Schroder UK Growth Fund plc

Half Year Report and Accounts for the six months ended 31 October 2016

Schroders

Contents, Investment Objective and Investment Policy

Contents

Investment objective

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

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 but the Company may invest up to 5% of net assets at the time of investment in each of smaller capitalisation stocks and AIM stocks.

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

Financial Highlights

Total returns[1] for the six months ended 31 October	2016
Net asset value ("NAV") per share[2]	**10.0%**
Share price[2]	**7.3%**
Benchmark[3]	**12.2%**

[1] Total returns are calculated on the assumption that any dividends paid out are reinvested back into the Company.
[2] Source: Morningstar.
[3] Source: Thomson Reuters. The Company's benchmark is the FTSE All-Share Index total return.

Net asset value, share price and discount	31 October 2016	30 April 2016	% Change
Shareholders' funds (£'000)	**295,011**	274,880	7.3
Shares in issue	**158,738,184**	160,375,184	(1.0)
NAV per share[1]	**185.85p**	171.40p	8.4
Share price	**161.25p**	152.88p	5.5
Share price discount to NAV per share[1]	**13.2%**	10.8%	

[1] The share price discount to the ex-income NAV per share at 31 October 2016 was 11.9% (30 April 2016: 9.1%).

Interim Management Report – Chairman's Statement

Performance

The last six months have been a very unusual time for the UK stock market as the Referendum caused initial falls in the market, which were then reversed. Individual stock prices swung sharply through this period with companies that earn a large amount of revenue overseas performing well as profits in sterling terms benefit from the considerable fall in the value of sterling.

Such sharp swings in individual companies' share prices make it difficult for a portfolio that utilises a measured approach to buying the shares of good companies with visible prospects to generate earnings growth, to keep up with the performance of the market in the short term. Whilst the Company's net asset value total return was 10.0%, the FTSE All-Share Index produced a total return of 12.2% during the period.

Discounts in the equity investment trust sector widened over this period. Despite buying back over 1.6 million shares the discount on our share price also widened which resulted in a share price total return of 7.3%.

Further comment on performance and investment policy may be found in the Manager's Review.

Earnings and dividends

The Directors have declared a first interim dividend of 2.70 pence per share for the year ending 30 April 2017 (2016: 2.60 pence). The first interim dividend will be payable on 31 January 2017 to shareholders on the register on 6 January 2017.

Gearing policy

The Company has access to gearing through a combination of a revolving credit facility and an overdraft.

Throughout the period the credit facility remained undrawn. The Manager will utilise the Company's credit facility when suitable opportunities are judged to exist at appropriate valuations. The Board has set pre-agreed limits so that net effective gearing does not represent more than 20% of shareholders' funds.

Discount management policy

On 14 September 2016, the Board announced a new share buy-back policy. This 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 on an income-inclusive basis, 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.

These factors remain under constant review by the Board and shares purchased accordingly.

Board composition and succession planning

As part of the Board's long-term succession planning, Alan Clifton retired as Chairman of the Company at the Annual General Meeting held on 4 August 2016 and I became Chairman on that date.

Outlook

These are unusually uncertain times for the UK economy as the outcome of negotiations regarding the UK leaving the European Union remains very unclear. However more than two thirds of FTSE All-Share Index companies' revenue is earned outside the UK and as economic growth in the US remains robust, this international earnings stream continues to benefit the UK stock market.

Interim Management Report – Chairman's Statement

This is the time for good fundamental stock picking as there are large valuation variations between shares in the market, offering better opportunities for stock picking skills to be rewarded than has been seen for some time, and this plays to the strengths of our Manager.

Carolan Dobson
Chairman

28 December 2016

Interim Management Report – Manager's Review

Over the six months to 31 October 2016 the total return of the Company's net assets was 10.0%, compared to the total return from the FTSE All-Share Index of 12.2%.

Market backdrop

Whilst the election of Donald Trump in the US occurred after the period under review, it reflected a number of pre-existing issues that impacted markets in the period. Political populism underpinned by anti-globalisation sentiment has been on the rise as the feeling that loose monetary policy after the 2008/09 financial crisis has not benefited all equally. Rising inequality and a protracted squeeze of real wages have found a political outlet both in the EU Referendum and the US presidential election. The impact of the Referendum was most keenly felt by markets in the period, but the prospect of rising inflation is an issue as it is likely to impact the direction of the market into 2017.

The immediate response to the Referendum was stronger equity markets as central banks maintained accommodative policy and sharply weaker sterling translated into profits upgrades for the bulk of listed UK companies. The FTSE All-Share Index generated a total return of 12.2%. There was a significant divergence in performance, however, between weak domestically-exposed stocks and strong performance from those with international operations.

Investors have been assessing the short-term impact the Referendum result has had on the economy as well as determining what form Brexit might take. Q3 real GDP growth was stronger than expected at 0.5% compared to expectations of 0.3%, with consumer spending resilient despite the increasing uncertainty. Markets welcomed monetary easing measures from the Bank of England. The prospect of a more uncertain outlook for employment as well as the inflationary impact of falling sterling has yet to translate into slower consumption. The continued slide in sterling reflected increased expectations that giving up full access to the single market and the customs union – a 'hard' Brexit – was on the agenda.

Elsewhere, improving sentiment towards emerging markets, and China in particular, drove a strong performance from resource shares. Supply-side discipline has driven commodity prices higher and low levels of capital expenditure has resulted in much better free cash generation than expected at the start of the year. In addition, OPEC agreed to reduce oil production for the first time since 2008, with Saudi Arabia significantly changing the position held since 2014 to drive market share at the expense of the oil price.

Rising commodity prices coupled with debate over the role of fiscal policy has seen a significant change in expectations for global inflation. The extent to which market sentiment has shifted can be seen in bond markets. At their low point in the period, 10 year gilt yields were below 0.6% whilst US Treasuries were yielding less than 1.6%: more recently they were 1.4% and 2.4% respectively. Loose monetary policy in response to the Referendum and subdued growth has given way to rising global inflation expectations. Shifts in the outlook for monetary policy over the summer have been given added fuel by the more fiscally expansionary political policies that both Brexit and a Trump-led administration herald. At the same time markets have questioned the effectiveness of loose monetary policy in driving growth.

This change in direction has seen a rotation within the stock market, which had been conditioned to expect a deflationary rather than inflationary outlook. It has also led to a wide divergence in valuations between sectors. Domestic banks, for example, have been suffering from the twin headwinds of an uncertain outlook for GDP growth and the negative impact of low interest rates and flat yield curves. Domestic retailers have been under pressure as weak sterling will put profit margins under pressure at a time the consumer is ill-prepared for price rises. At the other extreme, many 'steady-growth' international companies now trade on historically-high ratings.

Performance

The portfolio's performance relative to the Index suffered from some of these factors, in particular on stock selection in banks and on not owning resource stocks.

Holdings in domestic banks such as RBS and Lloyds were hit as the Referendum led to concerns over the outlook for loan growth, impairments, and interest margins. The missed opportunity was in the internationally-oriented HSBC and Standard Chartered, which were not held and which benefited from the fall in sterling. This offset stocks such as AstraZeneca, Sage and RELX which benefited from sterling's fall, while the largest holding, Royal

Dutch Shell, performed well after positive market commentary on its capital expenditure discipline, increased cost-savings and stronger oil prices.

The sector stance in the portfolio was generally positive – for example being underweight in life insurance and real estate investment trusts, both affected in the post-Referendum world – except for not owning mining stocks when they rose.

Performance attribution

	Impact (%)
FTSE All-Share Index	+12.2
Stock selection	-1.9
Sector allocation	+0.7
Cash contribution	-0.5
Costs	-0.3
Residual	-0.2
NAV total return	+10.0

Source: Schroders estimates, Factset, six months to 31 October 2016.

On more company-specific movements, Indivior, which develops drugs to combat drug and alcohol misuse, performed strongly on the back of encouraging results for a treatment for opiate addiction as well as the enforceability of patent protection for Suboxone film. Tesco responded positively to robust first-half results, which revealed like-for-like sales and volume growth across all regions. The results underline how the changes that management has made over the past couple of years are resonating with the consumer. In particular, the company's "Farm Brands" have delivered strong volume growth to offset the negative pricing impact of this new value range. The recovery in UK margins was much better than expected (despite the further investment in lower prices for the customer) and provides a strong platform for future growth.

Top 5 positive and negative contributors

Positive	Portfolio (%)	Weight relative to Index (%)	Total return (%)	Impact (%)
Indivior	1.5	+1.4	+101.5	+0.5
Royal Dutch Shell B	7.6	+0.3	+22.9	+0.4
Sage	2.9	+2.6	+22.9	+0.4
Tesco	3.1	+2.5	+22.5	+0.3
AstraZeneca	4.0	+1.3	+18.4	+0.2

Negative	Portfolio (%)	Weight relative to Index (%)	Total return (%)	Impact (%)
HSBC	0.3	-4.5	+42.2	-1.2
Royal Bank of Scotland	2.1	+1.8	-17.8	-0.6
JRP Group	2.1	+2.1	-10.5	-0.5
Computacenter	1.9	+1.9	-12.2	-0.5
Lloyds Banking	4.0	+2.2	-13.3	-0.5

Source: Factset, six months to 31 October 2016. Weights are average for the period. Impact is the contribution made by the stock to the difference between the portfolio return and the Index return.

Portfolio activity

We took advantage of higher prices in some of the resilient international businesses which performed well after the Referendum and reinvested into shares which offer better cyclically adjusted value. We have increased exposure to financial stocks, domestically-focused stocks or stocks with an element of recovery/self-help.

We initiated a new position in education business Pearson whose shares have lagged as it grapples with structural and cyclical headwinds. Their US textbook sales have suffered due to declining higher-education enrolments, as employment levels recover. At the same time, Pearson has had to deal with an industry in transition from analogue to digital. In our opinion, the company has cyclical recovery potential, and should also benefit from management-induced self-help measures. In the short term, we believe headwinds in the textbook market will abate. We anticipate continued progress with the analogue-to-digital transition, where digital revenues are growing in double digits. The company is making good progress with cost-saving, the balance sheet is strong, while depressed sentiment towards the stock has created a compelling valuation opportunity. Pearson is a global leader in its field and has a long track record of strong cash conversion which is testament to the high quality nature of its earnings streams.

We also initiated a new position in Marks & Spencer whose shares have performed very poorly due to concerns about the clothing and home division. Both have underperformed for a number of years and in the short-term have been further impacted by unseasonable weather. In our opinion there is an opportunity to turn around this division as the new management team drives through self-help initiatives. These are focused on improving price competitiveness and enhancing the customer experience more widely through changes such as simplifying ranges. The company will also focus on supply-chain efficiencies, including better buying, to improve gross margins relative to peers. In addition, there is a renewed company-wide cost discipline and we expect to see some strategic decisions on the international division. This could lead to a significant improvement in the group's free cashflow generation over the next three years.

We also initiated a new holding in ITV to capitalise on the opportunities within domestic cyclical sectors since the Referendum vote. In our opinion the share price fall has begun to reflect the deterioration in the advertising outlook, while the company's balance sheet is significantly stronger than it was ahead of the 2008/09 downturn.

We increased exposure to Indivior following the defence of their Suboxone film patent. Growth in the existing Suboxone franchise was not in market forecasts and any future franchise extension from a successful delivery of its once-monthly drug appeared to have been ignored in the market valuation. Elsewhere in Pharmaceuticals we reduced exposure to AstraZeneca and GlaxoSmithKline following strong performance post-Referendum, whilst initiating a holding in specialty pharmaceuticals company Shire, which has de-rated due to worries about its acquisition of US peer Baxalta. This de-rating more than accounted for the risks facing Baxalta's portfolio as well as any potentially negative tax implications of the deal. The market also appears to be underestimating the potential revenue and cost synergies from combining the companies.

We sold out of Imperial Brands, on concerns over the lack of organic growth and where we felt the benefits of their US acquisition were fully reflected in the shares. We used the proceeds to increase the position in British American Tobacco following news of their proposed merger with Reynolds American, as we believe the deal offers cost and revenue synergies. Taking full control would increase its exposure to fast-growing US markets, and give it access to a strong pipeline of next-generation products, such as e-cigarettes.

Within financials, we increased the holdings in Aviva, JRP and Lloyds as the shares reacted negatively to the Referendum despite a positive outlook over capital, new business margin and net interest margins. They look well-set to deliver growing dividends notwithstanding a more challenging economic backdrop.

We took profits in Sage, RELX, Carnival, Smith & Nephew and Rentokil where current valuations discount the strength of their business models and have re-rated in advance of currency-driven upgrades.

Investment outlook

The immediate impact of the Brexit vote was a significant divergence in performance between companies with international earnings or more resilient earnings streams, and those dependent on more cyclical, domestic drivers of growth. However, the market has begun to question the historically high valuations of the former as inflation expectations rise and markets consider the prospect of greater fiscal expansion. This rotation has gathered pace following the US election of Donald Trump, whose policies of personal tax cuts and increased government spending are likely to drive inflation higher and bring forward the tightening of monetary policy. This reverses a significant trend for markets.

In our view, there is clear value in large cap oil companies (eg Royal Dutch Shell, BP) and financials (eg Aviva, JRP, Fidessa and Lloyds) where earnings growth is well placed to be very strong on a relative basis next year. There are also new opportunities in domestic cyclical names (eg Marks & Spencer, Halfords) and select recovery stocks (eg Balfour Beatty, Tesco and Morrison).

Ten most overweight positions

Security	Portfolio (%)	Index (%)	Difference (%)
Balfour Beatty	3.6	0.1	+3.5
Aviva	4.1	0.8	+3.3
Tesco	3.9	0.8	+3.1
JRP Group	2.6	0.0	+2.6
Fidessa	2.7	0.0	+2.7
Lloyds Banking	4.3	1.7	+2.6
GlaxoSmithKline	6.1	3.6	+2.5
Daily Mail & General Trust	2.3	0.0	+2.3
BAE Systems	2.8	0.8	+2.0
Computacenter	2.0	0.0	+2.0

Source: Schroders, as at 31 October 2016.

Schroder Investment Management Limited
28 December 2016

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

Interim Management Report – Investment Portfolio

At 31 October 2016

Stocks in bold are the 20 largest investments, which by value account for 68.4% (30 April 2016: 69.0% and 31 October 2015: 71.1%) of total investments. All investments are equities.

	£'000	%
Financials		
Lloyds Banking Group	**12,331**	**4.3**
Aviva	**11,799**	**4.1**
JRP Group	**7,663**	**2.6**
ICAP	**5,799**	**2.0**
The Royal Bank of Scotland	**5,741**	**2.0**
Prudential	4,995	1.7
Standard Chartered	4,873	1.7
Legal & General	2,530	0.9
Barclays	2,160	0.7
Total Financials	**57,891**	**20.0**
Consumer Services		
Tesco	**11,268**	**3.9**
Daily Mail & General Trust	**6,513**	**2.3**
RELX	5,102	1.8
Morrison (Wm)	3,839	1.3
FirstGroup	3,619	1.3
Carnival	3,539	1.2
Pearson	3,518	1.2
Marks & Spencer	3,507	1.2
Informa	3,396	1.2
ITV	3,049	1.1
Mitchells & Butlers	1,866	0.6
GAME Digital	926	0.3
Total Consumer Services	**50,142**	**17.4**
Healthcare		
GlaxoSmithKline	**17,773**	**6.1**
AstraZeneca	**8,132**	**2.8**
Indivior	**5,595**	**1.9**
Shire	**5,393**	**1.9**
Vectura	2,870	1.0
BTG	1,492	0.5
Clinigen	1,388	0.5
Total Healthcare	**42,643**	**14.7**
Oil & Gas		
Royal Dutch Shell 'B'	**21,518**	**7.4**
BP	**14,714**	**5.1**
Royal Dutch Shell 'A'	937	0.3
AMEC	681	0.2
Total Oil & Gas	**37,850**	**13.0**

	£'000	%
Industrials		
Balfour Beatty	**10,483**	**3.6**
BAE Systems	**8,129**	**2.8**
Chemring	4,729	1.6
Smiths Group	4,573	1.6
Rentokil Initial	2,738	0.9
Mears	2,706	0.9
Qinetiq	2,042	0.7
Total Industrials	**35,400**	**12.1**
Technology		
Fidessa	**7,680**	**2.7**
Computacenter	**5,860**	**2.0**
Redcentric	3,493	1.2
Sage	3,001	1.0
iomart	2,457	0.8
SDL	2,218	0.8
Spirent Communications	1,902	0.7
Total Technology	**26,611**	**9.2**
Consumer Goods		
British American Tobacco	**14,412**	**5.0**
Dairy Crest	1,517	0.5
Crest Nicholson	1,337	0.5
Total Consumer Goods	**17,266**	**6.0**
Telecommunications		
BT	**8,550**	**3.0**
Vodafone	**8,250**	**2.9**
Total Telecommunications	**16,800**	**5.9**
Utilities		
Centrica	3,287	1.2
Drax Group	1,537	0.5
Total Utilities	**4,824**	**1.7**
Total investments	**289,427**	**100.0**

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategy and competitiveness risk; investment management risk; financial risks; accounting, legal and regulatory risk; custodian and depositary risk; and service provider risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 15 and 16 of the Company's published Annual Report and Accounts for the year ended 30 April 2016. These risks and uncertainties have not materially changed during the six months ended 31 October 2016.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 17 of the published Annual Report and Accounts for the year ended 30 April 2016, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 October 2016.

Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Income Statement

for the six months ended 31 October 2016 (unaudited)

	Note	(Unaudited) for the six months ended 31 October 2016 Revenue £'000	Capital £'000	Total £'000	(Unaudited) for the six months ended 31 October 2015 Revenue £'000	Capital £'000	Total £'000	(Audited) for the year ended 30 April 2016 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss		**–**	**23,095**	**23,095**	–	(19,968)	(19,968)	–	(22,277)	(22,277)
Income from investments		**4,734**	**–**	**4,734**	4,585	–	4,585	9,836	88	9,924
Other interest receivable and similar income		**1**	**–**	**1**	1	–	1	3	–	3
Gross return/(loss)		**4,735**	**23,095**	**27,830**	4,586	(19,968)	(15,382)	9,839	(22,189)	(12,350)
Investment management fee		**(219)**	**(512)**	**(731)**	–	–	–	(151)	(352)	(503)
Administrative expenses		**(185)**	**–**	**(185)**	(222)	–	(222)	(430)	–	(430)
Net return/(loss) before finance costs and taxation		**4,331**	**22,583**	**26,914**	4,364	(19,968)	(15,604)	9,258	(22,541)	(13,283)
Finance costs		**–**	**–**	**–**	–	–	–	–	–	–
Net return/(loss) on ordinary activities before taxation		**4,331**	**22,583**	**26,914**	4,364	(19,968)	(15,604)	9,258	(22,541)	(13,283)
Taxation on ordinary activities	3	**–**	**–**	**–**	4	–	4	4	–	4
Net return/(loss) on ordinary activities after taxation		**4,331**	**22,583**	**26,914**	4,368	(19,968)	(15,600)	9,262	(22,541)	(13,279)
Return/(loss) per share	4	**2.72p**	**14.18p**	**16.90p**	2.72p	(12.44)p	(9.72)p	5.77p	(14.04)p	(8.27)p

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 items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the period.

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

Statement of Changes in Equity

for the six months ended 31 October 2016 (unaudited)

	Note	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		–	–	–	–	–	22,583	4,331	26,914
Repurchase of the Company's own shares into Treasury		–	–	–	–	(2,617)	–	–	(2,617)
Dividends paid in the period	5	–	–	–	–	–	–	(4,166)	(4,166)
At 31 October 2016		**40,229**	**9,875**	**19,759**	**417**	**74,574**	**142,054**	**8,103**	**295,011**

for the six months ended 31 October 2015 (unaudited)

	Note	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 2015		40,229	9,875	19,759	417	78,071	142,012	8,474	298,837
Net (loss)/return on ordinary activities after taxation		–	–	–	–	–	(19,968)	4,368	(15,600)
Repurchase of the Company's own shares into Treasury		–	–	–	–	(646)	–	–	(646)
Dividends paid in the period	5	–	–	–	–	–	–	(5,624)	(5,624)
At 31 October 2015		40,229	9,875	19,759	417	77,425	122,044	7,218	276,967

for the year ended 30 April 2016 (audited)

	Note	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 2015		40,229	9,875	19,759	417	78,071	142,012	8,474	298,837
Net (loss)/return on ordinary activities after taxation		–	–	–	–	–	(22,541)	9,262	(13,279)
Repurchase of the Company's own shares into Treasury		–	–	–	–	(880)	–	–	(880)
Dividends paid in the year	5	–	–	–	–	–	–	(9,798)	(9,798)
At 30 April 2016		40,229	9,875	19,759	417	77,191	119,471	7,938	274,880

Statement of Financial Position

at 31 October 2016 (unaudited)

	Note	(Unaudited) 31 October 2016 £'000	(Unaudited) 31 October 2015 £'000	(Audited) 30 April 2016 £'000
Fixed assets				
Investments held at fair value through profit or loss		**289,427**	266,145	267,828
Current assets				
Debtors		**640**	1,688	3,503
Cash at bank and in hand		**5,597**	9,235	5,553
		6,237	10,923	9,056
Current liabilities				
Creditors: amounts falling due within one year		**(653)**	(101)	(2,004)
Net current assets		**5,584**	10,822	7,052
Total assets less current liabilities		**295,011**	276,967	274,880
Net assets		**295,011**	276,967	274,880
Capital and reserves				
Called-up share capital	6	**40,229**	40,229	40,229
Share premium		**9,875**	9,875	9,875
Capital redemption reserve		**19,759**	19,759	19,759
Warrant exercise reserve		**417**	417	417
Share purchase reserve		**74,574**	77,425	77,191
Capital reserves		**142,054**	122,044	119,471
Revenue reserve		**8,103**	7,218	7,938
Total equity shareholders' funds		**295,011**	276,967	274,880
Net asset value per share	7	**185.85p**	172.53p	171.40p

Registered in England and Wales

Company registration number: 2894077

Notes to the Accounts

1. Financial Statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30 April 2016 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommend Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in November 2014.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 April 2016.

3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. Taxation on ordinary activities comprises overseas tax deducted at source, net of any rebates.

4. Return/(loss) per share

	(Unaudited) Six months ended 31 October 2016	(Unaudited) Six months ended 31 October 2015	(Audited) Year ended 30 April 2016
Revenue return (£'000)	**4,331**	4,368	9,262
Capital return/(loss) (£'000)	**22,583**	(19,968)	(22,541)
Total return/(loss) (£'000)	**26,914**	(15,600)	(13,279)
Weighted average number of shares in issue during the period	**159,278,376**	160,530,184	160,591,922
Revenue return per share	**2.72p**	2.72p	5.77p
Capital return/(loss) per share	**14.18p**	(12.44)p	(14.04)p
Total return/(loss) per share	**16.90p**	(9.72)p	(8.27)p

5. Dividends paid

	(Unaudited) Six months ended 31 October 2016	(Unaudited) Six months ended 31 October 2015	(Audited) Year ended 30 April 2016
Second interim dividend of 2.60p (2015: 2.50p)	**4,166**	4,017	4,017
2015 special dividend of 1.00p	**–**	1,607	1,607
First interim dividend of 2.60p	**–**	–	4,174
	4,166	5,624	9,798

A first interim dividend of 2.70p (2015: 2.60p) per share, amounting to £4,286,000 (2015: £4,174,000) has been declared payable in respect of the year ending 30 April 2017.

6. Called-up share capital

Changes in issued shares are as follows:

	(Unaudited) Six months ended 31 October 2016 £'000	(Unaudited) Six months ended 31 October 2015 £'000	(Audited) Year ended 30 April 2016 £'000
Opening balance of 160,375,184 (30 April 2015: 160,917,184) shares of 25p each	**40,094**	40,229	40,229
Repurchase of 1,637,000 (six months ended 31 October 2015: 387,000 and year ended 30 April 2016: 542,000) shares into Treasury	**(410)**	(97)	(135)
Subtotal of 158,738,184 (31 October 2015: 160,530,184 and 30 April 2016: 160,375,184) shares	**39,684**	40,132	40,094
2,179,000 shares (31 October 2015: 387,000 and 30 April 2016: 542,000) shares held in Treasury	**545**	97	135
Closing balance of 160,917,184 (31 October 2015 and 30 April 2016: same) shares of 25p each, including shares held in Treasury.	**40,229**	40,229	40,229

7. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue, excluding shares held in Treasury, at 31 October 2016 of 158,738,184 (31 October 2015: 160,530,184 and 30 April 2016: 160,375,184).

8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 October 2016, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 October 2015 and 30 April 2016: same).

9. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any significant events which have not been reflected in the financial statements.

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Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website www.schroders.co.uk/its.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website at www.schroders.co.uk/its.

Dealing Codes

ISIN:	GB0007913485
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Ticker:	SDU

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