Schroder
UK Mid Cap Fund plc

Report and Accounts to 30 September 2011

Schroders

Investment Objective

The Company's investment objective is to invest in Mid Cap Equities with the aim of providing a total return in excess of the FTSE Mid 250 (ex Investment Companies) Index.

Directors

Peter Timms (Chairman) (Aged 68)
Peter Timms, CBE, was appointed a non-executive Director of the Company in 1989 and Chairman in 2000. He is chairman and managing director of Flexible Technology Ltd, and is chairman of CalMac Ferries Ltd, David MacBrayne Ltd, HIE Ventures Ltd, Northlink Ferries Ltd, Northlink Orkney & Shetland Ferries Ltd, and SETG Ltd.

Rachel Beagles (Aged 43)
Rachel Beagles was appointed a non-executive Director of the Company in March 2006. From 1990 until 2003, she worked in financial markets, primarily in equity research and sales. She was co-head of the Pan European Banks Equity Research and Sales Team and a Managing Director of Corporate and Investment Banking Group Division at Deutsche Bank AG from 2000 to 2003. She is a non-executive director of Crown Place VCT plc, and Securities Trust of Scotland plc. She is also a director of Newlon Housing Trust.

Eric Sanderson (Aged 60)
Eric Sanderson was appointed a non-executive Director of the Company in 2011. He is a Chartered Accountant and a Banker and was Chief Executive of British Linen Bank from 1989 to 1997 and a member of the Management Board of Bank of Scotland in his role as Head of Group Treasury Operations from 1997 to 1999. He was also formerly Chairman of MyTravel Group PLC and of Dunedin Fund Managers Limited and has held a number of non-executive Board positions. He is presently Chairman of MWB Group Holdings PLC, Chairman of the Court of The University of Dundee and a non-executive director of First Milk Limited, where he is also Chairman of the audit committee.

Chris Jones (Aged 70)
Chris Jones was appointed a non-executive Director of the Company in 1994. From 1985 until his retirement in 2003 he was head of Investments at Merchant Investors Assurance Company Ltd, a subsidiary of Allianz (UK) Ltd. His other non-executive directorships comprise: Cayenne Trust plc, Ecofin Water & Power Opportunities PLC and Montanaro European Smaller Companies Ltd.

Robert Rickman, (Aged 54)
Robert Rickman was appointed a non-executive Director of the Company in 2011. He is a founding partner of the Rockley Group, making and managing technology based investments worldwide and particularly in China. He is an independent non-executive director of AIM-listed Cambium Global Timberlands Ltd. From 2001 until 2007 he was a Director and latterly Chairman of the AIM-listed Highland Timber PLC. Mr Rickman was a director of telecoms and datacoms equipment manufacturer Bookham Technology PLC from 1994 to 2004, during which time the company was listed on the LSE and NASDAQ. He is currently chairman of the property and finance committee of Modern Art Oxford.

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

Mrs Beagles is chair of the Audit Committee; Mr Timms is chairman of the Management Engagement and Nomination Committees.

Advisers

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Financial Highlights

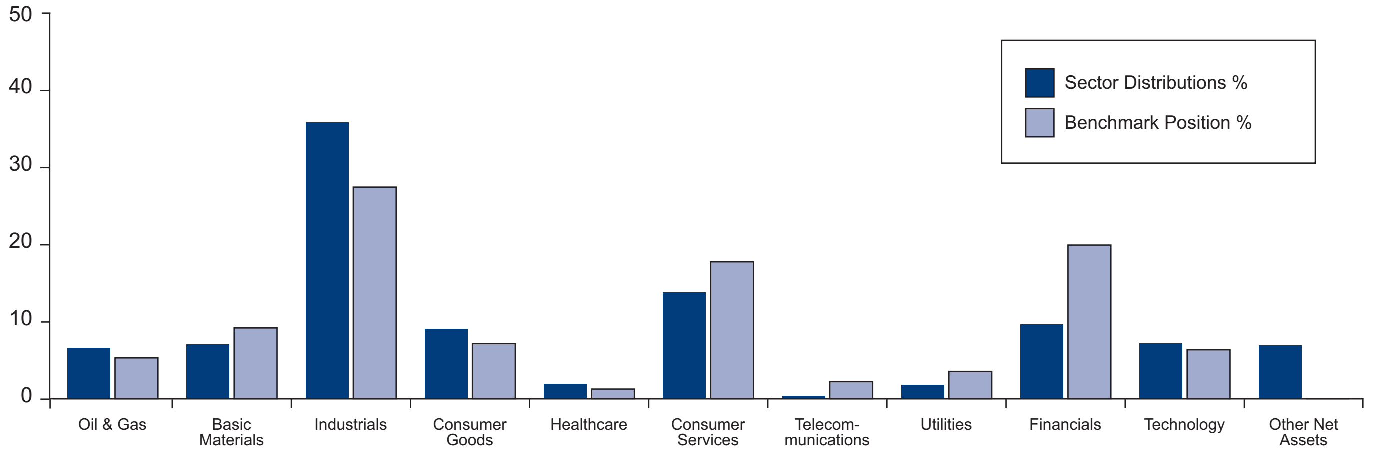
	30 September 2011	30 September 2010	% Change
Net asset value per share	**263.58p**	273.22p	(3.53)
Share price	**218.00p**	225.50p	(3.33)
Share price discount	**17.3%**	17.5%	
Total borrowings (£'000)	**10,000**	10,000	
Shareholders' funds (£'000)	**95,269**	98,750	(3.53)
	Year ended 30 September 2011	Year ended 30 September 2010	
Net asset value total return*	**(1.7)%**	19.7%	
Share price total return*	**(1.1)%**	20.6%	
FTSE Mid 250 (ex-Investment Companies)			
Total return Index**	**6,481.18**	6,809.49	(4.82)
Shares in issue ('000)	**36,144**	36,144	
Dividends per share	**6.20p**	5.83p	6.35
Total Expense Ratio (TER)***	**0.82%**	0.92%	

* Morningstar.

** Source:Thomson Financial Datastream. The benchmark index used for the year ended 30 September 2011 is a combination of the FTSE All-share, ex-Investment Companies Index, ex-FTSE 100 and the FTSE Mid 250 (ex-Investment Companies) Index on a pro-rata basis.

*** Calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average monthly net assets during the year (excluding performance fee and finance costs).

Comparison of Portfolio Sector Distribution* with the FTSE Mid 250 (ex-Investment Companies), Total Return Index at 30 September 2011



Source: Schroders

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

Ten-Year Record

As at 30 September	Shareholders' funds £'000	Net asset value (NAV) per share pence	Share price pence	Share price discount %
2011	95,269	263.6	218.0	17.3
2010	98,750	273.2	225.5	17.5
2009	85,109	235.5	192.8	18.1
2008	73,556	203.5	168.0	17.4
2007	100,852	278.3	242.5	12.9
2006	88,055	239.6	209.5	12.6
2005	69,498	188.7	171.5	9.1
2004	51,051	138.6	121.3	12.5
2003	30,508	112.5	106.0	5.8
2002	23,253	85.7	61.0	28.8

For the year ended 30 September	Revenue return per share pence	Net dividends per ordinary share pence	Cost of running Company* £'000
2011	6.7	6.20	1,210
2010	6.0	5.83	1,112
2009	5.2	5.30	948
2008	6.2	5.30	1,005
2007	5.0	4.11	1,241
2006	3.5	2.85	1,104
2005	2.8	2.25	963
2004	2.4	2.00	695
2003	(0.3)	–	743
2002	(0.6)	–	814

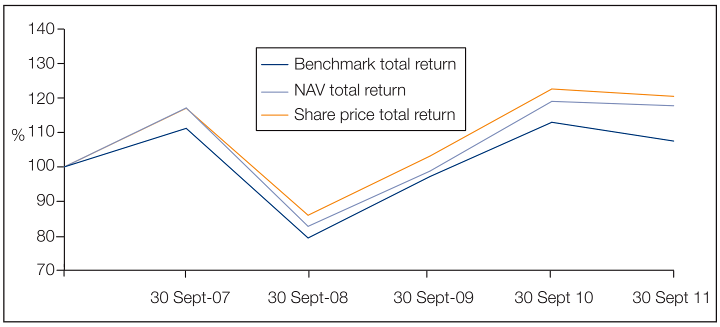
*Based on operating expenses excluding finance costs and performance fees.

Total Returns to 30 September 2011

	Benchmark total return* %	NAV total return** %	Share price total return** %
1 year	(4.82)	(1.74)	(1.06)
2 years	10.60	16.81	19.20
3 years	35.46	40.14	42.30
4 years	(3.31)	2.95	0.53
5 years	7.49	20.47	17.74

* Source: Thomson Financial Datastream. The benchmark index used for the year ended 30 September 2011 is a combination of the FTSE All-share, ex-Investment Companies, ex-FTSE 100 and the FTSE Mid 250 (ex-Investment Companies) Index on a pro-rata basis.
** Source: Morningstar.

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



Sources: Share price total return: Morningstar; Benchmark Index Total Return: Thomson Financial Datastream (data rebased to 100 at 30 September 2006).

Chairman's Statement

Performance

During the year under review, the Company's benchmark total return index decreased by 4.8% when calculated using a combination of both the new and old indices on a pro-rata basis, whilst the Company's net asset value produced a total return of (1.7)%. Meanwhile, the share price produced a total return of (1.1)% during the year.

Long term performance remains very good with the Company continuing to outperform the benchmark over each of the last five years.

Dividends

The Company's revenue return increased to 6.74 pence per share which is a rise of 13.1% compared with the 5.96 pence per share for the previous year. The Directors are therefore recommending the payment of a final dividend of 6.20 pence per share for the year ended 30 September 2011, representing an increase of 6.3% on the final dividend of 5.83 pence per share paid in respect of the previous financial year.

A resolution approving the payment of the final dividend for the year ended 30 September 2011 will be proposed at the Annual General Meeting. If passed, the dividend will be paid on 31 January 2012 to shareholders on the register at 6 January 2012.

Gearing Facility

During the year, the Company increased its revolving credit facility to £15 million, of which £10 million was drawn down throughout the year. At the beginning of the year, net gearing (which takes into account cash held in the portfolio as well as borrowings) stood at 3.0% which had slightly reduced to 2.7% by the end of the year. Parameters for the use of gearing have been established and these are reviewed regularly by the Board.

Purchase of Shares for Cancellation and Treasury Shares

At the Company's last Annual General Meeting held on 26 January 2011, the Company was granted authority to purchase up to 14.99% of its issued share capital for cancellation. During the year ended 30 September 2011, the Company did not purchase any shares for cancellation or for holding in treasury.

Your Board continues to track the level at which the shares trade measured against the underlying net asset value both in absolute terms and relative to peers and to consider whether share purchases should be made on a regular basis. To provide maximum flexibility for the future, it is proposed that the existing authorities be renewed at the forthcoming Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at 12.00 noon on Friday, 27 January 2012, and shareholders are encouraged to attend. The meeting will include a presentation by the Investment Manager on the prospects for the UK market and the Company's investment strategy.

Chairman's Statement

Outlook

Risks to markets are outlined in the Manager's Report and outlook for the year ahead is dominated by uncertainties in Europe and beyond. Against this background, our Manager is maintaining the gearing at moderate levels and continues to focus on companies with sound balance sheets, strong management teams with a proven record and strong business franchises within their markets, a strategy which has produced significant out-performance of the benchmark over the last five years.

Peter Timms, CBE
Chairman
21 December 2011

Investment Manager's Review

Performance

Over the 12 months to 30 September 2011, the Company's net asset value on a total return basis fell by 1.74%. This compared with a 4.8% fall in the benchmark, which was an equal blend of the old benchmark effectively an index of mid cap and small cap equities and the new benchmark (FTSE Mid 250 Index ex-Investment Companies) adopted from 1 April 2011.

Over the period from 1 May 2003 (when Schroders took responsibility for the management of the portfolio) to 30 September 2011, the net asset value has produced a total return of 245.3% compared to a total return of 165.1% for the benchmark and a 259.4% return for the share price over the same period.

The portfolio benefitted less from bid activity than in some prior years, but there were trade bids for Eaga and Nestor Healthcare and an infrastructure fund bid for Forth Ports. Leading positive contributions came from two companies with strong market positions and pricing power, namely Rightmove, the UK's leading property portal and Dignity, a leading operator of funeral parlours and crematoria. Ashtead also performed well as rental rates for the hire of its US construction equipment started to rise, helped by the inability of many customers to borrow money from banks to buy new equipment for themselves.

In the non-prime consumer lending market, where bank competition has also reduced, UK pawnbroker Albermarle & Bond also enjoyed growth, helped by a strong gold price.

The principal detractors to performance in the year included companies exposed to cutbacks in public expenditure around the world, such as portfolio companies Mouchel, Keller and PV Crystalox Solar. The acquisition of U.S. company Zoran by CSR was badly received as it appeared to over diversify the group but did at least preserve a strong balance sheet. Meanwhile, the Siberian oil producer Exillon announced that forecast production levels would be delayed by six months due to poor execution by subcontractors. The shares were punished but reserves remain unaffected. Funding is in place to triple production and the contractors have been replaced with international firms.

Market Background

Recent months have seen renewed worries about the sovereign debt crisis in Europe, coupled with concerns over a slowdown in the Chinese economy and a political impasse in the United States. It has been difficult to distinguish between the impact of the Japanese earthquake on global manufacturing supply chains and a slowdown in end market demand. Equity market volatility has increased, however corporate balance sheets are generally very strong, and dividend growth has again been healthy across the portfolio.

Portfolio Update

New purchases in the past year have included Berendsen (washroom services), Anglo Pacific Group (mining royalties), Debenhams (department store retailing), De La Rue (security paper and banknote printing), Exillon Energy (Siberian oil production), IG Group (spread betting), Kentz (oil, gas and petrochemical engineering), Morgan Crucible (advanced materials manufacture), Oxford Instruments (nanotechnology), Rightmove (property portal), RPC (food packaging), and Taylor Wimpey (house building). Complete disposals have included ITV, Tate & Lyle and John Wood Group upon promotion to the FTSE 100 Index and Eaga, Forth Ports and Mouchel on bids.

Several investments outside the new Mid 250 Index benchmark were sold, such as Charles Stanley, Consort Medical, Holidaybreak and James Fisher. The holding in Cranswick was sold on concerns about falling returns, and that in Hunting on completion of a highly priced acquisition.

Investment Manager's Review

Outlook

The squeeze on the UK consumer continues, with weak nominal income growth for those in work outpaced by an inflation rate of nearly 5%, mainly relating to non-discretionary items such as energy, fuel and food. In 2012, headline inflation rates are likely to slow markedly, but unemployment may remain stubbornly high. This has encouraged the coalition government to expedite various infrastructure projects over the next few years. The internet continues to erode the profitability of traditional business models, particularly in retailing. In the Eurozone, medium term liquidity support to the banks from the ECB reduces the risk of a sharp near term contraction in bank lending, but the increased capital requirement placed on banks will likely lead to a steady multi-year contraction in bank lending in Europe.

Against this difficult backdrop, we continue to focus on companies with pricing power and organic growth opportunities. Corporate balance sheets are strong, but confidence is low. Nevertheless, we expect an ongoing level of corporate activity to boost growth rates, especially at the smaller end of the size spectrum, and ongoing cash distributions from companies that do not go down this route.

Schroder Investment Management Limited
21 December 2011

Investment Portfolio

As at 30 September 2011

Company	Sector classification	Principal activity	Market value of holding £'000	% of Shareholders' funds
Premier Oil	Oil and Gas Producers	Oil and gas exploration development and production	2,360	2.48
Elementis	Chemicals	Manufacture and sale of chromium chemicals, pigments and other chemicals	2,346	2.46
Croda International	Chemicals	Global manufacturer of speciality and oleochemical products	2,310	2.42
William Hill	Travel and Leisure	Fixed-odds bookmaking services and online casino	2,149	2.26
Dignity	General Retailers	Provider of funeral related services	2,105	2.21
Rightmove Group	Media	Operator of the UK's largest residential property portal	2,093	2.19
Dechra Pharmaceuticals	Pharmaceuticals and Biotechnology	Manufacturer of pharmaceutical products and equipment for veterinary industry	2,027	2.13
Berkeley Group Holdings	Consumer Goods	House builder	2,021	2.12
Kier Group	Construction and Materials	Construction, development and service group, specialising in building and civil engineering	1,963	2.06
Lamprell	Oil Equipment and Services	Specialist in rig upgrade and refurbishment	1,929	2.02
Diploma	Support Services	International distributor of specialist equipment	1,902	2.00
Travis Perkins	Support Services	Builder's merchant	1,891	1.98
Fidessa Group	Software and Computer Services	Supplies computer software products to customers in the financial trading systems market	1,884	1.98
Senior	Aerospace and defence	Designs and manufactures high technology components for the civil aerospace and defence markets	1,879	1.97
Pennon Group	Gas, Water and Multiutilities	Provider of sewerage services, waste management, recycling and renewable energy	1,856	1.95
RPC Group	General Industrials	Manufacturer of rigid plastic packaging	1,853	1.94
Kentz Corporation	Oil Equipment and Services	Engineering solutions business which serves customers primarily in the oil and gas, petrochemical and mining and metal sectors	1,804	1.89
Taylor Wimpey	Consumer Goods	House builder	1,750	1.84
SDL	Software and Computer Services	Solutions company offering multilingual translation software and translation services	1,710	1.79
Halma	Electronic and Electrical Equipment	Manufacturer of safety products	1,653	1.74
Twenty Largest Investments			**39,485**	**41.43**
Albemarle & Bond Holdings	Financial Services	Pawnbroking and cheque cashing business	1,640	1.72
Domino Printing	Electronic and Electrical Equipment	Manufacture and supply of industrial ink jet and laser printing equipment	1,617	1.70
Spirax-Sarco	Industrial Engineering	Manufacturer of fluid control products	1,615	1.70
Barr (AG)	Beverages	Soft drinks manufacturer	1,608	1.69
Ashtead Group	Support Services	Provider of rental plant and equipment	1,596	1.68
Morgan Crucible	Electronic and Electrical Equipment	Manufacturer of ceramic and carbon products for industrial use	1,588	1.66
PZ Cussons	Personal Goods	Develops leading brands in potential growth and emerging markets	1,581	1.66
Filtrona	Support Services	Supplier of speciality plastic and fibre products	1,560	1.64
Berendsen	Support Services	Provider of textile maintenance services	1,507	1.58
De La Rue	Support Services	Commercial security printer and papermaker	1,460	1.53
Derwent London REIT	Real Estate Investment Trust	Specialist central London property investment and regeneration REIT	1,440	1.51

Investment Portfolio

Company	Sector classification	Principal activity	Market value of holding £'000	% of Shareholders' funds
Millennium & Copthorne Hotels	Travel and Leisure	Hotel operator	1,433	1.50
Ultra Electronics	Aerospace and defence	Design, manufacture and support of electronic and electromechanical systems, sub-systems and products	1,430	1.50
Shanks Group	Support Services	Provides integrated waste management and disposal services	1,427	1.50
Victrex	Chemicals	Manufacturer of speciality plastics	1,421	1.49
Devro	Food producers	Manufacturer of sausage skins	1,352	1.42
SIG	Support Services	Leading European distributor of insulation materials	1,346	1.41
Premier Farnell	Support Services	Supplies electronic products and maintenance/repair services	1,302	1.37
Grainger	Real Estate and Investment Services	Purchase, letting, management and refurbishment of tenanted property	1,294	1.36
CPP Group	Support Services	Provider of life assistance products	1,262	1.32
Inchcape	General Retailers	Imports, distributes and retails motor vehicles	1,257	1.32
Keller	Construction and Materials	International ground engineering specialist	1,254	1.32
WH Smith	General Retailers	Bookseller, stationer and newsagent	1,228	1.29
Oxford Instruments	Electronic and Electrical Equipment	Designer and manufacturer of high technology tools and systems	1,227	1.29
Micro Focus International	Software and Computer Services	Multinational software and technology business	1,225	1.29
Bovis Homes Group	Consumer Goods	House builder	1,215	1.28
Regus Group	Support Services	Provider of serviced office space	1,209	1.27
E2V Holdings	Electronic and Electrical Equipment	Manufactures high-technology electronic components	1,161	1.22
Babcock International	Support Services	Support services to defence, energy and transport sectors	1,152	1.21
Daily Mail and General Trust	Media	International media company with interests in newspapers and related digital operations, local media and radio	1,087	1.14
Invensys	Software and Computer Services	Global technology group supplying solutions, software, services and equipment	1,071	1.12
IG Group Holdings	Financial Services	Provider of financial spread betting and CFD's	1,063	1.12
CSR	Technology Hardware and Equipment	Designs and manufactures single-chip radio devices	1,050	1.10
Rathbone Brothers	Financial Services	Provider of investment management services to private clients, charities and professional advisors	1,042	1.09
ITE Group	Media	Organiser of trade exhibitions and conferences	949	1.00
Renishaw	Electronic and Electrical Equipment	Manufacturer of metrology instruments	918	0.96
UBM	Media	Market research, news distribution and professional media	898	0.94
Exillon Energy	Oil and Gas Producers	Oil and gas exploration development and production	857	0.90
Brewin Dolphin	Financial Services	Provider of investment management services to private clients	835	0.88
Local Shopping REIT	Real Estate Investment Trust	Property investment focused on local shops throughout the UK	784	0.82
St Modwen Properties	Real Estate and Investment Services	Property regeneration specialist	762	0.80
Bodycote International	Industrial Engineering	Specialist testing and thermal processing services	742	0.78
Aquarius Platinum	Mining	Platinum producer	709	0.74

Investment Portfolio

Company	Sector classification	Principal activity	Market value of holding £'000	% of Shareholders' funds
Hansteen Holdings REIT	Real Estate Investment Trust	Property company investing in industrial property in continental Europe	650	0.68
Anglo Pacific Group	Mining	Global natural resources royalties company	620	0.65
Debenhams	General Retailers	Leading department stores group	620	0.65
Pace	Technology Hardware and Equipment	Developer of digital TV technologies	618	0.65
LMS Capital	Financial Services	Independent investment company	616	0.65
RPS Group	Support Services	Environmental and planning consultancy business	531	0.56
Homeserve	Support Services	Provider of home emergency repair insurance coverage	519	0.54
Wilmington	Media	Provider of information to business markets and through various media	472	0.50
Talktalk Telecom Group	Fixed Line Telecommunications	Fixed line voice and broadband telecommunications	379	0.40
Findel	General Retailers	Home shopping and educational supplies	205	0.22
Mouchel	Support Services	Consulting and business services group	102	0.11
Total investments			**97,991**	**102.86**
Net current liabilities			**(2,722)**	**(2.86)**
Total equity shareholders' funds			**95,269**	**100.00**

All investments were equity investments as at 30 September 2011.

At 30 September 2010, the twenty largest investments represented 38.77% of shareholders' funds.

Report of the Directors

Business Review

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of Section 833 of the Companies Act 2006. In order to continue to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 1158 of the UK Corporation Tax Act 2010. The last accounting period for which the Company has been treated as approved by HMRC is the year ended 30 September 2010 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

Investment Objective

The Company's investment objective is to invest in mid cap equities with the aim of providing a total return in excess of the FTSE Mid 250 (ex Investment Companies) Index.

Relationship with the Investment Manager

Schroder Investment Management Limited ("Schroders"), which is authorised and regulated by the Financial Services Authority ("FSA"), provides investment management, accounting and company secretarial services to the Company under the terms of an investment management agreement. Schroders also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate.

The Company's assets are managed in line with appropriate restrictions placed on Schroders by the Board. These restrictions include limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, hedging, cash, derivatives and other financial instruments. Schroders is also responsible for ensuring that the voting rights held in respect of portfolio companies are used as part of a process of effective engagement with the management of portfolio companies. The Company also gives instructions to Schroders to ensure that it discharges the obligations of the Stewardship Code on its behalf.

Schroders, in its capacity as Company Secretary, liaises with the Company's corporate broker to assist in the implementation of the Company's discount management policy. The Company Secretary also advises the Board on key relationships with other third party service providers and ensures regular review of the services provided by these parties.

All services carried out by Schroders are subject to regular reporting to, and monitoring by, the Board and Audit Committee as appropriate.

Investment Strategy

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

Investment Policy

In applying the investment objective, the Manager expects the Company to be fully invested and to borrow up to 25% of total assets when appropriate.

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

Resources

The Company has no employees; its investments are managed by Schroders, which also acts as Company Secretary and provides accounting and administration services to the Company. The principal terms of the Investment Management Agreement are set out on page 15.

Report of the Directors

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Board has imposed a number of restrictions on investment by the Manager. The key restrictions imposed on the Manager are that: (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies; (c) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (d) no holding may represent 20% or more of the equity capital of any company. The Investment Portfolio on pages 8 to 10 demonstrates that, as at 30 September 2011, the Company held 75 investments spread over a range of industry sectors. The largest investment, Premier Oil, represented 2.48% of shareholders' funds at 30 September 2011. At the year end, the Company did not hold any unlisted investments, and did not hold open-ended funds however, the Company had an interest amounting to 3.01% of shareholders' funds in REITS. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Performance

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

Measuring Success – Key Performance Indicators ("KPIs")

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

Investment Performance

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

A full analysis of the Company's performance for the year under review and over the longer-term, together with the portfolio sector distribution relative to the FTSE Mid 250 (ex Investment Companies) Index as at 30 September 2011, can be found on pages 2 and 3 of this Report.

Discount Management

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

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

Share buy-backs are a more direct way of managing the discount. The discount of the Company's share price to its underlying net asset value, and the discounts of peer group companies, are monitored. The Board considers the use of its share buy-back authority on a regular basis and utilises this authority as appropriate. During the year under review, no shares were purchased for cancellation. These guidelines are updated as considered necessary.

At 30 September 2011, the Company's share price stood at a discount of 17.3% to net asset value. During the year under review, the share price traded at a discount ranging between 4.8% and 18.1%.

Control of Total Expenses

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

Report of the Directors

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

The TER for the Company for the year to 30 September 2011 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average monthly net assets during the year (excluding the performance fees and finance costs)) was 0.8% (2010: 0.9%).

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks and to provide a system to enable the Directors to mitigate them as far as possible and which assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives. A full analysis of the Company's system of internal control and its monitoring system is set out in the Corporate Governance Statement on page 22. The principal risks to the business are considered to be as follows:

Financial Risk

The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in the UK stock market would have an adverse impact on the market value of the Company's portfolio of investments. The Board considers the risk profile of the portfolio at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact arising from substantial changes in the market. A full analysis of the financial risks facing the Company is set out in note 19 on pages 34 to 38.

Gearing

The Company has in place a £15 million credit facility, (2010: £10 million). The draw down on the facility was £10 million (2010: £10 million) at the year end. At the beginning of the year under review, the net effective gearing (as a percentage of the Company's net asset value) was 3.0% and at the end of the year it was 2.7%. In falling markets, any reduction in net asset value and share price is amplified by the gearing. The Directors keep the Company's gearing strategy under constant review and impose strict restrictions on borrowings to mitigate this risk.

Strategic Risk

Over time investment vehicles and asset classes can become out of favour with investors or may fail to meet their investment objectives. This may be reflected in a wide discount of the shares to underlying asset value. Directors periodically review whether the Company's investment remit remains appropriate and continually monitor the success of the Company in meeting its stated objectives. In January 2011 the investment objective of the Company was changed following a General Meeting on 26 January 2011. The new investment policy is to invest in mid cap equities, with the aim of providing a total return in excess of the FTSE Mid 250 (ex Investment Companies) Index. Further details may be found under "Investment Performance" and "Discount Management" on page 12.

Accounting, Legal and Regulatory Risk

In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the UK Corporation Tax Act 2010. Should the Company not comply with these requirements, it might lose investment trust status and capital gains within the Company's portfolio could, as a result, be subject to Capital Gains Tax.

Breaches of the UK Listing Rules, the Companies Act 2006 or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes and damage the Company's reputation. Breaches of controls by service providers, including the Manager, could also lead to reputational damage or loss.

The Board's system of internal control seeks to mitigate the potential impact of these risks and it also relies on its Manager and other advisers to assist it in ensuring continued compliance.

Report of the Directors

The Directors submit their Report and the Audited Accounts of the Company for the year ended 30 September 2011.

Results

The results for the year are set out in the Income Statement on page 24.

Revenue and Dividend

The net revenue return for the year, after finance costs and taxation, was £2,437,000 (2010: £2,156,000), equivalent to a revenue return per ordinary share of 6.74 pence (2010: 5.96 pence).

For the year ended 30 September 2011, the Directors have recommended a final dividend of 6.20 pence per share (2010: 5.83 pence per share) which, subject to approval by shareholders at the forthcoming Annual General Meeting, will be paid on 31 January 2012 to shareholders on the register on 6 January 2012. The dividend, if approved, will not be accounted for until it is paid.

Net Asset Value

During the year under review, the net asset value of the Company decreased from 273.22 pence per share to 263.58 pence per share.

Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover of this Report. Three Directors held office throughout the year under review. Mr Coubrough retired as a Director on 26 January 2011 and Mr Packe retired as a director 27 May 2011. Mr Rickman and Mr Sanderson were both appointed as Directors on 26 January 2011.

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

The Board supports the re-elections of Mr Timms and Mr Jones, as it considers that each of these Directors continues to demonstrate commitment to their roles as Directors and makes a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections.

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 September 2011, all of which were beneficial, were as follows:

Director	**Ordinary shares of 25p each 30 September 2011**	Ordinary shares of 25p each 1 October 2010†
Peter Timms	**10,000**	10,000
Rachel Beagles	**10,842**	10,736
Malcolm Coubrough*	**N/A**	4,925
Chris Jones	**10,000**	10,000
Maxwell Packe**	**N/A**	40,660
Robert Rickman***	**nil**	N/A
Eric Sanderson***	**nil**	N/A

*Retired as a Director on 26 January 2011.

**Retired as a Director on 27 May 2011.

***Appointed as a Director on 26 January 2011.

†At date of appointment if later.

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

As at the date of this Report, the Company had 36,143,690 Ordinary shares of 25p each in issue, (no shares are held in treasury). Accordingly, the total number of voting rights of the Company as at the date of this Report is 36,143,690. Full details of the Company's share capital are set out in note 13 on page 33.

Report of the Directors

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Lloyds Banking Group plc	2,524,245	6.98%
Barclays Plc	2,281,420	6.31%
Smith & Williamson Holdings Ltd	1,821,654	5.04%
Standard Life Investments Ltd	1,377,785	3.81%
Legal & General Group plc	1,306,100	3.61%

Investment Manager

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

Under the terms of the Investment Management Agreement, Schroder Investment Management Limited is entitled to a fee at a rate of 0.8% on defined assets up to and including £75 million, and 0.6% thereafter, payable quarterly in arrears. For the purpose of calculating management fees, defined assets means total assets less current liabilities other than short-term borrowings, provided that if there are any short-term borrowings, the value of cash up to the level of such borrowings is deducted from the calculation of assets. The Investment Management fee payable in respect of the year ended 30 September 2011 is shown in note 4 to the accounts on page 30.

An annual performance fee is in operation. The fee is calculated on an annual basis at 0.1% of average net assets for each 1% out-performance of the benchmark (FTSE All-Share, ex-Investment Companies, ex-FTSE 100, Total Return Index for the six months ended 31 March 2011 and the FTSE Mid 250 (ex-Investment Companies) Index for the period 1 April 2011 to 30 September 2011 in accordance with the circular issued on 30 December 2010) over and above 0.8%, to a maximum performance fee of 1% of average net assets in any given year. For the year ended 30 September 2011, a performance fee of £325,000 is payable under the terms of the management agreement (2010: £201,000) as shown in note 4 to the accounts on page 30.

The Manager is also entitled to a secretarial fee amounting to £105,000 per annum (inclusive of VAT (2010: £100,000 (inclusive of VAT)). This fee continues to be subject to annual adjustment in line with changes in the Retail Price Index.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 30 September 2011 (2010: £nil).

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report including the Report of the Directors, the Remuneration Report, Corporate Governance Statement and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law they have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts 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 these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently:
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts.

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 accounts and the Remuneration Report comply with the Companies Act 2006.

Report of the Directors

They 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 accounts may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are set out in the inside front cover of this Report, confirms that, to the best of their knowledge:

- the accounts, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Report of the Directors 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.

Going Concern

The Company's business review, together with details of its investment objective and investment policy is set out in the Report of the Directors. A review of the performance and outlook are described in the investment manager's report. In addition, the Report of the Directors and note 19 to the accounts includes details of the Company's risk management policies and procedures; details of its financial instruments and its exposure to credit risk and liquidity risk.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" in the preparation of the accounts as the assets and financial resources of the Company consist predominantly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the forseeable future.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out on pages 19 to 22 and forms part of this Report of the Directors.

Anti-Bribery Policy

The Board notes the recent implementation of the Bribery Act 2010, which came into force on 1 July 2011. The Company continues to be committed to carrying out its business fairly, honestly and openly. To this end, it has undertaken a risk assessment of its internal procedures and the policies of the Company's service providers and has adopted a revised anti-bribery policy which aims to prevent bribery being committed by Directors and persons associated with the Company on the Company's behalf and to ensure compliance with the Bribery Act.

Environmental Policy

As an investment company the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. The Company has, however, adopted an environmental policy, details of which are set out in the Corporate Governance Statement on page 22.

Independent Auditor

The Company's Auditor, Ernst & Young LLP, has expressed its willingness to remain in office and resolutions to re-appoint it as Auditor to the Company and to authorise the Directors to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee remains satisfied with the effectiveness of the audit provided by Ernst & Young LLP and therefore has not considered it necessary to require an independent tender process. The auditor is required to rotate the audit partner every five years and this is the second year that the current audit partner has been in place.

The Audit Committee has in place a pre-approval policy on the engagement of the Auditor to supply non-audit services. The Company did not incur any charges for non-audit services during the year under review (2010: £nil).

Provision of Information to the Auditor

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

Report of the Directors

Annual General Meeting ("AGM")

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.

The AGM will be held on Friday, 27 January 2012 at 12.00 noon. The formal notice of the AGM is set out on page 39.

Special Business to be Proposed at the AGM

Resolutions relating to the following items of special business will be proposed at the AGM:

Resolution 8 – Authority to Allot Shares (Ordinary Resolution) and Resolution 9 – Power to Disapply Pre-emption Rights (Special Resolution)

At the AGM held on 26 January 2011, the Directors were granted authority to allot a limited number of new ordinary shares or shares held in treasury for cash. No shares have been allotted under this authority, which will expire at the forthcoming AGM. At the AGM held in January 2011, power was also given to the Directors to allot a limited number of new shares, or shares held in treasury, other than pro rata to existing shareholders. This power will also expire at the forthcoming AGM and resolutions to renew both authorities will be proposed at the forthcoming AGM, the details of which are set out in full in the Notice of Meeting.

An ordinary resolution will be proposed to authorise the Directors to allot shares for cash up to a maximum aggregate nominal amount of £451,796 (being 5% of the issued share capital as at 21 December 2011). A special resolution will also be proposed to give the Directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £451,796 (being 5% of the Company's issued share capital (excluding any shares held in treasury) as at 21 December 2011). Pre-emption rights under the Companies Act 2006 apply to the resale of treasury shares for cash as well as the allotment of new shares. Resolution 9 therefore relates to both issues of new shares and the re-sale of treasury shares.

If renewed, both authorities will expire at the conclusion of the AGM in 2013 unless renewed or revoked earlier.

Resolution 10 – Authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 26 January 2011, the Company was granted authority to make market purchases of up to 5,417,939 Ordinary shares for cancellation or to be held in treasury. No shares have been bought back under this authority and it 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 at 21 December 2011. The Directors will exercise this authority only if they 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 will expire at the conclusion of the AGM in 2013, unless renewed or revoked earlier.

The maximum purchase price that may be paid for an Ordinary share will be no more than the greater of 5% above 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 the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price will be 25p, being the nominal value per Ordinary share.

The resolutions to be put to shareholders will also authorise the Company to hold up to 5% of the issued share capital bought back in treasury on the condition that such treasury shares would, like shares to be issued under Resolutions 8 and 9, only be issued at a premium to net asset value. Shares held in treasury may be reissued or cancelled at a future date rather than simply cancelled at the time of acquisition. Any shares held in treasury for 12 months will be cancelled.

Recommendation

The Board considers that all the resolutions to be proposed at the forthcoming AGM are in the best interests of the Company and shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

21 December 2011

Remuneration Report

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

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 30 September 2011, Directors received fees of £20,000 per annum, with £25,000 per annum for the Chairman. The last review of Directors' fees was carried out in November 2011 when it was agreed that the Directors' fees remain unchanged but the Chairman's fee be increased to £27,500 per annum and the Audit Committee Chairman receive an additional £2,000 both with effect from 1 October 2011.

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

The Board believes that the principles of Section D of the UK Corporate Governance Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

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

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

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

Performance Graph

A graph showing the Company's net asset value and share price total return compared with its benchmark the FTSE Mid 250 (ex Investment Companies) Index, over the last five years, is set out on page 3.

Directors' Remuneration

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

	For the year ended 30 September 2011	For the year ended 30 September 2010
Peter Timms	25,000	25,000
Rachel Beagles	20,000	20,000
Chris Jones	20,000	20,000
Malcolm Coubrough*	6,425	20,000
Maxwell Packe**	13,146	20,000
Eric Sanderson***	13,662	N/A
Robert Rickman***	13,611	N/A
Total	111,844	105,000

* Retired as a Director on 26 January 2011.
** Retired as a Director on 27 May 2011.
*** Appointed as a Director on 26 January 2011.

The information in the above table has been audited (see the Independent Auditor's Report on page 23).

By Order of the Board
Schroder Investment Management Limited
Company Secretary

21 December 2011

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code (the "Code"), which replaces the 2008 Combined Code and is applicable to the Company for the year under review. The Code is published by the FSA and is available to download from www.fsa.gov.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 Remuneration Report and Statement of Directors' Responsibilities set out on pages 15 and 16, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment company. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely of non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the chair of the Audit Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of the Code's Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and promoting a culture of openness and debate by facilitating the effective contribution of Directors, setting the Board's agenda and for ensuring that adequate time is available for discussion of all agenda items, including strategy.

Role of the Board

The Board is collectively responsible for the long-term success of the Company.

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

Composition and Independence

The Board currently consists of five non-executive Directors. The biography of each serving Director, including their age and length of service, may be found on the inside front cover of this Report. The Board considers each of the Chairman, Mrs Rachel Beagles, Mr Chris Jones, Mr Robert Rickman and Mr Eric Sanderson to be independent. The independence of each Director is considered on a continuing basis.

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

The Board is satisfied that it is of sufficient size with an appropriate balance of skills and experience, independence and knowledge of both the Company and the wider investment company industry, to enable it to discharge its respective duties and responsibilities effectively and that no individual or group of individuals is or has been, in a position to dominate decision-making.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees, which are reviewed annually, are available on the Company's website at www.schroderukmidcapfund.com. Details of membership of the Committees at 30 September 2011 may be found on the inside front cover of this Report and information regarding attendance at Committee Meetings during the year under review may be found on page 21.

Audit Committee

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

Corporate Governance

To discharge its duties, the Committee met on two occasions during the year ended 30 September 2011 and considered the annual and half-yearly accounts, management representation letters and the external Auditors' year-end report, the effectiveness of the audit process, the independence and objectivity of the external Auditors and internal controls operating within the management company and custodian.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Company's investment 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. In addition, the Committee reviews fees paid to Directors and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 30 September 2011 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

The role of the Committee is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshment of the Board. On individual appointments, the Committee leads the process and makes recommendations to the Board. The Board considers each member of the Committee to be independent.

Before the appointment of a new Director, the Committee will prepare a description of the role and capabilities required for a particular appointment, having evaluated the balance of skills, knowledge and experience and diversity of the Board. When considering whether to replace a Director, the Company's policy on tenure is also taken into account. In light of this evaluation, the Committee will consider a range of candidates sourced either from recommendation from within the Company or by using external consultants.

The Committee will assess potential candidates on merit against a range of criteria including experience, knowledge, professional skills and personal qualities and independence if this is required for the role. Candidates' ability to commit sufficient time to the business of the Company is also key, particularly in respect of the appointment of the Chairman. The Chairman of the Committee is primarily responsible for interviewing suitable candidates and a recommendation will be made to the Board for final approval.

To discharge its duties, the Committee met once during the year ended 30 September 2011 and informally as necessary to consider Board succession planning and candidates for the appointment of two new Directors. The Committee utilised the services of an external search consultancy in the selection of suitable candidates for these new Directors.

Tenure

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

Induction and Training

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

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation took place in July 2011. The evaluation takes place in two stages, firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the chair of the Audit Committee. Secondly, the Board evaluates its own performance and that of its

Corporate Governance

Committees. The Directors meet at least once a year without the Chairman present and the Chair of the Audit Committee chairs this meeting.

Evaluation is conducted utilising a questionnaire combined with one to one meetings if appropriate. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director, an analysis of the time which Directors are able to allocate to the Company to discharge their duties effectively and the responsibilities, composition and agenda of the Committees and of the Board itself.

Meetings and Attendance

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

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Peter Timms	4/4	2/2	1/1	1/1
Rachel Beagles	4/4	2/2	1/1	1/1
Malcolm Coubrough*	2/2	1/1	1/1	1/1
Chris Jones	4/4	2/2	1/1	1/1
Maxwell Packe**	3/3	1/1	1/1	1/1
Robert Rickman***	2/2	1/1	N/A	N/A
Eric Sanderson***	2/2	1/1	N/A	N/A

*Retired as a Director on 26 January 2011.
**Retired as a Director on 27 May 2011.
***Appointed as a Director on 26 January 2011.

Information Flows

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

Directors' and Officers' Liability Insurance

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

Directors' Indemnities

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

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.

Major Shareholders

Details of the Company's major shareholders are set out in the Report of the Directors on page 15.

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. It has, since its launch, sought engagement with investors. Where appropriate the Chairman, and other Directors, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

Corporate Governance

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

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

Environmental Policy

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

Exercise of Voting Powers and the UK Stewardship Code

The Company has delegated responsibility for voting to Schroders, which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website, www.schroderukmidcapfund.com. The Board has noted the recent implementation of the UK Stewardship Code, which it considers to be an important tool in shareholder engagement. Schroders' compliance with the principles of the UK Stewardship Code is reported on its website, www.schroders.com.

Internal Control

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

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

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

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

Independent Auditor's Report

To the members of Schroder UK Mid Cap Fund plc

We have audited the financial statements of Schroder UK Mid Cap Fund plc for the year ended 30 September 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 15 and 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Statement of Directors' Responsibilities, set out on pages 15 and 16, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Caroline Gulliver (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London, United Kingdom

21 December 2011

Income Statement

	Note	Revenue £'000 (For the year ended 30 September 2011)	Capital £'000 (For the year ended 30 September 2011)	Total £'000 (For the year ended 30 September 2011)	Revenue £'000 (For the year ended 30 September 2010)	Capital £'000 (For the year ended 30 September 2010)	Total £'000 (For the year ended 30 September 2010)
(Losses)/gains on investments held at fair value	2	–	(2,601)	(2,601)	–	14,274	14,274
Income	3	2,955	12	2,967	2,664	44	2,708
Investment management fee	4	(80)	(717)	(797)	(68)	(617)	(685)
Performance fee	4	–	(325)	(325)	–	(201)	(201)
Administrative expenses	5	(413)	–	(413)	(427)	–	(427)
Net (loss)/return before finance costs and taxation		2,462	(3,631)	(1,169)	2,169	13,500	15,669
Interest payable and similar charges	6	(20)	(180)	(200)	(11)	(99)	(110)
Net (loss)/return on ordinary activities before taxation		2,442	(3,811)	(1,369)	2,158	13,401	15,559
Taxation on ordinary activities	7	(5)	–	(5)	(2)	–	(2)
Net (loss)/return attributable to equity shareholders		2,437	(3,811)	(1,374)	2,156	13,401	15,557
Net (loss)/return per ordinary share	9	6.74p	(10.54)p	(3.80)p	5.96p	37.08p	43.04p

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

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 28 to 38 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Note	Called-up Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
At 1 October 2009		9,036	220	13,971	2,184	15,477	41,197	3,024	85,109
Net return on ordinary activities		–	–	–	–	–	13,401	2,156	15,557
Ordinary dividend paid	8	–	–	–	–	–	–	(1,916)	(1,916)
At 30 September 2010		9,036	220	13,971	2,184	15,477	54,598	3,264	98,750
At 1 October 2010		9,036	220	13,971	2,184	15,477	54,598	3,264	98,750
Net (loss)/return on ordinary activities		–	–	–	–	–	(3,811)	2,437	(1,374)
Ordinary dividend paid	8	–	–	–	–	–	–	(2,107)	(2,107)
At 30 September 2011		**9,036**	**220**	**13,971**	**2,184**	**15,477**	**50,787**	**3,594**	**95,269**

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

The notes on pages 28 to 38 form an integral part of these accounts.

Balance Sheet

	Note	At 30 September 2011 £'000	At 30 September 2010 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	97,991	101,763
Current assets			
Debtors	11	639	884
Cash at bank and short-term deposits	17	7,341	6,914
		7,980	7,798
Current liabilities			
Creditors – amounts falling due within one year	12	(10,702)	(10,811)
Net current liabilities		(2,722)	(3,013)
Net assets		95,269	98,750
Capital and reserves			
Called-up share capital	13	9,036	9,036
Capital redemption reserve	14	220	220
Share premium account	14	13,971	13,971
Merger reserve	14	2,184	2,184
Share purchase reserve	14	15,477	15,477
Capital reserve	14	50,787	54,598
Revenue reserve	14	3,594	3,264
Equity shareholders' funds		95,269	98,750
Net asset value per ordinary share	15	263.58p	273.22p

These Accounts were approved and authorised by the Board of Directors on 21 December 2011 and signed on its behalf by:

Peter Timms
Chairman

The notes on pages 28 to 38 form an integral part of these accounts.

Registered in Scotland
Company Number: SC082551

Cash Flow Statement

	Note	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Operating activities			
Dividends received from investments		**2,740**	2,482
Interest received on deposits		**41**	15
Other income		**–**	12
VAT and interest recovered from HMRC		**–**	495
Investment management fee paid		**(803)**	(660)
Administrative expenses paid		**(401)**	(481)
Performance fee paid		**(201)**	–
Net cash inflow from operating activities	**16**	**1,376**	1,863
Servicing of finance			
Bank loan interest paid		**(201)**	(66)
Net cash outflow from servicing of finance		**(201)**	(66)
Taxation			
Taxation (paid)/received		**(4)**	9
Total tax (paid)/received		**(4)**	9
Investment activities			
Acquisition of investments		**(44,956)**	(37,863)
Disposal of investments		**46,319**	32,713
Net cash inflow/(outflow) from investment activities		**1,363**	(5,150)
Equity dividends paid			
Ordinary shares		**(2,107)**	(1,916)
Net cash inflow/(outflow) before financing		**427**	(5,260)
Financing			
Bank loan drawn		**–**	10,000
Net cash inflow from financing		**–**	10,000
Net cash inflow		**427**	4,740

Reconciliation of Net Cash Flow to Movement in Net Debt

		For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Net cash inflow		**427**	4,740
Movement in borrowings		**–**	(10,000)
Movement in net funds/(debt) resulting from cash flows		**427**	(5,260)
Net (debt)/funds at 1 October		**(3,086)**	2,174
Net debt at 30 September	**17**	**(2,659)**	(3,086)

The notes on pages 28 to 38 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 30 September 2011, are unchanged from 2010, and are set out below.

a Basis of Preparation

The accounts have been prepared on a going concern basis in accordance with the Companies Act 2006, applicable UK Accounting Standards (UK Generally Accepted Accounting Practice) and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009 by the Association of Investment Companies (AIC).

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expresssed in Sterling, which is the functional and presentational currency of the Company.

b Presentation of Income Statement

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

c Income

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

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

Underwriting commission is recognised as revenue in so far as it relates to shares the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, an equal proportion of the commission received is offset against the cost of the shares taken up.

d Expenses and interest payable

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

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

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

e Investments

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

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

f Taxation

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

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

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required by Section 1158 of the UK Corporation Tax Act 2010 to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

g Dividends payable

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

Final dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders.

h Called-up share capital

Represents the nominal value of authorised and allocated, called-up and fully paid ordinary shares issued.

i Capital redemption reserve

Represents the nominal value of ordinary share capital repurchased for cancellation and is transferred out of called-up share capital and into the capital redemption reserve.

Notes to the Accounts

j Share premium
Represents the amount by which the fair value of the consideration received exceeds the nominal value of ordinary shares issued.

k Merger reserve
Represents the premium over the nominal value of ordinary shares issued from the acquisition of assets from Allianz Dresdner Smaller Companies Investment Trust plc.

l Share purchase reserve
The cost of repurchasing ordinary shares including stamp duty and transaction costs are taken directly to the share purchase reserve and dealt with in the Reconciliation of Movements in Shareholders' Funds.

Share purchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of the called-up share capital and into the capital redemption reserve.

m Capital reserve
The following are accounted for in this reserve:

– gains and losses on the realisation of Investments;

– investment holding gains/(losses);

– other capital charges and credits allocated to capital in accordance with the above policies.

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

Other debtors and creditors do not carry any interest, are short-term in nature and are recognised initially and subsequently held at fair value. The loan is held at amortised cost.

o Short-term borrowings
Short-term borrowings under bank credit facilities are initially recognised at cost, being the fair value of the consideration received. The finance costs of servicing such borrowings are apportioned between revenue and capital in accordance with the policy set out above.

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

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Net gains on disposal at historic cost	**8,999**	4,131
Less fair value adjustments in earlier years	**(4,200)**	(1,412)
Gains based on carrying values at previous balance sheet date	**4,799**	2,719
Investment holding (losses)/gains during the year	**(7,400)**	11,555
	(2,601)	14,274

3. Income

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Revenue:		
Income from investments:		
UK franked dividend income	**2,570**	2,372
Unfranked dividends	**250**	199
Stock dividends	**94**	64
	2,914	2,635
Interest on deposits	**41**	17
Underwriting commission	**–**	12
	2,955	2,664
Capital:		
Special dividends allocated to capital	**12**	44

Notes to the Accounts

4. Investment management and performance fees

	For the year ended 30 September 2011			For the year ended 30 September 2010		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**80**	**717**	**797**	68	617	685
Performance fee	**–**	**325**	**325**	–	201	201
	80	**1,042**	**1,122**	68	818	886

The bases for calculating the management and performance fees are set out in the Report of the Directors on page 15.

5. Administrative expenses

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Allocated to revenue:		
General expenses	**174**	201
Directors' fees	**112**	105
Secretarial fee	**105**	100
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**22**	21
	413	427

6. Interest payable

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Bank loan interest payable	**200**	110
	200	110
Allocated to:		
Revenue	**20**	11
Capital	**180**	99
	200	110

7. Taxation

(a) Analysis of charge in the year:

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Irrecoverable overseas tax	**5**	2
Total current taxation (see note 7(b))	**5**	2

The Company has no corporation tax liability for the year ended 30 September 2011 (2010: £nil).

Notes to the Accounts

(b) Factors affecting tax charge for the year

No provision has been made for taxation on any realised or unrealised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 1158 of the UK Corporation Tax Act 2010.

The tax assessed for the period is lower (2010: lower) than the effective rate of corporation tax in the UK of 27% (2010: 28%).

Approved investment trust companies are exempt from tax on capital gains.

The differences are explained below:

	For the year ended 30 September 2011			For the year ended 30 September 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before tax	**2,442**	**(3,811)**	**(1,369)**	2,158	13,401	15,559
Net return on ordinary activities multiplied by effective rate of:						
corporation tax in the UK of 27% (2010: 28%)	**659**	**(1,029)**	**(370)**	604	3,752	4,356
Effects of:						
Capital returns on investments*	**–**	**702**	**702**	–	(3,997)	(3,997)
Exempt dividends*	**(770)**	**(3)**	**(773)**	(725)	(12)	(737)
Expenses not utilised in the year	**111**	**330**	**441**	121	257	378
Irrecoverable overseas tax	**5**	**–**	**5**	2	–	2
Current tax charge for the year (note 7(a))	**5**	**–**	**5**	2	–	2

The standard rate of UK Corporation Tax changed from 28% to 26% with effect from 1 April 2011.

*These items are not subject to tax for investment companies.

(c) Provision for deferred tax

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

(d) Factors that may affect future tax charges

The Company has a potential deferred tax asset of £3,832,000 (2010: £3,719,000) in respect of unutilised management expenses of £14,738,000 (2010: £13,282,000) and £537,000 (2010: £531,000) non-trading loan relationships of £2,064,000 (2010: £1,895,000). It is unlikely that these amounts will be utilised in future accounting periods unless the investment policy of the Company or the tax treatment is changed.

8. Dividends

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Amounts recognised as distributions in the period		
Final Dividend of prior year of 5.83p (2009: 5.30p)	**2,107**	1,916

The final dividend of 5.83p (2009: 5.30p) was paid on 36,143,690 (2009: 36,143,690) ordinary shares in issue.

The total dividend payable in respect of the financial year which is the basis of the requirements of Section 1158 of the UK Corporation Tax Act 2010 are considered, is set out below:

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Proposed final dividend 6.20p (2010: 5.83p)	**2,241**	2,107

The proposed final dividend for the year is based on 36,143,690 (2010: 36,143,690) ordinary shares in issue.

Notes to the Accounts

9. (Loss)/Return per ordinary share

	For the year ended 30 September 2011	For the year ended 30 September 2010
Revenue (£'000)	2,437	2,156
Capital (£'000)	(3,811)	13,401
Total (£'000)	(1,374)	15,557
Weighted average number of shares	36,143,690	36,143,690
Revenue	6.74p	5.96p
Capital	(10.54)p	37.08p
Total	(3.80)p	43.04p

10. Investments held at fair value through profit or loss

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Movements in investments held as fixed assets:		
Book cost brought forward	87,010	77,922
Acquisitions at cost	44,809	38,104
Proceeds of disposals	(45,980)	(33,147)
Net gains realised on disposals	8,999	4,131
Book cost	94,838	87,010
Unrealised investment holding gains	3,153	14,753
Valuation of investments	97,991	101,763

All investments are listed on a recognised stock exchange.

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

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
On acquisitions	258	219
On disposals	65	51
	323	270

11. Debtors

	At 30 September 2011 £'000	At 30 September 2010 £'000
Amounts receivable within one year:		
Sales for future settlement	132	471
Accrued income	495	405
Prepaid expenses	12	7
Income Tax recoverable	–	1
	639	884

Notes to the Accounts

12. Creditors

	At 30 September 2011 £'000	At 30 September 2010 £'000
Amounts payable within one year:		
Bank loan	**10,000**	10,000
Purchases for future settlement	**60**	301
Accrued expenses	**317**	309
Performance fee payable	**325**	201
	10,702	10,811

The Company has in place a 364 day £15 million revolving credit facility with ING Bank N.V, of which £10 million was drawn down at 30 September 2011 (2010: £10 million). The facility is chargeable at a floating rate linked to LIBOR, is unsecured and is not subject to any termination charges.

13. Called-up share capital

	At 30 September 2011 £'000	At 30 September 2010 £'000
Allotted, Called-up and fully paid: 36,143,690 (2010: 36,143,690) ordinary shares of 25p each	**9,036**	9,036

14. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserve gains and (losses) £'000	Capital reserve holding gains and (losses) £'000	Revenue reserve £'000
Balance brought forward 1 October 2010	220	13,971	2,184	15,477	39,845	14,753	3,264
Gains on disposal of investments	–	–	–	–	4,799	–	–
Net change in investment holding gains	–	–	–	–	–	(7,400)	–
Transfer on disposal of investments	–	–	–	–	4,200	(4,200)	–
Special dividends allocated to capital	–	–	–	–	12		
Management fees paid allocated to capital	–	–	–	–	(717)	–	–
Interest paid allocated to capital	–	–	–	–	(180)	–	–
Performance fee	–	–	–	–	(325)	–	–
Dividends paid	–	–	–	–	–	–	(2,107)
Net revenue return for the year	–	–	–	–	–	–	2,437
Balance carried forward 30 September 2011	**220**	**13,971**	**2,184**	**15,477**	**47,634**	**3,153**	**3,594**

15. Net asset value per ordinary share

	At 30 September 2011	At 30 September 2010
Net asset value per ordinary share	**263.58p**	273.22p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £95,269,000 (2010: £98,750,000) and 36,143,690 (2010: 36,143,690) ordinary shares in issue at the year-end.

Notes to the Accounts

16. Reconciliation of (loss)/return before finance costs and taxation to net cash inflow from operating activities

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Net (loss)/return before finance costs and taxation	**(1,169)**	15,669
Losses/(gains) on investments held at fair value	**2,601**	(14,274)
Increase in accrued income	**(90)**	(35)
Stock dividend received	**(94)**	(64)
(Increase)/decrease in prepayments and other debtors	**(5)**	397
Increase in accrued expenses (excluding interest)	**133**	170
Net cash inflow from operating activities	**1,376**	1,863

17. Analysis of changes in net funds/(debt)

	At 30 September 2010 £'000	Cash flow £'000	Movement in borrowings £'000	**At 30 September 2011 £'000**
Cash at bank and short-term deposits	6,914	427	–	**7,341**
Bank loan	(10,000)	–	–	**(10,000)**
Net debt	(3,086)	427	–	**(2,659)**

18. Related party transactions

The Company has appointed Schroder Investment Management Limited ("Schroders"), a wholly owned subsidiary of Schroders plc, to provide management, accounting, secretarial and administration services.

Details of the management and secretarial fee arrangements for these services are given in the Report of the Directors on page 15. The total management fee payable under this agreement to Schroders in respect of the year ended 30 September 2011 was £797,000 (2010: £685,000), of which £183,000 (2010: £189,000) was outstanding at the year end. With effect from 1 October 2003, an annual performance fee was introduced. Details of the performance fee arrangements are given in the Report of the Directors on page 15. The performance fee under the fee agreement payable to Schroders in respect of the year ended 30 September 2011 was £325,000 (2010: £201,000), all of which was outstanding at the year-end.

In addition to the above services, Schroders also provided investment trust dealing services. The Schroder Investment Trust Dealing Service has now been closed. The total cost to the Company of this service, payable to Equiniti Limited, for the year ended 30 September 2011 was £7,000 (2010: £5,000), of which £6,000 (2010: £1,000) was outstanding at the year-end.

19. Financial Instruments

Risk management policies and procedures

The Company's investment objective is to invest in Mid cap equities with the aim of providing a total return in excess of the FTSE Mid 250 (ex-Investment Companies) Index. Consistent with that objective, the Company's financial instruments largely comprise UK Mid Cap equity investments.

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

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

The Company does not enter into derivatives contracts. As an investment company, the Company invests in securities for the long term.

Accordingly, it is the Company's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are market, credit and liquidity risk. The Board reviews and agrees policies for managing these risks, as summarised below. These policies have remained substantially unchanged throughout the current and preceding years.

Notes to the Accounts

1. Market Risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices.

This market risk comprises three elements – price risk, interest rate risk and currency risk. The Company's investment manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

a. Price risk

The Company's exposure to price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on pages 8 to 10. Investments are valued in accordance with the Company's accounting policies as stated in note 1. Uncertainty arises as a result of future changes in the market prices of the Company's equity investments.

Management of the risk

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and comparable investment trusts.

The Company does not generally hedge against the effect of changes in the underlying prices of the investments as it is believed that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth, although sensitivity to market price risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board.

Price risk exposure

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

	At 30 September 2011 £'000	At 30 September 2,010 £'000
Fixed asset investments held at fair value through profit or loss	**97,991**	101,763

Concentration of exposure to price risk

Although there is a concentration of exposure to the UK, it should be noted that an investee company's country of domicile does not necessarily equate to its exposure to the economic conditions in that country.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the market value of investments to an increase or decrease of 20% (2010: 20%) in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	At 30 September 2011		At 30 September 2010	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	(16)	16	(16)	16
Effect on capital return	19,454	(19,454)	20,209	(20,209)
Effect on total return and on net assets	19,438	(19,438)	20,193	(20,193)
Change in net asset value	20.4%	(20.4)%	20.4%	(20.4)%

b. Interest rate risk

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

The Company has in place a 364 day £15 million credit facility with ING Bank N.V. As at 30 September 2011, £10 million (2010 : £10 million) was drawn down. This facility is unsecured and is not subject to any termination charge.

Management of the risk

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

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

Interest rate exposure

The exposure of financial assets and liabilities to interest risk is shown below by reference to:

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

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

Notes to the Accounts

	At 30 September 2011 Within one year £'000	At 30 September 2011 More than one year £'000	At 30 September 2010 Within one year £'000	At 30 September 2010 More than one year £'000
Exposure to floating interest rates:				
Cash at bank and short-term deposits	**7,341**	**–**	6,914	–
Borrowings	**(10,000)**	**–**	(10,000)	–
Total exposure to interest rates	**(2,659)**	**–**	(3,086)	–

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

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

During the year the maximum loan drawn down was £10 million (2010: £10 million), and the cash balance has fluctuated between £3.8 million and £10.9 million (2010: £nil to £8.6 million).

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue and capital return for the year and net asset value to an increase or decrease of 0.50% (2010: 0.50%) in interest rates in regard to the Company's monetary financial assets and 0.50% (2010: 0.50%) in regard to the Company's monetary liabilities, which are subject to interest rate risk.

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

	At 30 September 2011 Increase in rate £'000	At 30 September 2011 Decrease in rate £'000	At 30 September 2010 Increase in rate £'000	At 30 September 2010 Decrease in rate £'000
Effect of revenue return	**32**	**(32)**	30	(30)
Effect of capital return	**(45)**	**45**	(45)	45
Effect on total return and on net assets	**(13)**	**13**	(15)	15

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

c. Currency risk

The Company faces minimal direct currency risk since its assets and liabilities are predominantly denominated in sterling.

2. Credit risk

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

Management of the risk

The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of Schroder Investment Management Limited. These arrangements were in place throughout the current and prior years. The Company does not participate in stock lending activities.

Credit risk exposure

The exposure to credit risk at the year-end comprised:

	At 30 September 2011 £'000	At 30 September 2010 £'000
Sales for future settlement	**132**	471
Accrued income	**495**	405
Cash at bank and on deposit	**7,341**	6,914
	7,968	7,790

During the year and the preceding year all deposits placed were with banks that had ratings of A or higher.

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

Notes to the Accounts

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

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

Liquidity risk exposure
A summary of the Company's financial liabilities is provided in section 5 of this note.

4. Fair Values of Financial assets and financial liabilities
The Company's financial instruments are stated at their fair values at the year-end. The fair value of shares and securities is based on bid market prices at close of business on the relevant date.

Borrowings under the credit facility are short term in nature and do not have a value materially different from their capital repayment amount. The facility is due for renewal in July 2012.

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

Financial assets	**At 30 September 2011 £'000**	At 30 September 2010 £'000
Financial assets at fair value through profit or loss:		
Fixed assets investments – designated as such on initial recognition	**97,991**	101,763
Loans and receivables:		
Current assets:		
Debtors (sales for future settlement, dividends receivable and accrued income)	**639**	884
Cash at bank and short-term deposits	**7,341**	6,914
	7,980	7,798

Financial liabilities	**At 30 September 2011 £'000**	At 30 September 2010 £'000
Creditors: amounts falling due within one year:		
Borrowings under the loan facility	**10,000**	10,000
Purchases for future settlement	**60**	301
Accruals	**642**	510
	10,702	10,811

6. Fair Value Hierachy
FRS29 "Financial Instruments: Disclosures" requires an entity to classify fair value measurements using a fair value hierachy that reflects their significance of the inputs used in making these measurements. The fair value hierachy shall have the following levels:

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

Level 2 – valued by reference to valuation techinques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techinques using inputs that are not based on observable market data.

Categorisation within the hierachy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant assets.

Financial assets and liabilities measured at fair value are grouped into their fair value hierachy at 30 September 2011 as follows:

	Note	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit or loss					
Quoted equities	**a**	**97,991**	**–**	**–**	**97,991**
Net fair value		**97,991**	**–**	**–**	**97,991**

Notes to the Accounts

Financial assets and liabilities measured at fair value are grouped into their fair value hierachy at 30 September 2010 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a	101,763	–	–	101,763
Net fair value		101,763	–	–	101,763

There have been no transfers between any of the levels during the year.

a. Quoted equities

The fair value of Company's investments in quoted equities have been determined by reference to their quoted bid prices at the reporting date.

Quoted equities included in Level 1 are actively traded on recognised stock exchanges.

7. Capital management policies and procedures

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

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

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

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

(iii) the determination of dividend payments.

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

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

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 UK Corporation Tax Act 2010 and the Companies Act 2006.

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

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Mid Cap Fund plc will be held at 12.00 noon on Friday, 27 January 2012 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 8 will be proposed as Ordinary Resolutions and resolutions 9 and 10 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2011.
2. To approve a final dividend of 6.20 pence per share for the year ended 30 September 2011.
3. To approve the Remuneration Report for the year ended 30 September 2011.
4. To re-elect Mr Peter Timms as a Director of the Company.
5. To re-elect Mr Chris Jones as a Director of the Company.
6. To re-appoint Ernst & Young LLP as Auditor of the Company.
7. To authorise the Directors to determine the remuneration of Ernst & Young LLP as Auditor of the Company.
8. To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:
   "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £451,796 (representing 5% of the share capital in issue on 21 December 2011); provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
9. To consider and, if thought fit, to pass, the following resolution as a special resolution:
   "That, subject to the passing of Resolution 8 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in Section 560 of the Act) pursuant to the authority given by Resolution 8 above and/or where such allotment constitutes an allotment of equity securities by virtue of Section 560(2) of the Act as if Section 560(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £451,796 (representing 5% of the aggregate nominal amount of the share capital in issue on 21 December 2011); 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."
10. To consider and, if thought fit, to pass, the following resolution as a special resolution:
    "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 5,417,939, representing 14.99% of the issued share capital as at 21 December 2011;
    (b) the minimum price which may be paid for a share is 25p;
    (c) the maximum price which may be paid for a share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased, and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
    (d) purchases may only be made pursuant to this authority if the shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;
    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed or revoked prior to such time; and
    (f) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Number: SC82551

21 December 2011

Registered Office:
33 Bothwell Street
Glasgow G2 6NL

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 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 6ZR, 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 and clicking on the link to vote under your Schroder UK Mid Cap Fund plc holding details. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641.

   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.

   A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m on 25 January 2012, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 25 January 2012 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com/CREST. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

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

6. The biographies of the Directors offering themselves for re-election are set out on the inside front cover or Chairman's Statement of the Company's Annual Report and Accounts for the year ended 30 September 2011.

7. As at 21 December 2011, 36,143,690 Ordinary shares of 25 pence each were in issue. No shares were held in treasury; accordingly, the total number of voting rights in the Company as at 21 December 2011 is 36,143,690.

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 to download from the Company's website, www.schroderukmidcapfund.com.

9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting 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.

Company Summary and Shareholder Information

The Company

Schroder UK Mid Cap Fund plc was launched in 1983 under the name of Murray Technology Investments plc. It is an independent investment trust, whose shares are listed on the London Stock Exchange.

As at 21 December 2011, the Company had 36,143,690 ordinary shares of 25 pence each in issue. No shares were held in treasury and each share carries one voting right. The Company's assets are managed and it is administered by Schroders, which took over investment management of the Company on 1 May 2003.

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

Website and Price Information

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

The Company releases its net asset value on both a cum and ex income basis to the market on a daily basis.

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

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from landlines.

Equiniti maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Please visit www.shareview.co.uk for more details.

Association of Investment Companies

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

Ten Largest Investments

Company	Sector Classification	30 September 2011 Market value of holding £'000	30 September 2010 Market value of holding £'000
Premier Oil	Oil & Gas Producers	2,360	2,810
Elementis	Chemicals	2,346	2,515
Croda International	Chemicals	2,310	1,259
William Hill	Travel & Leisure	2,149	1,244
Dignity	General Retailers	2,105	1,033
Rightmove Group	Media	2,093	–
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	2,027	1,501
Berkeley Group Holdings	Household Goods	2,021	990
Kier Group	Construction & Materials	1,963	1,778
Lamprell	Oil Equipment & Services	1,929	2,138
		21,303	15,268

www.schroderukmidcapfund.com