of 157,376,900 (2007: 164,145.900) ordinary shares of 25p each	**39,344**	41,036
Repurchase of nil (2007: 970,000) shares for cancellation	**–**	(242)
Repurchase of 850,000 (2007: 5,799,000) shares into treasury	**(213)**	(1,450)
Re-issue of 350,000 (2007: nil) shares from treasury	**88**	–
	39,219	39,344
Shares held in treasury:		
Opening balance of 5,799,000 (2007: nil) shares held in treasury	**1,450**	–
Repurchase of 850,000 (2007: 5,799,000) shares into treasury	**213**	1,450
Re-issue of 350,000 (2007: nil) shares from treasury	**(88)**	–
Cancellation of 2,900,000 shares from treasury	**(725)**	–
	850	1,450
Closing balance*	**40,069**	40,794

*Represented by 160,275,900 (2007: 163,175,900) shares of 25p each, including 3,399,000 (2007: 5,799,000) shares held in treasury.

15. Capital redemption reserve

	At 30 April 2008 £'000	At 30 April 2007 £'000
Balance brought forward	**16,475**	16,233
Transfer from share capital (note 14)	**725**	242
Balance carried forward	**17,200**	16,475

16. Share premium account

	At 30 April 2008 £'000	At 30 April 2007 £'000
Balance brought forward	**944**	944
Arising on the re-issue of 350,000 shares from treasury	**41**	–
Balance carried forward	**985**	944

17. Share purchase reserve

	At 30 April 2008 £'000	At 30 April 2007 £'000
Balance brought forward	**86,030**	95,098
Shares bought back and cancelled	**–**	(1,089)
Purchase of shares into treasury	**(1,273)**	(7,934)
Stamp duty on shares purchased	**(7)**	(45)
Shares re-issued from treasury	**484**	–
Balance carried forward	**85,234**	86,030

Notes to the Accounts

18. Warrant exercise reserve

	At 30 April 2008 £'000	At 30 April 2007 £'000
Balance brought forward and carried forward	**417**	417

19. Capital reserves

	Realised £'000	Unrealised £'000	Total £'000
Balance brought forward	**52,965**	**41,431**	**94,396**
Transfer of brought forward unrealised reserve*	**41,431**	**(41,431)**	**–**
Gains on investments held at fair value	**(17,409)**	**–**	**(17,409)**
Investment management fee	**(223)**	**–**	**(223)**
Bank loan interest payable	**(1,811)**	**–**	**(1,811)**
Balance carried forward	**74,953**	**–**	**74,953**

*Under a technical release issued by the ICAEW Tech 02/07 "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, with subsequent increases and decreases in the valuation of investments at the year-end being included within the Capital Reserve – realised, rather than the Capital Reserve – unrealised.

20. Revenue reserve

	At 30 April 2008 £'000	At 30 April 2007 £'000
Balance brought forward	**5,440**	4,476
Dividends paid	**(5,719)**	(5,419)
Net revenue return for the year	**6,681**	6,383
Balance carried forward	**6,402**	5,440

21. Net asset value per ordinary share

	At 30 April 2008	At 30 April 2007
Net asset value per ordinary share	**143.59p**	155.36p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £225,260,000 (2007: £244,496,000) and 156,876,900 (2007: 157,376,900) 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 April 2008 £'000	For the year ended 30 April 2007 £'000
Net return before finance costs and taxation	**(10,141)**	31,446
Gains on investments held at fair value	**17,409**	(25,426)
(Increase)/decrease in accrued income	**(670)**	47
Decrease/(increase) in prepayments and other debtors	**(797)**	(1)
(Decrease)/increase in accrued expenses (excl. interest and stamp duty)	**(31)**	48
Net cash inflow from operating activities	**5,770**	6,114

Notes to the Accounts

23. Analysis of changes in net debt

	At 30 April 2007 £'000	Cash flow £'000	Movement in borrowings £'000	At 30 April 2008 £'000
Cash at bank & short-term deposits	854	9,562	–	**10,416**
Bank loan	(35,000)	–	(7,500)	**(42,500)**
Net debt	(34,146)	9,562	(7,500)	**(32,084)**

24. Related party transactions

The Company has appointed Schroders to provide investment management, accounting, secretarial and administration services. Details of the management and secretarial fee arrangements for these services are given in the Directors' Report on page 14. The total management fee (inclusive of VAT) payable under this agreement to Schroders in respect of the year ended 30 April 2008 was £1,119,000 (2007: £1,173,000), of which £249,000 (2007: £315,000) was outstanding at the year end. The total secretarial fee (including VAT) payable to Schroders in respect of the year ended 30 April 2008 was £72,000 (2007: £69,000), of which £18,000 (2007: £17,000) was outstanding at the year end.

In addition to the above services, Schroders also provided investment trust dealing services. The total cost to the Company of this service, payable to Equiniti Limited, for the year ended 30 April 2008 was £7,000 (2007: £8,000). £10,000 (2007: £2,000) was outstanding at the year end.

During the year banking facilities were provided by Schroder & Co Limited. At 30 April 2008, the balance held at Schroder & Co Limited was £nil (2007: £5,000).

At 2 July 2008 Schroders had an interest in 61,876,143 ordinary shares, representing 39.4% of the Company's issued share capital on that date, which are held by investors in a Schroder ISA.

25. Contingent asset

In June 2007 the European Court of Justice (ECJ) ruled that investment trusts are exempt from VAT on management fees. HM Revenue & Customs (HMRC) have accepted this ruling and will not appeal.

The Manager has submitted a claim to HMRC in respect of periods from April 2001 to October 2007 which fall within the 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 £800,000 (excluding any simple interest) paid on Management fees for the period April 2001 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 £800,000 has been recognised in these accounts.

There are two further periods, 1994-96 and 1996-2001, 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 principal investment objective is to achieve capital growth predominantly from investment in UK equities. 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 potential revenue profits available for dividend. The Company did not enter into derivative contracts during the year ended 30 April 2008.

As an investment trust, the Company invests in securities for the long term. Accordingly, it is the Company's policy that no 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 policy 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 cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - price risk, interest rate risk and currency risk. The Company's investment manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

Notes to the Accounts

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 page 8. 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, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board.

Other price risks exposure

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

	30 April 2008 £'000	30 April 2007 £'000
Non-current asset investments at fair value through profit or loss	**254,069**	281,323

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% 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.

	30 April 2008		30 April 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	**–**	**–**	–	–
Effect on capital return	**25,407**	**(25,407)**	28,132	(28,132)
Effect on total return and on net assets	**25,407**	**(25,407)**	28,132	(28,132)
Change in net asset value	**11.3%**	**–11.3%**	11.5%	–11.5%

b. Interest rate risk

The Company will be affected by interest rate changes as it holds interest-bearing financial assets and liabilities.

The Company currently has a revolving credit facility of £45 million with ING Bank N.V., of which £42.5 million was drawn down at the year end (2007: £35 million). Interest is paid on the loan at a percentage rate per annum, which is equivalent to (i) the margin; (ii) LIBOR; and (iii) any mandatory costs during the term for that advance.

Management of the risk

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

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

Interest rate risk exposure

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

– floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be re-set;

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

	30 April 2008			30 April 2007		
	Within one year £'000	**More than one year £'000**	**Total £'000**	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash at bank and short-term deposits	**10,416**	**–**	**10,416**	854	–	854
Creditors: amounts falling due within one year						
– Bank loan	**(42,500)**	**–**	**(42,500)**	(35,000)	–	(35,000)
Total exposure to interest rates	**(32,084)**	**–**	**(32,084)**	(34,146)	–	(34,146)

Notes to the Accounts

The above year end amounts are not representative of the exposure to interest rates during the year, because the level of exposure changes as borrowings are drawn down and repaid.

The maximum and minimum total interest rate exposures during the year are shown below:

	30 April 2008 £'000	30 April 2007 £'000
Maximum interest rate exposure	**(42,220)**	(35,000)
Minimum interest rate exposure	**(32,088)**	(28,000)

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.

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.

	30 April 2008		30 April 2007	
	Increase in rate £'000	**Decrease in rate £'000**	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	**(12)**	**12**	(48)	48
Effect on capital return	**(149)**	**149**	(123)	123
Effect on total return and on net assets	**(161)**	**161**	(171)	171

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 as borrowings are drawn down and repaid throughout the year.

c. Currency risk

The Company invests predominantly in UK equities. The Company may, however, hold foreign denominated assets. As at 30 April 2008, no foreign denominated assets were held (2007: £nil).

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

This risk is not considered significant. 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:

	30 April 2008 £'000	30 April 2007 £'000
Balances due from brokers	**5,718**	–
Accrued income	**2,327**	1,657
Taxation recoverable	**27**	–
Cash at bank and on deposit	**10,416**	854
	18,488	2,511

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 Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

Notes to the Accounts

Liquidity risk exposure

A summary of the Company's financial liabilities is provided below.

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 last traded market prices.

5. Summary of financial assets and financial liabilities by category

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

	30 April 2008 £'000	30 April 2007 £'000
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**254,069**	281,323
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable and accrued income)	**8,072**	1,657
Cash at bank and short-term deposits	**10,416**	854
	18,488	2,511

Financial liabilities

	30 April 2008 £'000	30 April 2007 £'000
Measured at amortised cost		
Creditors: amounts falling due within one year		
Borrowings under the currency loan facility	**42,500**	35,000
Due to brokers	**5,088**	3,846
Accruals	**531**	517
	48,119	39,363

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 buy back or issue equity shares; and
(iii) the determination of dividend payments.

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

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of section 842 Income and Corporation Taxes Act 1988 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 Growth Fund plc will be held at 12 noon on Tuesday, 5 August 2008 at 31 Gresham Street, London EC2V 7QA to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 6 will be proposed as Ordinary Resolutions and resolutions 7 to 9 will be proposed as Special Resolutions.

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 April 2008.
2. To approve the Directors' Remuneration Report for the year ended 30 April 2008.
3. To re-elect Ms Stella Pirie as a Director of the Company.
4. To re-elect Mr Keith Niven as a Director of the Company.
5. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Board to determine their remuneration.
6. 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 £1,960,961 (representing 5% of the share capital in issue on 4 July 2008); and provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
7. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That, subject to the passing of Resolution 6 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 6 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 £1,960,961 (representing 5% of the aggregate nominal amount of the share capital in issue on 4 July 2008); 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."
8. 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 23,515,847, representing 14.99% of the issued share capital as at 4 July 2008;
   (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 (i) 105% of the average of the middle market quotations for a share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that 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 the 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".
9. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That the document presented to the meeting and signed by the Chairman for the purposes of identification be and is hereby adopted as the Articles of Association of the Company in substitution for the existing Articles."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 2894077
4 July 2008

Explanatory Notes Including Principal Changes to the Company's Articles of Association

1. Copies of the proposed new Articles of Association detailing changes to the existing Articles of Association are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the Annual General Meeting for at least 15 minutes prior to, and during, the Meeting.

   The principal changes to the Articles of Association are as follows:

   Articles which duplicate statutory provisions

   Provisions in the Current Articles (as defined in the Chairman's Statement) which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles (as defined in the Chairman's Statement). This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

   Form of resolution

   The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

   The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

   Convening extraordinary and annual general meetings

   The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

   Votes of members

   The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The new Articles give the directors discretion, when calculating the time limits, to exclude weekend and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

   Age of directors on appointment

   The Current Articles contain a provision stating that where a general meeting is convened at which, to the knowledge of the board, a director is to be proposed for appointment or reappointment who is at the date of the meeting 70 or more, the board shall give notice of his age in the notice convening the meeting or in a document accompanying the notice. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

   Conflicts of interest

   The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another investment trust (or other company) or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

   There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

   It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

   Notice of board meetings

   Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

   Records to be kept

   The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

   Distribution of assets otherwise than in cash

   The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

   General

   Generally the opportunity has been taken to bring clearer language into the New Articles.

2. 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 2449, 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.

3. 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 2 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

4. 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 3 August 2008, 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 3 August 2008 shall be disregarded in determining the right of any person to attend and vote at the meeting.

5. 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.

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

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

8. As at 4 July 2008, 156,876,900 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 4 July 2008 is 156,876,900.

sterling greenaways 103933

Company Summary and Shareholder Information

The Company

Schroder UK Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 4 July 2008, the Company had 156,876,900 ordinary shares of 25p each in issue (no shares were held in treasury). The Company's assets are managed and it is administered by Schroders. The Company has, since its launch in 1994, measured its performance against the FTSE All-Share Index. The Company measures its performance on a total return basis.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to Shareholders at the Company's Annual General Meeting in 2009 and thereafter at five yearly intervals.

Website and Price Information

The Company has launched a dedicated website, which may be found at www.schroderukgrowthfund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA 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 2449. 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.schroderukgrowthfund.com

Schroders