Schroder UK Growth Fund plc

Annual Report and Accounts

For the year ended
30 April 2018

Investment objective

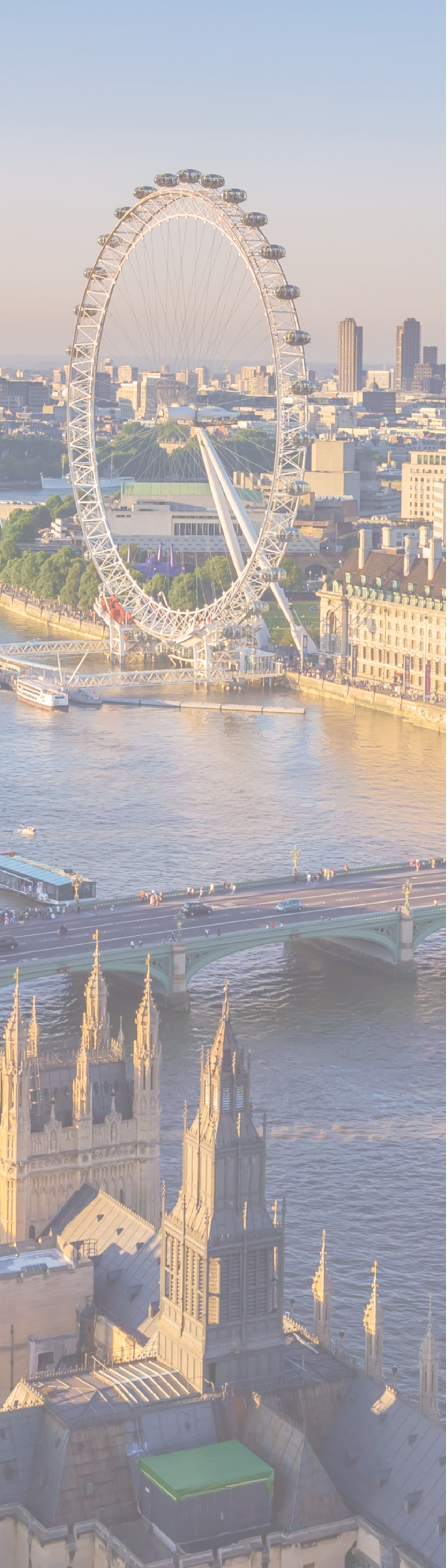
The principal investment objective of the Company is to achieve capital growth predominantly from investment in UK equities, with the aim of providing a total return in excess of the FTSE All-Share Index.

Investment policy

The Company invests in a relatively concentrated portfolio of between 35 and 65 stocks principally selected for their potential to provide shareholders with attractive returns relative to the FTSE All-Share Index. The portfolio is invested primarily in listed UK equities. It may, if appropriate, include convertible securities, and equity-related derivatives may be used for efficient portfolio management purposes. The yield on the Company's investment portfolio is of secondary importance.

The stocks are predominantly constituents of the FTSE 350 Index.

The size of individual stock holdings depends on the Manager's degree of conviction, not the stock's weight in any index.



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Financial Highlights

Definitions of terms and performance measures are provided on page 49.

Total returns for the year ended 30 April 2018

9.1%
Net asset value ("NAV") per share[1]

15.0%
Share price[1]

8.2%
Benchmark[2]

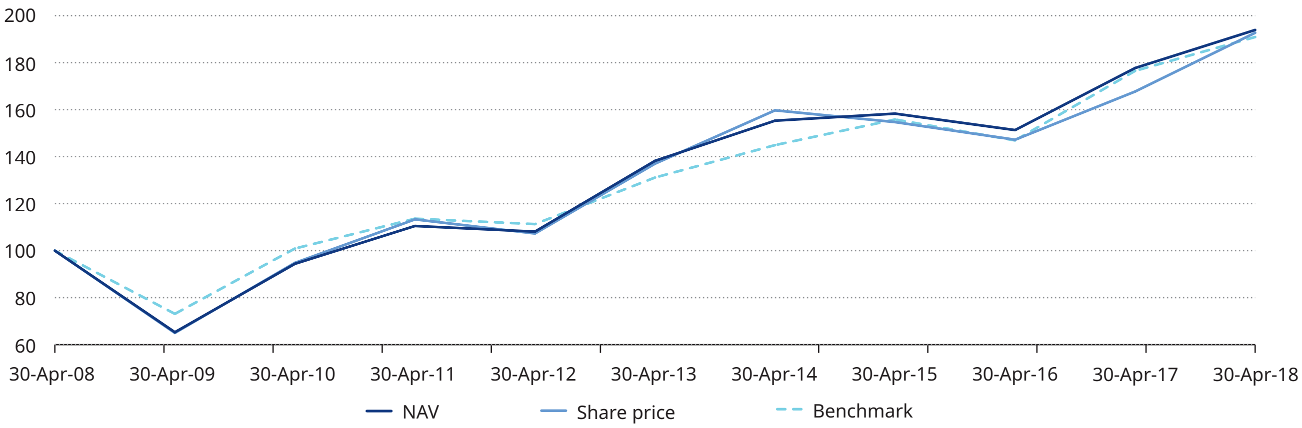
[1]Source: Morningstar
[2]Source: Thomson Reuters

Other financial information

	30 April 2018	30 April 2017	% Change
Shareholders' funds (£'000)	312,252	304,372	+2.6
Shares in issue	150,520,484	155,589,184	(3.3)
NAV per share (pence)	207.45	195.63	+6.0
Share price (pence)	187.50	168.50	+11.3
Share price discount (%)	9.6	13.9	
Gearing/(net cash) (%)	2.7	(0.6)	

	Year ended 30 April 2018	Year ended 30 April 2017	% Change
Net revenue after taxation (£'000)	10,099	9,248	+9.2
Return per share (pence)	6.58	5.83	+12.9
Dividends per share (pence)	6.00	5.40	+11.1
Ongoing Charges (%)	0.63	0.62	

10 Year NAV, share price and benchmark total returns to 30 April 2018[1]



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 April 2008.

Chairman's Statement

Performance

During the year to 30 April 2018, the Company's net asset value ("NAV") produced a total return of 9.1% while the share price produced a total return of 15.0%. This compares to a total return of 8.2% for the benchmark, the FTSE All-Share Index, over the same period.

For the 10 year period to 30 April 2018, the Company's NAV produced a total return of 93.9% while the share price produced a total return of 92.7%. This compares to a total return of 90.9% for the benchmark, the FTSE All-Share Index, over the same period.

Comment on performance over the period under review can be found in the Manager's Review.

Change of Manager and name

On 13 April 2018 the Board announced that it had decided to terminate the appointment of Schroder Unit Trusts Limited as the Company's Alternative Investment Fund Manager ("AIFM") and had entered into heads of terms to appoint Baillie Gifford & Co Limited ("Baillie Gifford AIFM") as the Company's new AIFM and Company Secretary. Baillie Gifford AIFM intends to delegate certain portfolio and risk management duties to Baillie Gifford & Co (together with Baillie Gifford AIFM, "Baillie Gifford").

The appointment of Baillie Gifford is expected to be completed by the end of June 2018, with the majority of the portfolio repositioned to be invested in capital growth stocks shortly thereafter. Baillie Gifford has agreed to waive its management fee to the extent of £732,000, being approximately equal to six months' management fee at the time of the agreement.

Upon appointment of the new AIFM it is expected that the Company's name will be changed to Baillie Gifford UK Growth Fund plc and its ticker will change to BGUK.

The Board believes in the benefit of active management over a long-term investment horizon. Accordingly, it believes that investment management performance should be measured over the long term. It is very disappointing to note therefore that under Schroders' fund management, the Company's long-term investment performance is considerably below the Board's expectation and has even lagged the Benchmark since its inception. The Company, despite its ongoing share buy-back policy, has also struggled with a persistent and wide share price discount to NAV. Accordingly, the Board concluded that, while it is disappointing and disruptive to change the management of the Company's assets, in order to provide the best investment outcome for existing investors and to position the Company to attract new and ongoing investors, it should make the change to implement a new, 'best ideas' investment approach managed by Baillie Gifford; an established manager of investment trusts with a long-term track record in achieving capital growth from UK equities.

Although the Company's investment objective and policy will not change, Baillie Gifford will realign the portfolio to invest in a bespoke, 'best ideas' portfolio, with approximately 40 stocks, which will offer shareholders a UK-focused capital growth investment proposition.

The portfolio will be co-managed by Iain McCombie and Milena Mileva and will be populated with their highest conviction ideas, providing investors with exposure to some of the most exciting UK growth companies. The portfolio managers will seek to select high quality companies with strong competitive positions which they believe have the prospect of delivering strong earnings growth over a number of years. The Board and Baillie Gifford believe that the investment portfolio, constructed on a stock-picking, capital growth orientated, long-term basis will be highly differentiated relative to the Benchmark and to the peer group of all-cap UK equity investment trusts.

The Board believes that the change in AIFM and investment approach will provide the following benefits to investors:

- Access to Baillie Gifford's UK equity team. The team is experienced and well resourced, with an average investment experience of 13 years, almost all of which has been accumulated at Baillie Gifford. The team manages UK specialist assets of £5.2bn as at 30 April 2018.
- Strong track record. Although the proposed mandate for the Company is a customised investment proposition that is different from the UK open-ended funds managed by Baillie Gifford, both portfolio managers have strong track records of outperformance in UK equities and there will be a degree of crossover with their existing portfolios.
- A bespoke and unique investment portfolio. The 'best ideas' portfolio will consist of companies that the portfolio managers believe will outperform materially over the long term. Baillie Gifford expects active share for the portfolio to be over 80%.
- Long-term view. Baillie Gifford adopts a long-term view with an investment horizon of five years plus and turnover within UK portfolios is typically 10%-20% per annum.
- Baillie Gifford is one of the largest investment trust managers in the UK and currently manages eight other investment trusts.

It is the Board's view, after consultation with its advisers, that these changes provide the scope for improved future long-term performance and should enhance the appeal of the Company. With the support of Baillie Gifford, the aim will be to attract new investors and, over time, seek to achieve a narrowing of the Company's discount.

Depositary and Custodian

As part of the transition process, HSBC will cease as Depositary and Custodian co-terminously with the appointment of the

Chairman's Statement

new AIFM and BNY Mellon Trust & Depositary (UK) Limited will be appointed as the new Depositary and Custodian.

Earnings and dividends

The Directors have declared a second interim dividend of 3.00 pence per share taking total dividends for the year ended 30 April 2018 to 6.00 pence per share, an 11.1% increase over total dividends of 5.40 pence per share paid in respect of the previous year. The second interim dividend will be payable on 31 July 2018 to shareholders on the register on 6 July 2018.

The Company's investment policy highlights that the yield on the Company's investment portfolio is of secondary importance to that of achieving capital growth. Over the last few years, the Company has paid out dividends that reflected the portfolio revenue derived from Schroders' management style. As our new portfolio managers are explicitly growth investors, with any underlying income received being a by-product of that approach, earnings for future years are expected to be notably lower than previously: although the earnings for the year ending April 2019 will reflect the transition of the management mandate as a number of dividend payments have been received in May and June 2018.

Gearing

During the year, the Company maintained its total borrowing facilities at £35 million, equally divided between a one year revolving credit facility and an overdraft facility. Towards the end of the year a small amount of gearing was implemented to take advantage of the higher volatility that appeared in markets but that has now been withdrawn and the portfolio has a small cash position as we start the transition process to Baillie Gifford. The Board sets internal guidelines for the Manager's use of gearing which are altered from time to time but are subject to net effective gearing not representing more than 20% of shareholders' funds.

Share buy-backs

The share buy-back policy seeks to operate in the best interests of shareholders by taking into account the relative level of the Company's share price discount when compared with peer group trusts, the absolute level of discount, volatility in the level of discount and the impact from share buy-back activity on the long-term liquidity of the Company's issued shares.

Over recent years the Company has regularly bought back shares. Shares were regularly purchased for holding in treasury from May 2017 until the announcement of the appointment of Baillie Gifford on 13 April 2018 and a total of 5,068,700 ordinary shares (3.3% of the shares outstanding as at 30 April 2017) were purchased during that time.

No shares have been repurchased since 14 April 2018 and the discount has narrowed from 13.5% on 12 April 2018 to 6.5% on 15 June 2018. This is an encouraging indication that Baillie Gifford's appointment as Manager is starting to attract new investors.

Board composition and succession planning

The Board continues to review its composition and consider its succession and refreshment policies and accordingly will seek to appoint two new directors over the coming year. Mr Cowdell, who has served as a Director for six years, has indicated his intention to retire from the Board with effect from the end of September 2018. We will look to fill the vacancy that this creates in a way which ensures a continued breadth of expertise within the Board.

Outlook

As investors seeking capital growth, the new portfolio managers are of the view that the UK stock market provides ample opportunities for high-conviction, active managers to add value through identifying and investing in stocks in attractive growth companies and holding them for as long as possible for shareholders.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday 2 August 2018 at 12.00 noon at the Institute of Directors, 116 Pall Mall, London SW1Y 5ED. Shareholders are warmly invited to attend. The meeting will include a presentation by the new portfolio managers on the prospects for UK equities, the positioning of the portfolio and the Company's investment strategy. They and the Board will be available to answer any questions.

Carolan Dobson
Chairman

27 June 2018

Manager's Review (Schroders)

Market background

The FTSE All-Share Index rose 8.2% over the period against the backdrop of a robust global economy. While the "Goldilocks" scenario of low and stable growth and inflation was put to the test, hopes remained that the world economy would continue to enjoy a sustained synchronised recovery.

While inflationary pressures have remained benign, markets have become more volatile as fears have grown over the build-up of inflationary pressures. In particular, the pace of policy tightening by the US Federal Reserve in response to strong US employment has led to greater volatility and sector rotation.

Sterling recovered as the Bank of England increased base rates for the first time since 2007, and as investors welcomed progress with Brexit negotiations. More recently macro-economic data has been disappointing, which may partly be explained by poor weather but highlights the relative weakness of the economy after the Brexit vote.

Performance

The NAV total return rose 9.1%, slightly ahead of the Benchmark. A number of large positions delivered strong stock-specific performance, helped by positive operational delivery and increased M&A activity. The portfolio also benefited from a rotation away from highly valued quality growth stocks towards 'value' stocks, which tend to perform well against a more inflationary backdrop.

Performance attribution: 12 months to 30 April 2018

	Impact (%)
FTSE All-Share Index	+8.2
Stock selection	+1.1
Gearing	+0.2
Costs	–0.6
Residual/rounding	+0.2
NAV total return	**+9.1**

Source: Schroders

Tesco was the standout contributor as the relatively new management have been executing their turnaround plan. Their success in delivering sector-leading volume growth has lead to a recovery in earnings, balance sheet deleveraging and increased cash flow. This has culminated in an 800% increase in profit and its first dividend in three years.

Our exposure to the software sector contributed positively, with IT infrastructure specialist Computacenter performing particularly well following a trading update. Ladbrokes Coral was another strong performer, after agreeing to a renewed offer from GVC. South32 performed strongly as the company benefited from supply reforms in China restricting pollutive domestic supply of aluminium. Publishing company Pearson has also been a positive contributor as evidence is emerging that the poor recent performance has stabilised and action to transition to digital delivery is gaining traction.

Support services group Capita was the key detractor following a disappointing trading update and a profit warning. Shares in transport company FirstGroup disappointed after a failed bid from private equity group Apollo.

Top 5 positive and negative contributors

Top 5 positive	Portfolio weight (%)	Active weight (%)	Total return (%)	Impact (%)
Tesco	4.5	3.8	29.4	+0.9
Computacenter	1.9	1.8	63.4	+0.8
Ladbrokes Coral	2.1	2.0	38.1	+0.8
South32	2.3	2.3	37.6	+0.7
Pearson	3.0	2.8	33.7	+0.7
Total				**+3.9**

Top 5 negative	Portfolio weight (%)	Active weight (%)	Total return (%)	Impact (%)
Capita	0.9	0.8	–64.1	–1.1
FirstGroup	2.0	2.0	–17.3	–0.7
Mears	1.2	1.1	–35.6	–0.6
Centrica	2.3	1.9	–17.2	–0.6
Marks & Spencer	2.0	1.8	–17.2	–0.5
Total				**–3.4**

Source: Schroders. Weights are averages. Active weight is the stock weight relative to the FTSE All-Share Index. Impact is the contribution relative to the Index. Total return refers to the return of the stock whilst in the portfolio.

Portfolio activity

The increase in market volatility earlier this year gave us an opportunity to use the gearing facility for the first time for a number of years.

We took advantage of a pull-back in the mining sector to add South32 and Glencore to the portfolio. We were attracted by South32's strong cash generation, exposure to aluminium/alumina where pollution-related supply-side reforms are supportive, and it has a management team willing to return cash to shareholders. Glencore's gearing has fallen significantly over the past two years on the back of self-help measures and a recovery in commodity prices.

Other new positions included Shire following the announcement that Takeda was interested in a bid; Barclays following negative news flow which left the shares trading on a significant valuation discount; and WPP following a series of negative trading statements that has left the company on a low valuation. We believe these concerns are already reflected in current valuations, and that WPP remains a high-quality global leader in its markets.

We exited a number of positions where the investment case had played out or we saw better value within the sector. Sales included BAE Systems, Ladrokes Coral, Fidessa, NEX Group, Morrison's, Sainsbury's, Mitchell's & Butler and ITV.

Schroder Investment Management Limited,
27 June 2018

Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Manager's Review (Baillie Gifford)

As detailed in the Chairman's Statement, responsibility for managing the portfolio will move to Baillie Gifford from the end of the day on 29 June 2018, subject to the approval of the Financial Conduct Authority ("FCA"), but no later than 13 July 2018. The portfolio will be co-managed by Iain McCombie and Milena Mileva who will re-align the portfolio to invest in a concentrated selection of what they believe to be the best UK growth companies. The report that now follows, written by the new portfolio managers, introduces their investment philosophy and process.

The Manager's core investment beliefs:

We believe the following key elements of our investment philosophy and process provide a sustainable basis for adding value for shareholders.

Long-term, committed, growth investors:

- We are genuinely long-term investors and believe this is our key advantage in the context of a financial services industry which is preoccupied with short-term noise and costly hyperactivity. We try to assess where a company's earnings might be in five to ten years' time, not to guess what the next quarter's earnings might be. As a result, our portfolio turnover is expected to be less than 20%, much lower than the industry average.
- We seek to add value by identifying the few companies capable of delivering and sustaining above average growth over long periods. Although short-term sentiment can often swing in unpredictable ways, we believe that share prices will, over time, move to reflect the economics of the underlying assets, and above average growth in earnings and cash flows will ultimately be rewarded with superior share price performance. Our patient, long-term approach ensures that company fundamentals are given time to drive returns.
- We prefer to run our successful investments and will resist the temptation to take profits provided we have confidence that our thesis remains intact. We believe it is counter-productive to sell dynamic growth equity investments because a static target price has been reached.
- We believe we have an obligation to act as responsible stewards of the businesses we own on shareholders' behalf. We endeavour to help the companies we invest in to manage their businesses in a sustainable manner through thoughtful and long-term engagement.
- Low trading costs are a natural consequence of our long-term approach and of benefit to shareholders.

Active investment manager:

- We are index agnostic investors. We buy companies we believe will outperform materially over the long-term and do not buy shares in a company just because it is a large component of the index. Given our clear philosophy, large swathes of the market will be unattractive and of no interest to us.
- We invest on a resolutely bottom-up basis. We pay little attention to macro-economic forecasts and believe we have a better chance of adding value for shareholders by identifying attractive individual company investments rather than by adopting larger thematic or industry positions.
- We view a high active share as a necessary prerequisite for adding value over the long-term and shareholders should be comfortable tolerating the inevitable ups and downs in short-term relative performance that will follow from that. Given our long-term approach, we respectfully request shareholders to judge our investment performance on a similar timescale (five years).

Small investment teams make better decisions:

- We believe that small teams promote effective decision-making. Our well-established process puts a significant emphasis on sharing information and ideas as well as encouraging an open and robust debate. Although, as co-managers, we retain final responsibility and accountability for the portfolio, we believe we benefit tremendously from this collective analytical input.

Multiple research inputs

- We think it is critical that we have a global perspective on our investments. We seek to achieve this through frequent interaction with the rest of the regional investors, global investors, and sector specialists around Baillie Gifford.

A differentiated portfolio

We believe our investment philosophy and process will result in a differentiated portfolio for shareholders. Our view is that the UK market is home to many exciting growth businesses and we have identified a number of these spanning many different sectors. We think some of these companies are true world leaders in their fields and benefit from strong and sustainable competitive positions. They are pursuing large and dynamic growth opportunities, which are often global in nature; their innovation is enabling them to disrupt and transform the industries in which they operate. These companies are managed in a genuinely long term manner, building businesses that can prosper over many years. We believe their strengths and adaptability will enable them to successfully navigate evidently seismic macro-economic and political shocks.

Outlook

The portfolio will reflect our highest conviction ideas which we believe will grow at an above average rate over the medium term. There will be periods when fundamentals are not reflected in shareholder returns, such as when our growth style is out of favour. We will, however, remain committed to our process and are confident that it will create significant value for shareholders over the long-term.

Baillie Gifford & Co Limited

27 June 2018

Investment Portfolio at 30 April 2018

Stocks in bold are the 20 largest investments, which by value account for 68.9% (2017: 69.7%) of total investments.

	£'000	%
Financials		
Standard Chartered	**16,501**	**5.2**
Lloyds Banking Group	**12,445**	**3.9**
Aviva	**12,328**	**3.9**
Just Retirement Group	**10,039**	**3.1**
Barclays	4,516	1.4
HSBC	4,392	1.4
Royal Bank of Scotland	4,377	1.3
ICAP	3,559	1.1
Ashmore	2,753	0.9
Legal & General	2,638	0.8
Record	1,289	0.4
Provident Financial	1,016	0.3
Total Financials	**75,853**	**23.7**
Consumer Services		
Tesco	**17,289**	**5.4**
Pearson	**9,669**	**3.0**
FirstGroup	**5,986**	**1.9**
WPP	4,431	1.4
Daily Mail and General Trust	4,372	1.4
GVC	4,311	1.4
On the Beach	4,105	1.3
Next	3,911	1.2
Marks & Spencer	3,829	1.2
Ten Entertainment	3,718	1.2
Go-Ahead	3,247	1.0
Trinity Mirror	2,816	0.9
Total Consumer Services	**67,684**	**21.3**
Oil and Gas		
Royal Dutch Shell 'B'	**30,811**	**9.7**
BP	**18,260**	**5.7**
Total Oil and Gas	**49,071**	**15.4**
Industrials		
Balfour Beatty	**13,949**	**4.4**
Smiths Group	**7,343**	**2.3**
Qinetiq	**4,855**	**1.5**
Chemring	3,998	1.3
Mears	2,939	0.9
Northgate	2,854	0.9
Morgan Advanced Materials	2,232	0.7
Capita	1,653	0.5
Total Industrials	**39,823**	**12.5**

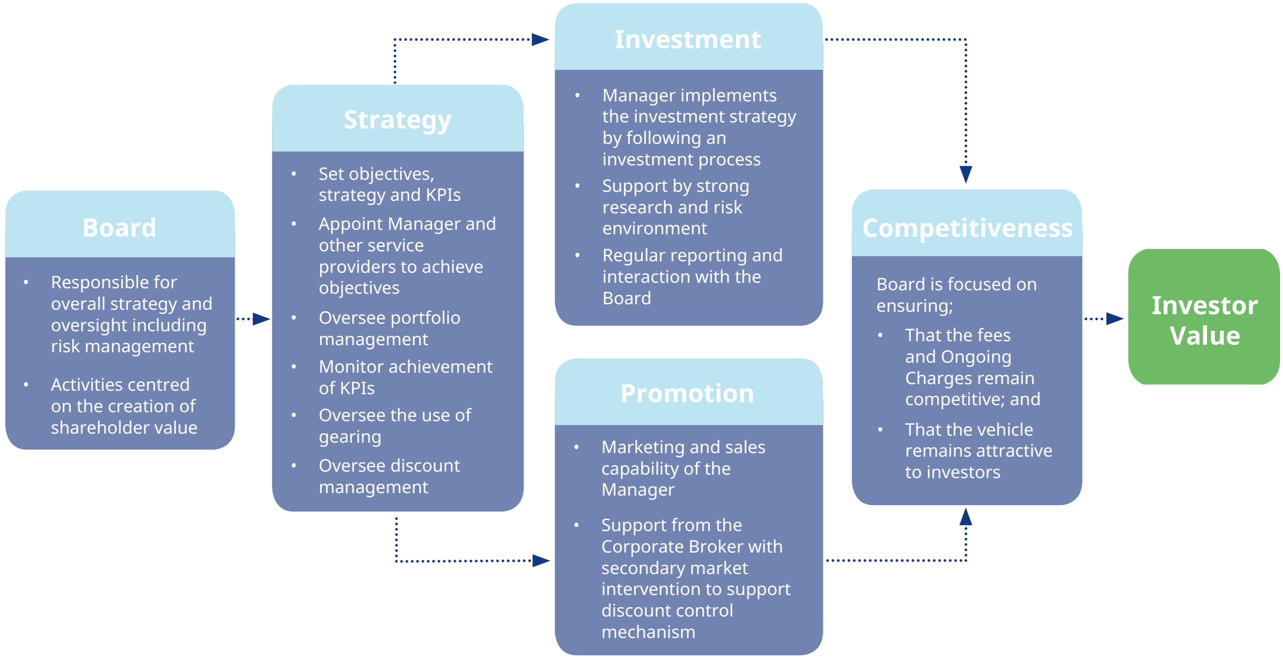
	£'000	%
Healthcare		
GlaxoSmithKline	**10,843**	**3.4**
Shire	**4,927**	**1.5**
AstraZeneca	4,605	1.4
Indivior	2,785	0.9
Total Healthcare	**23,160**	**7.2**
Consumer Goods		
British American Tobacco	**13,719**	**4.3**
Countryside Properties	2,693	0.8
Total Consumer Goods	**16,412**	**5.1**
Technology		
Redcentric	**6,866**	**2.2**
Computacenter	**4,920**	**1.5**
Idox	2,771	0.9
Total Technology	**14,557**	**4.6**
Telecommunications		
Vodafone	**5,952**	**1.9**
BT	4,666	1.5
Total Telecommunications	**10,618**	**3.4**
Utilities		
Centrica	**6,468**	**2.0**
Drax Group	3,418	1.1
Total Utilities	**9,886**	**3.1**
Basic Materials		
Glencore	**6,635**	**2.1**
South32	2,036	0.6
Total Basic Materials	**8,671**	**2.7**
Other Equities		
Sherborne Investors (Guernsey) 'C'	3,150	1.0
Total other equities	**3,150**	**1.0**
Total investments[1]	**318,885**	**100.0**

[1]Total investments comprises only equity investments.

Strategic Report

Strategic Review

Business model



On 13 April 2018, the Board announced that it had resolved to terminate the appointment of Schroder Unit Trusts Limited (the "Manager") and that Baillie Gifford & Co Limited ("Baillie Gifford") would be appointed as the Company's Alternative Investment Fund Manager ("AIFM"). Upon appointment of the new AIFM the Company's name will be changed to Baillie Gifford UK Growth Fund plc by resolution of the Board, subject to regulatory approval.

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

It is not intended that the Company should have a limited life but the Directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting in 2019 and thereafter at five yearly intervals.

The Company's business model may be demonstrated by the diagram above.

Investment objective and policy

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

Baillie Gifford will be appointed with effect from the end of the day on 29 June 2018 subject to FCA approval, but no later than 13 July 2018, to implement the investment strategy from that date and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate.

Schroder Unit Trusts Limited has been the appointed investment manager of the Company's assets throughout the year ended 30 April 2018 and will remain so until the transfer to Baillie Gifford at the end of the day on 29 June 2018, subject to FCA approval, but no later than 13 July 2018. The Company's investment objective and policy, together with its investment restrictions, will remain unchanged upon the appointment of Baillie Gifford.

Future investment process

Once appointed, Baillie Gifford will aim to deliver capital growth over the long-term from a concentrated, actively managed best ideas growth portfolio, with a five year investment horizon. Investment will continue to be primarily in shares of listed UK equities which have the potential to deliver a total return in excess of the FTSE All-Share Index although the portfolio will be constructed without any reference to the index and will not replicate it. Any income received from the underlying investments will be a by-product of the investment process. As believers in the long-term returns of equities, it is expected that gearing will be utilised on a strategic basis.

Investing in UK companies does not mean that Baillie Gifford's strategy will be dependent on the success of the UK economy. The goal is to invest in well-managed companies with significant long-term growth opportunities that are run in the interests of shareholders. Typically they will have strong competitive advantages and whilst some will be purely domestic, many will also benefit from growing economies elsewhere in the world. Baillie Gifford is resolutely bottom-up in identifying investment ideas and pays little attention to top-down assessments of particular economies or sectors; it is almost always company specific factors that determine the success or otherwise of Baillie Gifford's investments and the portfolio is an output of this process.

Baillie Gifford's investment process can be divided into three components: Discovery; Debate; and Decision.

Discovery

There are a wealth of interesting companies in which to invest in the UK. We cannot cover them all but we can work out quickly whether a company is potentially of interest based on a few key questions concerning industry background and company specifics. This creates a 'Priority List' of around 150 companies upon which we focus the vast majority of our research effort. This list is kept fresh through six-weekly 'Prospects Meetings', where the team steps back from day-to-day research to consider the economic backdrop, review sectors and noteworthy company operating developments, thereby identifying stocks that should be researched in depth in the coming weeks.

Debate

Our research notes have a standard structure and are based on a set of pre-determined questions. The reports are deliberately succinct so that the author has to focus on the critical issues. We assess the opportunity on a five-year basis, form a view on how we can make money for our shareholders, and ensure that we are aware of any risks to the investment case that might trigger a change in view. Research notes are circulated around the team in advance of the weekly stock discussion and a brief peer review or 'Devil's Advocate' is written by another team member. The objective of this review is to avoid the dangers of 'group think' that can undermine a team-based investment process. The weekly stock discussion has a formal agenda and is the setting for the team to debate freely and form a view on individual stocks. These meetings are carefully minuted so that we have a record of the key issues that were discussed, to which we can refer when monitoring the progress of each investment. This is an important component of our process; we consciously try to avoid the trap of changing our investment case to match events over time.

Decision

The co-managers sit opposite one another but they will meet formally, once a month, away from the desk to discuss the Company and to review its holdings. It is typically at these meetings that they will take any decisions regarding the portfolio.

Investment restrictions and spread of investment risk

The key restrictions imposed on the Manager are that: (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the Company's total assets, at the date of acquisition, may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies or investment trusts; (c) the Company will not invest more than 15% of its gross assets in other listed investment companies or investment trusts; (d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (e) no holding to exceed 5% of the issued share capital of any company.

The Investment Portfolio on page 7 demonstrates that, as at 30 April 2018, the Company held 50 investments spread over ten sectors. The largest investment, Royal Dutch Shell "B" represented 9.7% of total investments at 30 April 2018. At the end of the year, the Company did not hold any unlisted investments, open-ended funds or real estate investment trusts. The Board believes that the objective of spreading investment risk has been achieved in this way.

Promotion

Following transition, the Company will continue to promote its shares to a broad range of investors which have the potential to be long-term supporters of the investment strategy. The Company will seek to achieve this through its Manager, Baillie Gifford, and its Corporate Broker, Winterflood Investment Trusts, which will promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion will be focused via three channels:

- Intermediaries. The Manager will promote the Company via both London and regional teams. This market is the largest channel by a significant margin.
- Private investors. The Company will promote its shares directly to individuals and by engaging with platforms and through its website. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.
- Institutional investors. The Company will also promote its shares to institutional investors such as fund of funds and family offices.

The Board will also seek active engagement with investors and meetings with the Chairman will be offered to professional investors where appropriate. These activities will consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares will be supported by the Manager's wider marketing of investment companies targeted at a range of investors; this will include maintaining close relationships with adviser and execution-only platforms, advertising in the trade and personal finance press, maintaining relationships with financial journalists and the provision of digital information on the Baillie Gifford website, www.bailliegifford.com.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 4 and in the Explanation of Special Business at the AGM on page 45.

Strategic Review

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective, as set out on the inside front cover, which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman's Statement.

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

Corporate and social responsibility

Board diversity

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

Corporate responsibility

The Company is committed to carrying out its business in a responsible manner and has appropriate policies in place relating to the key areas of corporate responsibility, including in respect of anti-bribery and corruption and the prevention of the facilitation of tax evasion.

Greenhouse gas emissions

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

Responsible investment policy

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

Schroders' policy

A description of the Schroders' policy on these matters can be found on the Schroders website at www.schroders.com/ri. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

Baillie Gifford's policy

With effect from the end of the day on 29 June 2018 subject to FCA approval, but no later than 13 July 2018, the Company will give discretionary voting powers to Baillie Gifford.

The manager votes against resolutions it considers may damage shareholders' rights or economic interests.

The portfolio managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management of such companies with the aim of improving the relevant policies and management systems and enabling the portfolio managers to consider how ESG factors could impact long-term investment returns. Baillie Gifford's statement of compliance with the UK Stewardship Code can be found on its website at www.bailliegifford.com. Baillie Gifford's policy has been reviewed and endorsed by the Board.

Baillie Gifford is a signatory to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project.

The Board will monitor the implementation of the responsible investment policy through regular reporting by Baillie Gifford on its engagement activity, how it is integrated into the investment process, and the outcomes of this activity.

Key Information Document

A key information document ("KID") for the Company was published on 9 April 2018, in accordance with the Packaged Retail and Insurance-Based Investment Products Regulations ("PRIIPs"). The calculations of figures and performance scenarios contained in the KID are prescribed by PRIIPs and have neither been set nor endorsed by the Board and in the Board's opinion can sometimes be misleading. On transition to the new AIFM an updated KID will be published.

Principal Risks and Uncertainties

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

The principal risks and uncertainties have remained unchanged throughout the year under review. The Board has also considered the potential impact on the Company's principal risks that may arise as a consequence of the transfer to the new AIFM and the associated new custodian arrangements. These include the heightened risk of volatility in the Company's share price, operational disruption to custody and record keeping, and additional costs incurred in transitioning to the new investment strategy. Having identified these risks, the Board has made arrangements to both manage and where possible mitigate them, including negotiating the management fee waiver from the new manager and discussions with the Schroders ISA administrator to try to ensure that any sale of the Company's shares by it is conducted in an orderly manner aimed at avoiding or minimising any adverse impact on the share price.

The Board has also performed necessary due diligence to satisfy itself as to the adequacy and effectiveness of internal controls and risk management at the new AIFM and custodian.

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

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

Risk	Mitigation and management
Depositary and Custody Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.	Depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings are independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. Annual report from the Depositary on its activities, including matters arising from custody operations.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 20% of shareholders' funds. The Company can also hold up to 20% of shareholders' funds in cash or cash equivalents.
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against disclosure of inside information.
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, Depositary and Registrar. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified from the Audit Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 19 on pages 40 to 43.

Viability statement

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

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

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 11 and 12 and in particular the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period.

The Directors have considered the potential effect of future developments, including the appointment of a new AIFM and the related changes to other service providers.

Based on the Company's processes for monitoring operating costs, the Board's assessment of the resources of the new AIFM, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 April 2023.

In reaching this decision, the Board has taken into account the Company's 2019 continuation vote, on the presumption that it will be passed.

Going concern

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

By Order of the Board

Schroder Investment Management Limited
Company Secretary

27 June 2018

Board of Directors

Carolan Dobson

Status: Independent Non-Executive Chairman

Length of service: 4 years, appointed a Director in March 2014
Experience: She is Chairman of JP Morgan European Smaller Companies Trust plc, Brunner Investment Trust plc and Blackrock Latin American Investment Trust plc and is a Non-Executive Director of Woodford Patient Capital Trust plc. She was a fund manager holding a number of positions including Director at Murray Johnstone Ltd and subsequently undertook several key roles at Abbey Asset Managers Ltd.
Committee membership: Audit, Management Engagement and Nomination and Remuneration Committees
Current remuneration: £36,015 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Bob Cowdell

Status: Independent Non-Executive Director

Length of service: 6 years, appointed a Director in November 2011
Experience: He is currently the Chairman of Real Estate Credit Investments Limited, a Non-Executive Director of Thomas Miller Holdings Limited and Castel Underwriting Agencies Limited and a former Non-Executive Director of Catlin Insurance Company (UK) Limited, Catlin Underwriting Agencies Limited, XL Insurance Company SE and XL London Market Limited. He was previously co-founder and Head of the ABN AMRO Global Investment Funds Team and Head of Financials at RBS Hoare Govett.
Committee membership: Audit, Management Engagement and Nomination and Remuneration Committees
Current remuneration: £25,725 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Andrew Hutton

Status: Senior Independent Non-Executive Director

Length of service: 9 years, appointed a Director in September 2008 and Senior Independent Director in April 2015.
Experience: He is owner and Director of A.J. Hutton Ltd., an investment advisory firm. He was previously a Managing Director of JP Morgan and Head of Investment Management at Coutts Group. He is currently Chairman of JP Morgan Global Emerging Markets Income Trust PLC.
Committee membership: Audit, Management Engagement and Nomination and Remuneration Committees (Chairman of the Nomination and Remuneration Committee)
Current remuneration: £27,783 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Board of Directors

Andrew Westenberger

Status: Independent Non-Executive Director

Length of service: 1 year, appointed a Director in May 2017
Experience: He qualified as a chartered accountant with Coopers and Lybrand. He was Group Finance Director of Brewin Dolphin Holdings PLC and was previously Group Finance Director of Evolution Group Plc. Prior to this, he held several senior finance roles at Barclays Capital and Deutsche Bank both in the UK and USA. He is also currently a Non-Executive Director and Trustee of the Chartered Institute of Securities and Investments.
Committee membership: Audit, Management Engagement and Nomination and Remuneration Committees (Chairman of the Audit Committee)
Current remuneration: £28,812 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Directors' Report

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

Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £10,099,000 (2017: £9,248,000), equivalent to a revenue return per ordinary share of 6.58 pence (2017: 5.83 pence).

Having already paid a dividend of 3.00 pence per share, the Board has declared a second interim dividend of 3.00 pence per share for the year ended 30 April 2018 taking ordinary dividends for the full year to 6.00 pence (2017: 5.40 pence) per share. The dividend is payable on 31 July 2018 to shareholders on the register on 6 July 2018. As in previous years, dividends are declared as interims to enable payment at the end of January and July.

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 14 and 15. All Directors held office throughout the year under review with the exception of Mr Andrew Westenberger, who was appointed as a Director on 5 May 2017. Details of Directors' share interests in the Company are set out in the Directors' Remuneration Report on page 24.

In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Mr Hutton will retire at the AGM, and being eligible, offers himself for re-election.

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

Whilst the Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment, Directors are also required to retire each year if they have served more than nine years on the Board, but may then offer themselves for re-election. The Board has assessed the independence of all Directors. All Directors are considered to be independent in character and judgment.

The Board, having taken all relevant matters into account, considers that Mr Hutton continues to demonstrate commitment to his role, provide valuable contributions to the deliberations of the Board and remains free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of his re-election.

Share capital

As at the date of this Report, the Company had 150,520,484 ordinary shares of 25p in issue and a total of 10,396,700 shares were held in treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 150,520,484. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 38.

Substantial share interests

The Company has received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attached to the Company's issued share capital.

	Number of ordinary shares at 30 April 2018	Percentage of total voting rights
1607 Capital Partners LLC	23,050,161	15.01
Rathbone Brothers PLC	7,781,856	5.00
Quilter & Co Limited	7,735,411	4.83
Investec Wealth & Investment Limited	6,911,698	4.31
Barclays plc	6,018,095	3.76
East Riding of Yorkshire Council	5,000,000	3.12

Between 30 April 2018 and the date of this report, the Company received a notification from 1607 Capital Partners LLC of its interest in 22,543,787 shares amounting to 14.98% of the voting rights attached to the Company's issued share capital. No other notifications have been received that update the above table.

As at 30 April 2018, individual members of the Schroders savings plan hold in aggregate 34,896,295 shares, being 23.18% of the Company's issued share capital.

Key service providers

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

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive.

Current Manager – Schroders

During the year under review Schroder Unit Trusts Limited ("SUTL") was the Manager in accordance with the terms of an AIFM Agreement. The AIFM Agreement, which is governed by the laws of England and Wales, can be terminated by either party on three months' notice or on immediate notice in the event of certain breaches or the insolvency of either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM Agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the

Directors' Report

Chairman, other Board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £426.1 billion (as at 31 March 2018) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager is entitled to a management fee at the rate of 0.5% per annum of the Company's net asset value.

The management fee payable in respect of the year ended 30 April 2018 amounted to £1,532,000 (2017: £1,476,000).

Details of all amounts payable to the Manager are set out in note 16 on page 39.

Incoming Manager – Baillie Gifford

As noted earlier in this Report, the Board has served notice of termination of the AIFM agreement with SUTL and will appoint Baillie Gifford as the Company's AIFM under the following terms effective from the end of the day on 29 June 2018, subject to FCA approval, but no later than 13 July 2018.

The annual management fee payable will be 0.5 per cent of the Company's net asset value. In order to offset any payment to the current Manager in respect of the termination of its appointment and to contribute towards the other costs of implementing the proposals set out in the heads of terms (including portfolio transition costs and stamp duty), Baillie Gifford has agreed to waive its management fee to the extent of £732,000 (which is approximately equal to six months' management fee payable to Baillie Gifford based on the Company's net asset value at the time of the agreement). The investment management agreement with Baillie Gifford shall be terminable by either party serving six months' notice.

This arrangement is explained in more detail in the Chairman's Statement on page 3.

Depositary

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

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

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company. On 1 May 2018, the Depositary notified the Manager and the Company of its intention to terminate the Depositary agreement in line with the timing of the termination of the Company's AIFM agreement with SUTL. BNY Mellon Trust & Depositary (UK) Limited has agreed to be appointed as the Company's Depositary with effect from the end of the day on 29 June 2018, subject to FCA approval, but no later than 13 July 2018.

The Depositary Agreement between the Company, Baillie Gifford and BNY Mellon Trust & Depositary (UK) Limited will be terminable at any time by giving 90 days' notice in writing.

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code in April 2017 (the "Code") which applies to accounting periods beginning on or after 17 June 2016. The Company complies with the provisions of the Code, and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

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 on page 22 and the viability and going concern statements set out on page 13 indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code.

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 14. She has no conflicting relationships.

Role and operation of the Board

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

Directors' Report

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

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

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

Training and development

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

Conflicts of interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman herself, discussions are held between the Directors and the Senior Independent Director. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in December 2017.

Directors' and officers' liability insurance and indemnity

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

Directors' attendance at meetings

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

The number of meetings of the Board and its committees held during the financial year, and the attendance of individual Directors, is shown below. Whenever possible all Directors attend the Annual General Meeting.

Director	Board	Management Engagement Committee	Nomination and Remuneration Committee	Audit Committee
Bob Cowdell	5/5	1/1	2/2	2/2
Carolan Dobson	5/5	1/1	2/2	2/2
Andrew Hutton	5/5	1/1	2/2	2/2
Stella Pirie[1]	2/2	N/A	1/1	1/1
Andrew Westenberger	5/5	1/1	2/2	2/2

[1] Mrs Pirie retired as a Director on 2 August 2017.

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

Relations with shareholders

The Board places great importance on communication with shareholders. Once appointed, Baillie Gifford intends to meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chairman and Directors also maintain open lines of communication with market participants and investors in the Company, separate to the Manager's involvement, in order to ascertain views on corporate matters. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them, care of the Company Secretary or through the Company's corporate broker, Winterflood Investment Trusts (see contact details on the outside back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and will be published on the Baillie Gifford website, www.bgukgrowthfund.com subsequent to the meeting. The notice period for the Annual General Meeting is at least 20 working days. Shareholders and potential investors may obtain up-to-date information on the Company at www.bgukgrowthfund.com following transition.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the year under review, is outlined over the next few pages.

The Committees of the Board have defined terms of reference which are available from the Company Secretary or on the webpage, www.bgukgrowthfund.com. Membership of the Committees is set out on pages 14 and 15 of this Report.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for succession planning, bearing in mind the balance of skills, knowledge, experience and diversity existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nomination and Remuneration Committee aims to maintain a balance of relevant skills, experience and length of service of the Directors serving on the Board, taking gender into account. The Nomination and Remuneration Committee also reviews and makes recommendations to the Board in respect of the level of remuneration paid to Directors.

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

Candidates are drawn from suggestions put forward either from recommendation from within the Company or by the use of an external agency. Candidates are then interviewed by members of the Committee, which makes a recommendation to the Board.

To discharge its duties, the Committee met on two occasions during the year to consider its terms of reference, Board balance, skills, remuneration and succession planning.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers. All Directors are members of the Management Engagement Committee which is chaired by the Chairman of the Board. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year to consider: the performance and suitability of the Manager; the terms and conditions of the AIFM Agreement, including fees; the performance and suitability of other service providers, and its terms of reference.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

27 June 2018

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the terms of reference. Membership of the Committee is as set out on pages 14 and 15. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Committee met twice during the year ended 30 April 2018. The Committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager, the Depositary and the Registrar;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditors;
- evaluating the Auditors' performance;
- reviewing the principal risks faced by the Company and evaluating the effectiveness of the of the Company's internal control environment and risk management framework;
- approving the Company's policy with respect to compliance with the Criminal Finances Act;
- receiving additional presentations from key service providers on their risk and control framework for addressing the risk of cyber crime;
- considering and approving the re-appointment and remuneration of the external auditor;
- considering and agreeing to the rotation of the senior statutory audit partner and the timetable for the audit tender process; and
- approving the policy on provision of non-audit services by the Auditors.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 30 April 2018, the Committee considered the significant issues set out in the table below, together with significant financial reporting judgements, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 April 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' responsibilities in respect of the Annual Report and Accounts on page 22.

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

Report of the Audit Committee

Effectiveness of the independent audit process

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

Representatives of the Auditors attend the Committee meeting at which the draft Annual Report and Accounts is considered. Having reviewed the performance of the Auditors as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

The Auditors are required to rotate the Senior Statutory Auditor every five years. This is the first year that the Senior Statutory Auditor will conduct the audit of the Company's financial statements.

PricewaterhouseCoopers LLP has provided audit services to the Company from its incorporation in 1994 to date. Pursuant to the provisions of the Statutory Auditors and Third Country Regulations 2016, the Company is subject to mandatory periodic rotation of the Auditor and re-tendering of the audit contract. PricewaterhouseCoopers LLP must be replaced as the Company's Auditor before commencement of the audit for the year ending 30 April 2021 and the Audit Committee will put the audit contract out to tender before that date.

There are no contractual obligations restricting the choice of external auditors.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of information to the Auditors

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

Provision of non-audit services

The Committee has reviewed the FRC's Guidance on Committees and has formulated a policy on the provision of non-audit services by the Company's Auditors. The Audit Committee has determined that the Company's appointed Auditors will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The Auditors may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

The Auditors have not provided any non-audit services to the Company during the year (2017: £2,000 for taxation compliance services).

Internal audit

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

Andrew Westenberger
Audit Committee Chairman

27 June 2018

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 14 and 15 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Carolan Dobson
Chairman

27 June 2018

Directors' Remuneration Report

Introduction

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

The following Remuneration Policy is currently in force and is subject to a binding vote every three years. An ordinary resolution to approve the Remuneration Policy will be put to shareholders at the AGM in 2020 and the current policy provisions will apply until that date. In addition, the below Directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 2 August 2017, 95.02% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour, while 4.98% were against. 87,243 votes were withheld.

At the AGM held on 2 August 2017, 99.90% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the year ended 30 April 2017 were in favour, while 0.10% were against. 75,929 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is a matter considered by the Nomination and Remuneration Committee and recommended to the Board for adoption.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles of Association. This aggregate limit of Directors' fees is currently set at £200,000 per annum and any increase in this level requires approval by the Board and the Company's shareholders. The Chairman of the Board, the Chairman of the Audit Committee and the Senior Independent Director each receive fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

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

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

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

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

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

Directors' annual report on remuneration

This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 April 2018.

Fees paid to Directors

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

Director	Salary/fees 2018 £	2017 £
Carolan Dobson (Chairman)[1]	**36,015**	32,434
Alan Clifton[2]	**–**	9,133
Bob Cowdell	**25,725**	25,000
Andrew Hutton	**27,783**	27,000
Stella Pirie[3]	**7,203**	28,000
Andrew Westenberger[4]	**28,311**	–
	125,037	121,567

[1]Appointed as Chairman on 4 August 2016.
[2]Retired as Chairman and as a Director on 4 August 2016.
[3]Retired as a Director on 2 August 2017.
[4]Appointed as a Director on 5 May 2017, and as chairman of the Audit Committee on 2 August 2017.

The information in the above table has been audited.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Nomination and Remuneration Committee in March 2018. The members of the Committee and the Board at the time that remuneration levels were considered were as set out on pages 14 and 15 of this Annual Report. Although no external advice was sought in considering the levels of Directors' fees,

Governance

Directors' Remuneration Report

information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

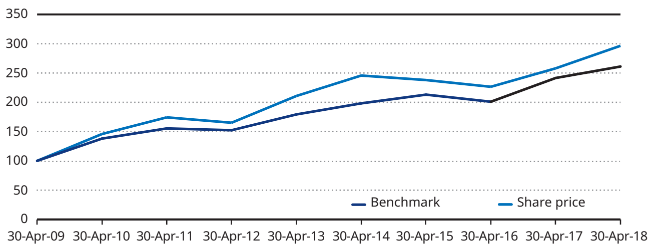
Following the review in March 2018, the Board agreed the Committee's recommendation that Directors' fees should be increased by 2.2%, being the increase in the Consumer Price Index during the financial year under review. This increase took effect from 1 May 2018. Directors' fees were last increased in May 2017.

Expenditure by the Company on remuneration and distributions to shareholders

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

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000	Change %
Remuneration payable to Directors	**125**	122	+2.5
Distributions paid to shareholders			
Dividends	**8,771**	8,433	+4.0
Share buybacks	**8,803**	7,955	+10.7
Total distributions paid to shareholders	**17,574**	16,388	+7.2

Nine year share price and benchmark total returns[1]



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 April 2009. Definitions of terms and performance measures are given on page 49.

Directors' share interests

The Company's Articles of Association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, at the beginning and end of the financial year under review are set out below.

	At 30 April 2018	At 1 May 2017
Carolan Dobson	**26,949**	15,960
Bob Cowdell	**8,648**	8,648
Andrew Hutton	**50,000**	50,000
Andrew Westenberger[1]	**20,000**	N/A

[1]Mr Westenberger was appointed as a Director on 5 May 2017.

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

The information in the above table has been audited.

Carolan Dobson
Chairman

27 June 2018

Independent Auditors' Report to the Members of Schroder UK Growth Fund plc

Report on the audit of the financial statements

Opinion

In our opinion, Schroder UK Growth Fund plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2018 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 April 2018; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

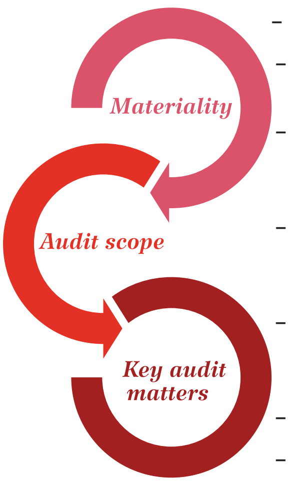
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 May 2017 to 30 April 2018.

Our audit approach

Overview



- Overall materiality: £3.1 million (2017: £3.0 million), based on 1% of net assets.
- The Company is a standalone Investment Trust Company and engages Schroder Unit Trusts Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from HSBC Securities Services ("HSS") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.
- Income from investments.
- Valuation and existence of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including

Financial

Independent Auditors' Report to the Members of Schroder UK Growth Fund plc

fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements, including, but not limited to the UK Corporate Governance Code, the Companies Act 2006, the Listing Rules and section 1158 of the Corporation Tax Act 2010. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries with management and testing the Company's compliance with section 1158 in the current year. We also tested the tax disclosures in Note 7. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Income from investments Refer to page 20 (Report of the Audit Committee), page 33 (Accounting Policies) and page 35 (Notes to the Accounts). ISAs (UK) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as capital rather than revenue due to the pressure management may feel to achieve capital growth in line with the objective of the Company. We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance. In addition, we tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all dividends during the year. Our testing did not identify any unrecorded dividends.

Independent Auditors' Report to the Members of Schroder UK Growth Fund plc

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments. Refer to page 20 (Report of the Audit Committee), page 33 (Accounting Policies) and page 37 (Notes to the Accounts). The investment portfolio at 30 April 2018 comprised listed equity investments of £318.9 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We agreed the existence of investments to independent third party sources by agreeing the holdings of investments to an independent confirmation from the Custodian, HSBC Bank plc as at 30 April 2018. No differences were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator which maintains the Company's accounting records and which has implemented controls over those accounting records.

We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£3.1 million (2017: £3.0 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £156,000 (2017: £152,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent Auditors' Report to the Members of Schroder UK Growth Fund plc

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (*CA06*)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (*CA06*)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 11 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 13 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (*Listing Rules*)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 22, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 20 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Independent Auditors' Report to the Members of Schroder UK Growth Fund plc

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (*CA06*)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Annual Report and Accounts set out on page 22, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the Directors in 1994 to audit the financial statements for the year ended 30 April 1995 and subsequent financial periods. The period of total uninterrupted engagement is 24 years, covering the years ended 30 April 1995 to 30 April 2018.

Jennifer March (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 June 2018

Income Statement for the year ended 30 April 2018

	Note	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Gains on investments held at fair value through profit or loss	2	–	16,354	16,354	–	37,665	37,665
Income from investments	3	10,977	91	11,068	10,068	–	10,068
Other interest receivable and similar income	3	3	–	3	1	–	1
Gross return		10,980	16,445	27,425	10,069	37,665	47,734
Investment management fee	4	(460)	(1,072)	(1,532)	(443)	(1,033)	(1,476)
Administrative expenses	5	(399)	–	(399)	(375)	–	(375)
Net return before finance costs and taxation		10,121	15,373	25,494	9,251	36,632	45,883
Finance costs	6	(8)	(18)	(26)	–	–	–
Net return on ordinary activities before taxation		10,113	15,355	25,468	9,251	36,632	45,883
Taxation on ordinary activities	7	(14)	–	(14)	(3)	–	(3)
Net return on ordinary activities after taxation		10,099	15,355	25,454	9,248	36,632	45,880
Return per share	9	6.58p	10.00p	16.58p	5.83p	23.09p	28.92p

Dividends declared in respect of the financial year ended 30 April 2018 amount to 6.00p (2017: 5.40p) per share. Further information on dividends is given in note 8 on pages 36 and 37.

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

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

The notes on pages 33 to 44 form an integral part of these accounts.

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

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 April 2016	40,229	9,875	19,759	417	77,191	119,471	7,938	274,880
Net return on ordinary activities after taxation	–	–	–	–	–	36,632	9,248	45,880
Repurchase of the Company's own shares into treasury	–	–	–	–	(7,955)	–	–	(7,955)
Dividends paid in the year	–	–	–	–	–	–	(8,433)	(8,433)
At 30 April 2017	40,229	9,875	19,759	417	69,236	156,103	8,753	304,372
Net return on ordinary activities after taxation	–	–	–	–	–	15,355	10,099	25,454
Repurchase of the Company's own shares into treasury	–	–	–	–	(8,803)	–	–	(8,803)
Dividends paid in the year	–	–	–	–	–	–	(8,771)	(8,771)
At 30 April 2018	**40,229**	**9,875**	**19,759**	**417**	**60,433**	**171,458**	**10,081**	**312,252**

The notes on pages 33 to 44 form an integral part of these accounts.

Statement of Financial Position at 30 April 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**318,885**	300,204
Current assets			
Debtors	11	**2,219**	4,357
Cash at bank and in hand		**3,642**	1,712
		5,861	6,069
Current liabilities			
Creditors: amounts falling due within one year	12	**(12,494)**	(1,901)
Net current (liabilities)/assets		**(6,633)**	4,168
Total assets less current liabilities		**312,252**	304,372
Net assets		**312,252**	304,372
Capital and reserves			
Called-up share capital	13	**40,229**	40,229
Share premium	14	**9,875**	9,875
Capital redemption reserve	14	**19,759**	19,759
Warrant exercise reserve	14	**417**	417
Share purchase reserve	14	**60,433**	69,236
Capital reserves	14	**171,458**	156,103
Revenue reserve	14	**10,081**	8,753
Total equity shareholders' funds		**312,252**	304,372
Net asset value per share	15	**207.45p**	195.63p

These accounts were approved and authorised for issue by the Board of Directors on 27 June 2018 and signed on its behalf by:

Carolan Dobson
Chairman

The notes on pages 33 to 44 form an integral part of these accounts.

Registered in England and Wales

Company registration number: 2894077

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in February 2018. All of the Company's operations are of a continuing nature.

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

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

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

(b) Valuation of investments

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

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

(c) Accounting for reserves

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

The cost of repurchasing the Company's own shares for cancellation or to hold in treasury, including the related stamp duty and transactions costs is charged to a distributable capital reserve.

(d) Income

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

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

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

(e) Expenses

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

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

– Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 37.

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method in accordance with FRS 102.

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

Notes to the Accounts

(g) Financial instruments

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

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Bank loans and overdrafts are initially recognised at cost, being the proceeds received net of direct issue costs, and subsequently at amortised cost.

(h) Taxation

The tax charge for the year is based on amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

Deferred tax is provided for all timing differences that have originated but not reversed by the accounting date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Dividends payable

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

(k) Repurchases of shares into treasury and subsequent reissues

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs, is dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in treasury are subsequently cancelled, the nominal value of those shares is transferred out of "called-up share capital" and into "capital redemption reserve".

The sales proceeds of treasury shares reissued are treated as a realised profit up to the amount of the purchase price of those shares and is transferred to capital reserves. The excess of the sales proceeds over the purchase price is transferred to "share premium".

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

	2018 £'000	2017 £'000
Gains on sales of investments based on historic cost	11,803	25,389
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(4,367)	(11,148)
Gains on sales of investments based on the carrying value at the previous balance sheet date	7,436	14,241
Net movement in investment holding gains and losses	8,918	23,424
Gains on investments held at fair value through profit or loss	**16,354**	37,665

Notes to the Accounts

3. Income

	2018 £'000	2017 £'000
Income from investments:		
UK dividends	**10,707**	10,068
Scrip dividends	**270**	–
	10,977	10,068
Other interest receivable and similar income		
Deposit interest	**1**	1
Underwriting commission	**2**	–
	3	1
Total income	**10,980**	10,069
Capital:		
Special dividends allocated to capital	**91**	–

4. Investment management fee

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Management fee	**460**	**1,072**	**1,532**	443	1,033	1,476

The basis for calculating the investment management fee is set out in the Report of the Directors on page 17 and details of all amounts payable to the Manager are given in note 16 on page 39.

5. Administrative expenses

	2018 £'000	2017 £'000
Administration expenses	**249**	226
Directors' fees[1]	**125**	122
Auditors' remuneration for audit services[2]	**25**	25
Auditors' remuneration for taxation compliance services	**–**	2
	399	375

[1]Details of all amounts payable to Directors are given in the Directors' Remuneration Report on page 23.
[2]Includes £4,000 (2017: £4,000) irrecoverable VAT.

6. Finance costs

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Interest on bank loans and overdrafts	**8**	**18**	**26**	–	–	–

Notes to the Accounts

7. Taxation on ordinary activities

(a) Analysis of charge for the year:

	2018 £'000	2017 £'000
Irrecoverable overseas tax	3	3
Income tax	11	–
Tax charge for the year	14	3

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2017: lower) than the Company's applicable rate of corporation tax for the year of 19.00% (2017: 19.92%).

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

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Net return on ordinary activities before taxation	10,113	15,355	25,468	9,251	36,632	45,883
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.00% (2017: 19.92%)	1,921	2,917	4,838	1,843	7,297	9,140
Effects of:						
Capital returns on investments	–	(3,107)	(3,107)	–	(7,503)	(7,503)
Income not chargeable to corporation tax	(1,993)	(17)	(2,010)	(1,993)	–	(1,993)
Unrelieved expenses	72	207	279	150	206	356
Irrecoverable overseas tax	3	–	3	3	–	3
Income tax	11	–	11	–	–	–
Tax charge for the year	14	–	14	3	–	3

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £7,350,000 (2017: £7,099,000) based on a prospective corporation tax rate of 17% (2017: 17%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

The Company intends to meet the conditions required to retain its status as an Investment Trust Company and therefore no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

(a) Dividends paid and declared

	2018 £'000	2017 £'000
2017 second interim dividend of 2.70p (2016: 2.60p) paid out of revenue profits[1]	4,198	4,166
2018 first interim dividend of 3.00p (2017: 2.70p) paid out of revenue profits	4,573	4,267
Total dividends paid in the year	8,771	8,433

	2018 £'000	2017 £'000
2018 second interim dividend declared of 3.00p (2017: 2.70p) to be paid out of revenue profits	4,516	4,201

[1]The 2017 second interim dividend amounted to £4,201,000. However the amount actually paid was £4,198,000 as shares were repurchased into treasury after the accounting date but prior to the dividend Record Date.

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

The requirements of S1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £10,099,000 (2017: £9,248,000).

	2018 £'000	2017 £'000
First interim dividend of 3.00p (2017: 2.70p)	4,573	4,267
Second interim dividend of 3.00p (2017: 2.70p)	4,516	4,201
Total dividends of 6.00p (2017: 5.40p) per share	9,089	8,468

9. Return per share

	2018	2017
Revenue return (£'000)	10,099	9,248
Capital return (£'000)	15,355	36,632
Total return (£'000)	25,454	45,880
Weighted average number of shares in issue during the year	153,594,108	158,643,285
Revenue return per share	6.58p	5.83p
Capital return per share	10.00p	23.09p
Total return per share	**16.58p**	28.92p

10. Investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Opening book cost	286,991	266,891
Opening investment holding gains	13,213	937
Opening valuation	300,204	267,828
Purchases at cost	111,331	139,726
Sales proceeds	(109,004)	(145,015)
Gains on sales of investments based on the carrying value at the previous balance sheet date	7,436	14,241
Net movement in investment holding gains and losses	8,918	23,424
Closing valuation	318,885	300,204
Closing book cost	301,121	286,991
Closing investment holding gains	17,764	13,213
Total investments held at fair value through profit or loss	**318,885**	300,204

All investments are listed on a recognised stock exchange.

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

	2018 £'000	2017 £'000
On acquisitions	451	739
On disposals	61	96
	512	835

Notes to the Accounts

11. Debtors

	2018 £'000	2017 £'000
Dividends and interest receivable	1,773	2,189
Securities sold awaiting settlement	432	2,143
Taxation recoverable	–	11
Other debtors	14	14
	2,219	4,357

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

12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loan	12,000	–
Securities purchased awaiting settlement	–	1,035
Other creditors and accruals	494	866
	12,494	1,901

The bank loan has been drawn down on the Company's Revolving Facility Agreement with Scotiabank ("the Facility"). The loan comprises £12.0 million drawn for a one month period at an interest rate of 1.18% per annum. The Facility has a limit of £17.5 million and has been extended to 9 July 2018. Drawings on the Facility are unsecured, but are subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 19(a) on page 41.

In addition to the Credit Facility, the Company has a £17.5 million overdraft facility with HSBC Bank plc which has not been utilised in the current or comparative year.

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

13. Called-up share capital

	2018 £'000	2017 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 155,589,184 (2017: 160,375,184) shares of 25p each, excluding shares held in treasury	38,897	40,094
Repurchase of 5,068,700 (2017: 4,786,000) shares into treasury	(1,267)	(1,197)
Subtotal of 150,520,484 (2017: 155,589,184) shares	37,630	38,897
10,396,700 (2017: 5,328,000) shares held in treasury	2,599	1,332
Closing balance[1]	40,229	40,229

[1]Represents 160,917,184 (2017: 160,917,184) shares of 25p each, including 10,396,700 (2017: 5,328,000) shares held in treasury. During the year, the Company purchased 5,068,700 of its own shares, nominal value £1,267,175 to hold in treasury for a total consideration of £8,803,000 representing 3.3% of the shares outstanding at the beginning of the year. The reason for these share repurchases was to seek to manage the volatility of the share price discount to net asset value per share.

Notes to the Accounts

14. Reserves

	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Capital reserves: Gains and losses on sales of investments[2] £'000	Capital reserves: Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	**9,875**	**19,759**	**417**	**69,236**	**142,890**	**13,213**	**8,753**
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	**7,436**	–	–
Net movement in investment holding gains and losses	–	–	–	–		**8,918**	–
Transfer on disposal of investments	–	–	–	–	**4,367**	**(4,367)**	–
Management fee allocated to capital	–	–	–	–	**(1,072)**	–	–
Finance costs allocated to capital	–	–	–	–	**(18)**	–	–
Special dividend allocated to capital	–	–	–	–	**91**	–	–
Repurchase of the Company's own shares into treasury	–	–	–	**(8,803)**	–	–	–
Dividends paid	–	–	–	–	–	–	**(8,771)**
Retained revenue for the year	–	–	–	–	–	–	**10,099**
Closing balance	**9,875**	**19,759**	**417**	**60,433**	**153,694**	**17,764**	**10,081**

The Company's Articles of Association permit dividend distributions out of realised capital profits.

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

15. Net asset value per share

	2018	2017
Total equity shareholders funds (£'000)	**312,252**	304,372
Shares in issue at the year end, excluding shares held in treasury	**150,520,484**	155,589,184
Net asset value per share	**207.45p**	195.63p

16. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive a management fee. Details of the basis of the calculation are given in the Report of the Directors on page 17. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the calculation and therefore incur no fee. The fee payable in respect of the year ended 30 April 2018 amounted to £1,532,000 (2017: £1,476,000) of which £381,000 (2017: £745,000) was outstanding at the year end.

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

17. Related party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on page 23 and details of Directors' shareholdings are given in the Directors' Remuneration Report on page 24. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2017: nil).

18. Disclosures regarding financial instruments measured at fair value

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

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 33.

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

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

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

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

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

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

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

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

– a sterling credit facility with Scotiabank and an overdraft facility with HSBC Bank plc, the purpose of which are to manage the working capital requirements and to gear the Company as appropriate.

(a) Market risk

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

(i) Interest rate risk

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

Management of interest rate risk

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

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

Interest rate exposure

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

	2018 £'000	2017 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	3,642	1,712
Creditors: amounts falling due within one year – borrowings on the credit facility	(12,000)	–
Total exposure	(8,358)	1,712

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

During the year, the Company extended its £17.5 million one year Revolving Credit Facility with Scotiabank which now expires on 9 July 2018. Interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 30 April 2018, the Company had drawn down £12.0 million (2017: nil) at an interest rate of 1.18% per annum.

The Company also has a £17.5 million overdraft facility with HSBC Bank plc, which has not been utilised in the current or comparative year.

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

	2018 £'000	2017 £'000
Maximum credit interest rate exposure during the year – net cash balances	4,401	10,546
Maximum debit/minimum credit interest rate exposure during the year – net (debt)/cash balances	(10,648)	786

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2017: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2018		2017	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	–	–	9	(9)
Capital return	(42)	42	–	–
Total return after taxation	(42)	42	9	(9)
Net assets	(42)	42	9	(9)

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

(ii) Market price risk

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

Management of market price risk

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

Market price risk exposure

The Company's total exposure to changes in market prices at 30 April comprises its portfolio of investments:

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss	**318,885**	300,204

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 7. This shows that the portfolio comprises entirely UK listed investments. Accordingly there is a concentration of exposure to the UK. However it should be noted that the Company's investments may not be entirely exposed to economic conditions in the UK, as many UK listed companies do much of their business overseas.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2017: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure to market price risk through its portfolio of investments and assumes all other variables are held constant.

	2018		2017	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**–**	**–**	–	–
Capital return	**31,889**	**(31,889)**	30,020	(30,020)
Total return after taxation and net assets	**31,889**	**(31,889)**	30,020	(30,020)
Change in net asset value	**10.2%**	**(10.2%)**	9.9%	(9.9%)

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. A credit facility and an overdraft facility are available to manage short-term working capital requirements if needed.

Liquidity risk exposure

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

	Three months or less 2018 £'000	Three months or less 2017 £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	**12,012**	–
Securities purchased awaiting settlement	**–**	1,035
Other creditors and accruals	**494**	866
	12,506	1,901

(c) Credit risk

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

Notes to the Accounts

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

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

Exposure to the Custodian

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

Credit risk exposure

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

	2018		2017	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	**318,885**	**–**	300,204	–
Current assets				
Debtors – dividends and interest receivable and other debtors	**1,787**	**1,773**	2,214	2,200
Securities sold awaiting settlement	**432**	**432**	2,143	2,143
Cash at bank and in hand	**3,642**	**3,642**	1,712	1,712
	324,746	**5,847**	306,273	6,055

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

(d) Fair values of financial assets and financial liabilities

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

20. Capital management policies and procedures

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

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

	2018 £'000	2017 £'000
Debt		
Bank loan	**12,000**	–
Equity		
Called-up share capital	**40,229**	40,229
Reserves	**272,023**	264,143
	312,252	304,372
Total debt and equity	**324,252**	304,372

Financial

Notes to the Accounts

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing. The Board's policy is to limit gearing/(net cash) within the range +20% to -20%, where gearing represents borrowings used for investment purposes less cash, expressed as a percentage of net assets.

	2018 £'000	2017 £'000
Borrowings used for investment purposes, less cash	**8,358**	(1,712)
Net assets	**312,252**	304,372
Gearing/(net cash)	**2.7%**	(0.6%)

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

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

– the need to buy back the Company's own shares for cancellation or to hold in treasury, which takes into account the share price discount;

– the opportunities for issues of new shares; and

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

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Thursday, 2 August 2018 at 12.00 noon. The formal Notice of Meeting is set out on page 46.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Special Business to be proposed at the Annual General Meeting ("AGM")

Resolution 6: Directors' authority to allot shares (ordinary resolution) and Resolution 7: power to disapply pre-emption rights (special resolution)

The Directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £3,763,012 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £3,763,012 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2019 unless renewed, varied or revoked earlier.

Resolution 8: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 2 August 2017, the Company was granted authority to make market purchases of up to 23,307,828 ordinary shares of 25p each for cancellation. A total of 4,968,700 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 18,339,128 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM (excluding treasury shares). The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the 2018 AGM will lapse at the conclusion of the AGM in 2019 unless renewed, varied or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Growth Fund plc will be held at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED on Thursday, 2 August 2018 at 12.00 noon to consider the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 April 2018.

2. To approve the Directors' Annual Report on Remuneration for the year ended 30 April 2018.

3. To approve the re-election of Andrew Hutton as a Director of the Company.

4. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.

5. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.

6. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

   "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £3,763,012 (being 10% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."

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 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 6 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £3,763,012 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 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 which may be purchased is 22,563,020, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice (excluding treasury shares);

   (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;

      i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

      ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

   (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per Share;

   (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2019 (unless previously renewed, varied or revoked by the Company prior to such date);

   (e) the Company may make a contract to purchase Shares under the authority hereby conferred 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; and

   (f) any Shares so purchased will be cancelled or held in treasury."

By order of the Board
For and on behalf of
Schroder Investment Management Limited
Registered Number: 2894077
27 June 2018

Registered Office:
31 Gresham Street,
London EC2V 7QA

Explanatory Notes to the Notice of Meeting

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

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "view" on the "My Investments" page, click on the link to vote, then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 noon on 31 July 2017. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

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

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

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 31 July 2018, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 31 July 2018 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the

Explanatory Notes to the Notice of Meeting

CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

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

6. The biography of the Director offering himself for re-election is set out on page 14 of the Company's Annual Report and Accounts for the year ended 30 April 2018.

7. As at 27 June 2018, 150,520,484 ordinary shares of 25 pence each were in issue (excluding 10,396,700 shares held in treasury). Therefore the total number of voting rights of the Company as at 27 June 2018 was 150,520,484.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/ukgrowth until 29 June 2018 and at www.bgukgrowthfund.com, following completion of the AIFM transition.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Definitions of Terms and Performance Measures

Net asset value ("NAV") per share

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

Total return

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

Benchmark

The measure against which the Company compares its performance. The Company's benchmark is the FTSE All-Share Index.

Discount/premium

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

Active share

A measure of how actively a portfolio is managed, showing the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap and an active share of zero indicates a portfolio that tracks the comparative index.

Gearing

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

Leverage

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

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

Shareholder Information

Change of Manager and Company Secretary

Baillie Gifford & Co Limited will be appointed as the Company's AIFM, company secretary and administrator with effect from the end of the day on 29 June 2018 subject to FCA approval, but no later than 13 July 2018.

Webpage and share price information

The Company has a dedicated webpage, which may be found at www.schroders.co.uk/ukgrowth until 29 June 2018 and at www.bgukgrowthfund.com following completion of the AIFM transition. The webpage has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of 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. There is also a section entitled "How to Invest".

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 the Company's webpage.

ISA status

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

Non-Mainstream Pooled Investments status

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

Financial calendar

Half year results announced	December
First interim dividend	January
Financial year end	30 April
Annual results announced	July
Second interim dividend paid	July
Annual General Meeting	August

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the website www.schroders.co.uk/its until 29 June 2018 and at www.bgukgrowthfund.com following completion of the AIFM transition.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the website www.schroders.co.uk/its until 29 June 2018 and at www.bgukgrowthfund.com following completion of the AIFM transition. The Company is also required to periodically publish its actual leverage exposures. As at 30 April 2018 these were:

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

Illiquid assets

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

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFMD information disclosure document published on the website www.schroders.co.uk/its until 29 June 2018 and at www.bgukgrowthfund.com following completion of the AIFM transition.

Publication of Key Information Document ("KID")

SUTL as the Company's AIFM, has published a short KID on the Company. KIDs provide prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on www.schroders.co.uk/ukgrowth until 29 June 2018 and at www.bgukgrowthfund.com following completion of the AIFM transition.

www.schroders.co.uk/ukgrowth

Advisers

Alternative Investment Fund Manager ("AIFM"/the "Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

From the end of the day on 29 June 2018 subject to FCA approval, but no later than 13 July 2018:
Baillie Gifford & Co Limited
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 4430

From the end of the day on 29 June 2018 subject to FCA approval, but no later than 13 July 2018:
Baillie Gifford & Co Limited
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Registered Office

31 Gresham Street
London EC2V 7QA

From the end of the day on 29 June 2018 subject to FCA approval, but no later than 13 July 2018:
Grimaldi House
28 St James's Square
London SW1Y 4JH

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

From the end of the day on 29 June 2018 subject to FCA approval, but no later than 13 July 2018:
BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Lending Bank

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

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

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

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Corporate Broker

Winterflood Investment Trusts
The Atrium Building
Canon Bridge House
Dowgate Hill
London EC4R 2GA

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing Codes

ISIN: GB0007913485
SEDOL: 0791348
Ticker: BGUK

Global Intermediary Identification Number (GIIN)

A60BYK.99999.SL.826

Legal Entity Identifier (LEI)

549300XX386SYWX8XW22

Privacy Statement

The Company's privacy notice is available on the webpage www.schroders.co.uk/ukgrowth until 29 June 2018 and at www.bgukgrowth.com following completion of the AIFM transition.

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