Schroder
UK Mid Cap Fund plc

Report and Accounts for the year ended 30 September 2012

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 69)
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 David MacBrayne Ltd, HIE Ventures Ltd and SETG Ltd.

Rachel Beagles (Aged 44)
Rachel Beagles was appointed a non-executive Director of the Company in 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, Securities Trust of Scotland plc and The Eastern European Trust plc. She is also Chair of NewlonBuild Ltd.

Eric Sanderson (Aged 61)
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 Chairman of the Court of The University of Dundee. Until recently he was Chairman of MWB Group Holdings PLC.

Chris Jones (Aged 71)
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 and Montanaro European Smaller Companies Ltd.

Robert Rickman (Aged 55)
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 LSE listed Carclo plc and 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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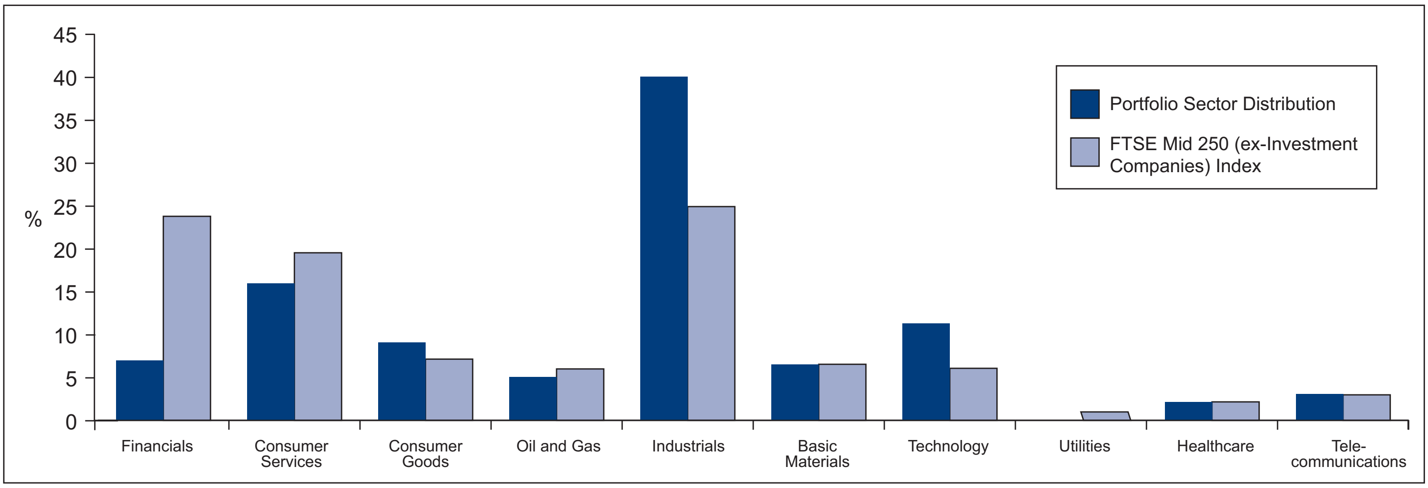
Financial Highlights

	2012	2011	
Total returns (including dividends reinvested) for the year ended 30 September			
Net asset value ("NAV") per share total return (based on cum-income NAV)[1]	**27.7%**	(1.7)%	
Share price total return[1]	**30.6%**	(1.1)%	
Benchmark total return[2]	**25.5%**	(4.8)%	
			% Change
NAV, share price and discount at 30 September			
Shareholders' funds (£'000)	**118,942**	95,269	+24.8
Shares in issue	**36,143,690**	36,143,690	+0.0
NAV per share	**329.08p**	263.58p	+24.9
Share price	**277.00p**	218.00p	+27.1
Share price discount	**15.8%**	17.3%	
Revenue for the year ended 30 September			
Net revenue after taxation (£'000)	**2,789**	2,437	+14.4
Return per share	**7.72p**	6.74p	+14.5
Dividends per share	**6.82p**	6.20p	+10.0
Gearing[3]	**3.7%**	2.8%	
Ongoing Charges[4]	**1.11%**	1.12%	

[1]Source: Morningstar.
[2]Source: Thomson Financial Datastream. With effect from 1 April 2011, the Company's benchmark has been the FTSE Mid 250 (ex-Investment Companies) Index. Prior to that date the benchmark was the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Index. The comparative return is based on a combination of both of these indices, calculated on a pro rata basis.
[3]Net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets.
[4]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The Ongoing Charges figure is calculated in accordance with guidance issued by the Association of Investment Companies (the "AIC") in May 2012 and replaces the Total Expense Ratio published in previous years. The comparative figure has been restated accordingly.

Comparison of Portfolio Sector Distribution with the FTSE Mid 250 (ex-Investment Companies) Index at 30 September 2012[1]



[1]Source: Schroders/Thomson Financial Datastream. Sector distributions are shown as a percentage of total assets.

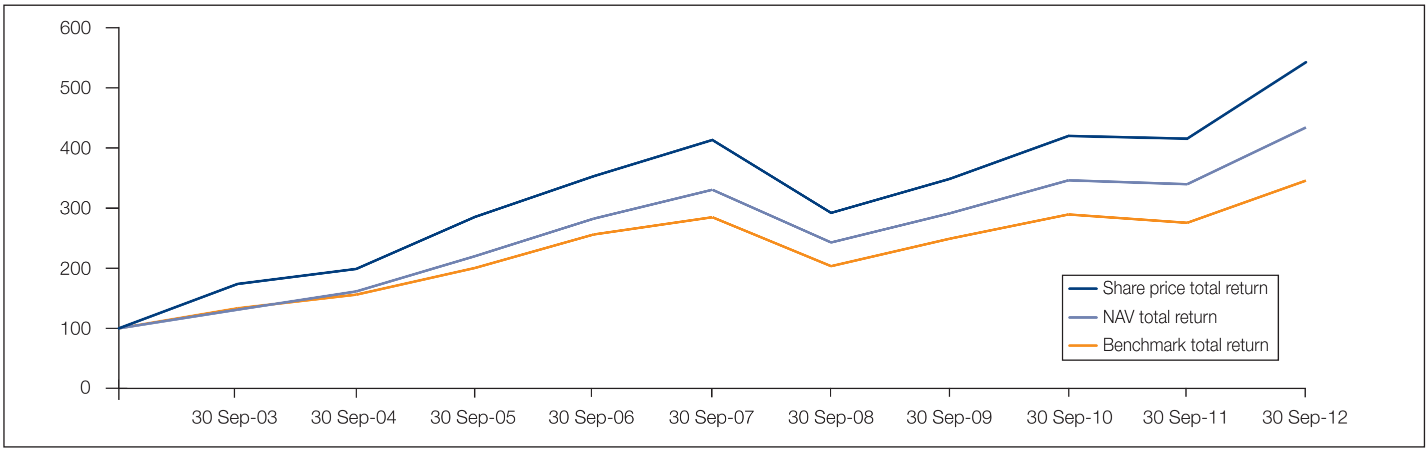
Ten-Year Record

At 30 September	2003	2004	2005[1]	2006	2007	2008	2009	2010	2011	2012
Shareholders' funds (£'000)	30,508	51,051	69,498	88,055	100,852	73,556	85,109	98,750	95,269	118,942
NAV per share (pence)	112.5	138.6	188.7	239.6	278.3	203.5	235.5	273.2	263.6	329.1
Share price (pence)	106.0	121.3	171.5	209.5	242.5	168.0	192.8	225.5	218.0	277.0
Share price discount (%)	5.8	12.5	9.1	12.6	12.9	17.4	18.1	17.5	17.3	15.8
Year ended 30 September										
Net revenue after taxation (£'000)	(81)	744	1,012	1,281	1,817	2,253	1,880	2,156	2,437	2,789
Net return per share (pence)	(0.30)	2.37	2.75	3.48	4.97	6.22	5.20	5.96	6.74	7.72
Dividends per share (pence)	0.00	2.00	2.25	2.85	4.11	5.30	5.30	5.83	6.20	6.82
Ongoing Charges (%)[2]	2.76	1.70	1.60	1.40	1.31	1.15	1.19	1.21	1.12	1.11
Gearing/(net cash)[3]	3.2	9.1	7.1	1.7	2.5	(9.7)	(2.6)	3.1	2.8	3.7

Performance[4]	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NAV per share total return (based on ex-income NAV)	100.0	131.0	161.4	220.0	282.4	330.5	242.8	291.3	346.2	339.7	434.1
Share price total return	100.0	173.8	198.8	285.3	353.0	413.3	292.0	348.6	420.0	415.5	542.6
Benchmark total return[5]	100.0	133.3	156.0	200.4	256.1	284.8	203.4	249.1	289.4	275.5	345.7

[1]The results for the year ended 30 September 2005 have been restated, where necessary, in accordance with Financial Reporting Standards 21,25 and 26. Years prior to 2005 have not been restated.
[2]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The Ongoing Charges figure is calculated in accordance with guidance issued by the AIC in May 2012 and replaces the Total Expense Ratio published in previous years. The figures for 2010 and prior years represent the expenses calculated as above, expressed as a percentage of the average of the opening and closing net asset values during the year.
[3]Net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets. If the amount so calculated is negative, this is shown as a "net cash" position.
[4]Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 September 2002.
[5]With effect from 1 April 2011, the Company's benchmark has been the FTSE Mid 250 (ex-Investment Companies) Index. Prior to that date the benchmark was the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Index. The return for 2011 is based on a combination of both of these indices, calculated on a pro rata basis.

10 Year NAV, Share Price and Benchmark Performance[1]



[1]Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 September 2002.

Chairman's Statement

Performance

During the year under review, the Company's net asset value produced a total return of 27.7%. The share price produced a total return of 30.6% over the year and the FTSE Mid 250 (ex-Investment Companies) Index a total return of 25.5%.

Long-term performance continued to be very good with the Company outperforming the benchmark in eight of the last nine years.

Dividends

An increasingly important part of total return has come from revenue, and earnings per share increased by 14.5% during the year from 6.74 pence per share to 7.72 pence per share. The Directors therefore recommend the payment of a final dividend of 6.82 pence per share for the year ended 30 September 2012, representing an increase of 10.0% on the final dividend of 6.20 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 2012 will be proposed at the Annual General Meeting. If passed, the dividend will be paid on 30 January 2013 to shareholders on the register at 4 January 2013.

VAT Recovery

Subsequent to the year end, the Company received a one-off repayment of £309,292 from the previous manager, Murray Johnstone Ltd in respect of historic VAT paid on management fees whilst it was investment manager together with interest accrued thereon.

Gearing Facility

During the year, the Company maintained a £15 million revolving credit facility, of which £10 million was drawn 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 2.8% and this had increased to 3.7% by the end of the year. During the year, net gearing fluctuated between 2% and 8%. 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 27 January 2012, the Company was granted authority to purchase up to 14.99% of its issued share capital for cancellation or for holding in Treasury. During the year ended 30 September 2012, the Company did not purchase any shares for cancellation or for holding in treasury.

The decision whether to purchase shares is addressed regularly in Board discussions. Whilst share buy-backs are one method of addressing discount levels, their effectiveness depends on the size and nature of the share register. Your Board believes that the most sustainable way to close the discount is to increase demand for the Company's shares by effective marketing over the longer term, and its strong performance track record. In the meantime, the Board will continue to consider whether share purchases should be made on a regular basis, alongside other means of discount control. To provide maximum flexibility for the future, it is proposed that the existing authority be renewed at the forthcoming Annual General Meeting.

Update to the Company's Articles of Association

Following a change in legislation earlier this year, investment trusts may now distribute capital profits. Under the previous legislation, there was a requirement for the Company's Articles to contain a prohibition on the distribution of capital profits by way of a dividend or otherwise than by way of repurchase of the Company's shares. In order to align the Company's constitution with the new regulations, a special resolution will be proposed at the forthcoming Annual General Meeting to amend the Articles of Association to permit the Company to distribute capital profits, by amending Article 121 and to remove the general prohibition on capital distributions in Article 128.

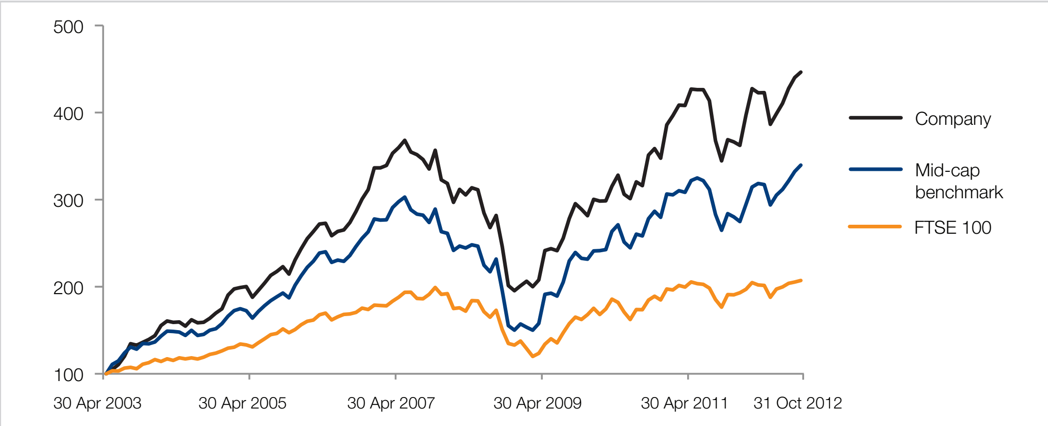
The Directors do not currently intend to utilise the ability to pay distributions from capital, however they believe that it is in the best interests of the Company and its shareholders to make this change to the Company's Articles of Association.

Chairman's Statement

Strategy

Your Board continues to review the suitability of the Company's mandate and its fund manager, as described later in this Report. This is an on-going process, but I thought it might be useful to outline why the Board believes in the current mandate and why – with next April being the tenth anniversary of Schroders being appointed – we continue to use them as our fund managers.

The Rise in the Company's NAV



Source: Morningstar, to end October 2012 with dividends reinvested. Rebased to end April 2003 = 100. Schroders were appointed on 1 May 2003. With effect from 1 April 2011, the Company's benchmark has been the FTSE Mid 250 (ex-Investment Companies) Index. Prior to that date the benchmark was the FTSE All-Share, ex-Investment Companies, ex-FTSE 100 Index.

The point of Investing in Mid-Caps

It is dangerous to generalise from history, and past performance is not a reliable indicator of future results. The aggregate return from the Company's shares was quite different for a shareholder who bought 12 years ago rather than 10, for example, while the next decade may be very different from the last one. However, the above graph clearly illustrates the Company's outperformance of both the benchmark and the FTSE 100 Index over the period from 1 May 2003 (when Schroders took responsibility for the management of the portfolio) to 30 September 2012. We believe, however, that the UK mid cap sector continues to offer three investment characteristics different from investing in large caps:

- It still offers opportunities to buy businesses unrepresented in the large cap indices. Examples in the portfolio include companies as diverse and unique as Dignity (the UK's largest listed manager of funeral homes), Rightmove (a residential property portal), Dechra Pharmaceutical (the veterinary drug company), and Devro (one of the world's largest makers of sausage skins).
- There is a corresponding absence of the mega-cap global companies that dominate the FTSE 100 index – for example the large miners, oil companies, telecom companies and banks. Their profits are inevitably dependent on global trends, while their size often constrains their ability to grow quickly.
- The result of both factors is that there are still tremendous opportunities for stock-pickers. Some of the more unique mid-cap companies are challenging to analyse, and often not as well covered by investment institutions. It is an ideal environment for fund managers who have the time and the resources to find the value.

The trigger that turns that value into profit in mid-caps is often M&A – for example a takeover, or a buyout – and this has been a factor behind the shrinking of the number of listed companies outside the FTSE 100 index from 582 in 2000 to 335 today[1]. The portfolio benefitted from this in recent years with its investments in Chloride, Dana Petroleum, Forth Ports and Nestor Healthcare. The fund manager thinks there is further opportunity for this in coming years from some of the current holdings. It also believes that it has a greater ability to influence this and other aspects of the holdings' future, as relationships with management are often easier and more direct than with larger companies.

Performance of the Company relative to its benchmark is as difficult to predict as future market movements, but the Board continues to appoint Schroders as its fund manager. It is pleasing to report that the Company's shares have outperformed the other UK-listed mid-cap investment trusts since Schroders' appointment in 2003.[2]

[1] FTSE All Share companies excluding investment companies and those in the FTSE I00 index. Source: Deutsche Bank and Schroders as at 5/11/12.
[2] Total share return, 1 May 2003 to 31 October 2012. Source: Morningstar.

Chairman's Statement

Outlook

The world's economic challenges – such as low growth, the Eurozone, and rising government debt – are undeniable, and few of the holdings can abstract from the broader environment. The Company's investment policy, however, is not being based around a specific view of how the challenges are resolved. It targets instead much the same as was achieved in the last decade: giving investors access to a diversified selection of some of the UK's most attractive mid-cap shares, chosen by the same team that produced the performance of the last decade. The Board believes that mid-caps have a role to play in most long-term UK equity portfolios, and wants your Company to be a leading vehicle for that exposure.

Peter Timms, CBE
Chairman
12 December 2012

Investment Manager's Review

Performance

Over the 12 months to 30 September 2012, the Company's net asset value on a total return basis rose by 27.7%. This compared with a 25.5% total return in the benchmark, the FTSE Mid 250 (ex-Investment Companies) Index, which was 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 2012, the net asset value has produced a total return of 340.2% and a 359.7% return for the shares compared to a total return of 232.8% for the benchmark over the same period.

Strong positive contributions came from several companies providing support services to the U.S. construction, infrastructure and housebuilding industries, most notably Ashtead, which is benefitting from a trend to the hire rather than the purchase of construction equipment, and Diploma which supplies replacement seals also for construction equipment. Other investments benefitted from the continuing trend to automate manufacturing in China as labour costs rise, including Renishaw and Oxford Instruments. Self-help was another important theme, with new management at set top box manufacturer Pace achieving major improvements in working capital ratios, while wireless connectivity group CSR sold their mobile handset activities to Samsung of Korea for a good price and initiated a tender offer to reduce their own equity.

The principal detractors to performance in the year were card and identity protection provider CPP, which has become involved in a protracted regulatory investigation, and Lamprell, which announced cost overruns on two major wind turbine installation vessels and delays on other oil rig construction projects. Pawnbroker Albemarle & Bond experienced a reduction in profits from gold purchasing, with knock-on effects to the rate of expansion of its pawn shops.

Market Background

Equities have rallied strongly this year as central banks in Europe, the US and Japan have announced significant easing in monetary policy. Extremely low nominal interest rates have driven investors to seek higher returns even at the expense of greater perceived risk. With bank lending still contracting across Europe and corporate confidence low, there has been noticeably less takeover activity in UK Mid-Caps, but increased cash distributions, special dividend payouts and share buy-backs as corporate balance sheets remain strong. Dividend growth has again been healthy across the portfolio.

Portfolio Update

New purchases in the past year have included WS Atkins (consulting engineers) Bodycote (heat treatment), Computacenter (IT services), Filtrona (specialist industrial products), Persimmon (housebuilding), Qinetiq (scientific research), Sports Direct (sportswear retailing), Telecom Plus (utility services) and Yule Catto (nitrile chemicals). Complete disposals have included Croda, Pennon and Wood Group upon promotion to the FTSE 100 Index, Aquarius Platinum, Hansteen, Morgan Crucible, PZ Cussons, Spirax-Sarco and WH Smith. Further investments outside the Mid 250 Index were sold, such as Exillon Energy, E2V Technology, Findel, and Wilmington, reducing the percentage of net assets held outside the benchmark to well below 10% by the end of the Company's financial year.

Outlook

The world is presently a tough place to do business, with uncertainty over the future of the Eurozone, a potential 'fiscal cliff' looming in the U.S. and a changeover of leadership imminent in China. Unsurprisingly these and other factors such as labour unrest in South Africa, rising regulatory risks, and political unrest in the Middle East have restrained both consumer and corporate spending in many geographies. It is to be hoped that some of this uncertainty will reduce in the coming months, so that equity markets can continue to climb the wall of fear.

In the UK, there is presently enough growth in (mainly part-time) private sector employment to offset government cuts and this trend is set to continue. However, the UK Government is still spending more than its income, and policy paralysis in the coalition government is unhelpful.

More positively, UK quoted company balance sheets are generally in rude health, and this will continue to stimulate share buy-backs, special dividend payments, accretive acquisitions and M&A activity, all of which are supportive to valuations.

Schroder Investment Management Limited
12 December 2012

Investment Portfolio

As at 30 September 2012

Company	Sector classification	Principal activity	Market value of holding £'000	% of total equity shareholders' funds
Ashtead	Support Services	Provider of rental plant and equipment	3,480	2.93
Elementis	Chemicals	Manufacturer and seller of chromium chemicals, pigments and other chemicals	3,477	2.92
CSR	Technology Hardware and Equipment	Designer and manufacturer of single-chip radio devices	3,180	2.67
William Hill	Travel and Leisure	Provider of fixed-odds bookmaking services and online casino	2,769	2.33
Premier Oil	Oil and Gas Producers	Exploration, development and production of oil and gas	2,692	2.26
Senior	Aerospace and Defence	Designer and manufacturer of high technology components for the civil aerospace and defence markets	2,653	2.23
Daily Mail & General Trust	Media	International media company with interests in newspapers and related digital operations, local media and radio	2,646	2.22
Dechra Pharmaceuticals	Pharmaceuticals and Biotechnology	Manufacturer of pharmaceutical products and equipment for the veterinary industry	2,621	2.20
Diploma	Support Services	International distributor of specialised technical products	2,614	2.20
Travis Perkins	Support Services	Builder's merchant	2,600	2.19
Pace	Technology Hardware and Equipment	Developer of digital TV technologies	2,390	2.01
Berkeley	Consumer Goods	House builder	2,387	2.01
Talktalk Telecom	Fixed Line Telecommunications	Fixed line voice and broadband telecommunications provider	2,315	1.95
Dignity	General Retailers	Provider of funeral related services	2,275	1.91
Renishaw	Electronic and Electrical Equipment	Manufacturer of metrology instruments	2,232	1.88
Halma	Electronic and Electrical Equipment	Manufacturer of safety products	2,223	1.87
Atkins (WS)	Support Services	Engineering and design consultant	2,175	1.83
Inchcape	General Retailers	Importer and distributor of motor vehicles	2,157	1.81
Devro	Food producers	Manufacturer of sausage skins	2,127	1.79
Qinetiq	Aerospace and Defence	Technical, engineering and software services provider for aerospace, defence and security	2,083	1.75
Twenty Largest Investments			**51,096**	**42.96**
Filtrona	Support Services	Supplier of speciality plastic and fibre products	2,056	1.73
Oxford Instruments	Electronic and Electrical Equipment	Designer and manufacturer of high technology tools and systems	2,051	1.72
Debenhams	General Retailers	Leading department store chain	2,046	1.72
Derwent London REIT	Real Estate Investment Trust	Specialist central London property investment and regeneration REIT	1,967	1.65
Domino Printing	Electronic and Electrical Equipment	Manufacturer and supplier of industrial ink jet and laser printing equipment	1,930	1.62
Keller	Construction and Materials	International ground engineering specialist	1,916	1.61
Berendsen	Support Services	Provider of textile maintenance services	1,904	1.60
Persimmon	Consumer Goods	House builder	1,896	1.59
Invensys	Software and Computer Services	Global technology group supplying solutions, software, services and equipment	1,873	1.58

Investment Portfolio

Company	Sector classification	Principal activity	Market value of holding £'000	% of total equity shareholders' funds
Bodycote International	Industrial Engineering	Supplier of specialist testing and thermal processing services	1,851	1.56
Ultra Electronics	Aerospace and Defence	Designer and manufacturer of electronic and electromechanical systems, sub-systems and products	1,850	1.56
Fidessa	Software and Computer Services	Supplier of computer software products to customers in the financial trading systems market	1,839	1.55
RPC	General Industrials	Manufacturer of rigid plastic packaging	1,811	1.52
AG Barr	Beverages	Soft drinks manufacturer	1,809	1.52
Kier	Construction and Materials	Construction, development and service company, specialising in building and civil engineering	1,807	1.52
Rightmove	Media	Operator of the UK's largest residential property portal	1,801	1.51
Lamprell	Oil Equipment and Services	Specialist in rig upgrade and refurbishment	1,760	1.48
Millennium & Copthorne Hotels	Travel and Leisure	Hotel operator	1,729	1.45
Kentz	Oil Equipment and Services	Engineering solutions business which serves customers primarily in the oil and gas, petrochemical, mining and metal sectors	1,708	1.44
De La Rue	Support Services	Commercial security printer and papermaker	1,671	1.41
SDL	Software and Computer Services	Solutions company offering multilingual translation software and translation services	1,658	1.39
Yule Catto	Chemicals	Producer of speciality polymers	1,657	1.39
Victrex	Chemicals	Manufacturer of speciality plastics	1,653	1.39
IG	Financial Services	Provider of financial spread betting and CFD's	1,650	1.39
ITE	Media	Organiser of trade exhibitions and conferences	1,646	1.38
RPS	Support Services	Environmental and planning consultancy business	1,617	1.36
Grainger	Real Estate and Investment Services	Purchases, lets, manages and refurbishes tenanted property	1,607	1.35
Taylor Wimpey	Consumer Goods	House builder	1,573	1.32
Micro Focus International	Software and Computer Services	Multinational software and technology business	1,556	1.31
Telecom Plus	Fixed Line Telecommunications	Multi-utility supplier	1,436	1.21
SIG	Support Services	Leading European distributor of insulation materials	1,435	1.21
Premier Farnell	Support Services	Supplier of electronic products and maintenance/repair services	1,378	1.16
Sports Direct International	General Retailers	Sports clothing and equipment retailer	1,373	1.15
Regus	Support Services	Provider of serviced office space	1,370	1.15
Bovis Homes	Consumer Goods	House builder	1,261	1.06
Computacenter	Software and Computer Services	Provider of IT infrastructure services	1,235	1.04
Fisher (James)	Industrial Transportation	Provider of marine services and management solutions	1,201	1.01
Anglo Pacific	Mining	Global natural resources royalties company	1,147	0.96
Shanks	Support Services	Provider of integrated waste management and disposal services	1,069	0.90
Brewin Dolphin	Financial Services	Provider of investment management services to private clients	1,008	0.85
UBM	Media	Provider of market research, news distribution and professional media services	939	0.79
Rathbone Brothers	Financial Services	Provider of investment management services to private clients, charities and professional advisers	930	0.78

Investment Portfolio

Company	Sector classification	Principal activity	Market value of holding £'000	% of total equity shareholders' funds
E2V Holdings	Electronic and Electrical Equipment	Manufacturer of high-technology electronic components	926	0.78
Fenner	Industrial Engineering	Producer of heavyweight belting	772	0.65
LMS Capital	Financial Services	Independent investment company	610	0.51
Local Shopping REIT	Real Estate Investment Trust	Property investor, focussed on local shops throughout the UK	539	0.45
Albemarle & Bond	Financial Services	Pawnbroker and cheque cashing business	145	0.12
CPP	Support Services	Provider of life assistance products	101	0.09
Rank	Travel and Leisure	European gaming and leisure business	22	0.02
Total investments[1]			**121,885**	**102.47**
Net current liabilities			**(2,943)**	**(2.47)**
Total equity shareholders' funds			**118,942**	**100.00**

[1]Total investments comprise entirely equity investments.

At 30 September 2011, the twenty largest investments represented 41.43% of total equity 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 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 2011 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for approval under HM Revenue and Customs' qualifying rules. 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 UK 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 or its Committees.

Investment Policy

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 to 6 and the Investment Manager's Review on page 7.

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

The Manager's investment process takes 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.

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 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

Report of the Directors

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 2012, the Company held 69 investments spread over a range of industry sectors. The largest investment, Ashtead, represented 2.93% of total equity shareholders' funds at 30 September 2012. 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 2.1% 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.

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 2012, 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 2012, the Company's share price stood at a discount of 15.8% to net asset value. During the year under review, the share price traded at a discount ranging between 14.3% and 22.9%.

Control of Ongoing Charges

The Board has adopted a third KPI which assists in keeping the Ongoing Charges of the Company under review.

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

The Ongoing Charges figure for the year ended 30 September 2012 (representing the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year) was 1.11% (2011: 1.12% as restated). The Ongoing Charges figure is calculated in accordance with guidance issued by the AIC in May 2012 and replaces the Total Expense Ratio published in previous years.

Report of the Directors

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 pages 20 to 23. The principal risks 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 stockmarket 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. The financial risks facing the Company are set out in note 20 on pages 35 to 38.

Gearing

The Company has in place a £15 million (2011: £15 million) credit facility. The draw down on the facility was £10 million (2011: £10 million) at the year-end. At the beginning of the year under review, net gearing was 2.8% and at the end of the year it was 3.7%. 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. 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 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 financial statements of the Company for the year ended 30 September 2012.

Revenue and Dividend

The net revenue return for the year, after finance costs and taxation, was £2,789,000 (2011: £2,437,000), equivalent to a revenue return per Ordinary share of 7.72 pence (2011: 6.74 pence).

For the year ended 30 September 2012, the Directors have recommended a final dividend of 6.82 pence per share (2011: 6.20 pence per share) which, subject to approval by shareholders at the forthcoming Annual General Meeting, will be paid on 30 January 2013 to shareholders on the register on 4 January 2013. 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 increased from 263.58 pence per share to 329.08 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. All Directors held office throughout the year under review and up to the date of signing this report.

In accordance with the Company's Articles of Association and the Company's policy on tenure, Mr Timms and Mrs Beagles will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr Jones will not be seeking re-election and will retire as a Director of the Company following the AGM. The Board has assessed the independence of all Directors. Mr Timms and Mrs Beagles are considered to be independent in character and judgement, notwithstanding that Mr Timms has served on the Board for more than nine years.

The Board supports the re-elections of Mr Timms and Mrs Beagles, as it considers that both of these Directors continue to demonstrate commitment to their roles as Directors and make 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 2012, all of which were beneficial, were as follows:

Director	Ordinary shares of 25p each 30 September 2012	Ordinary shares of 25p each 1 October 2011
Peter Timms	**10,000**	10,000
Rachel Beagles	**10,963**	10,842
Chris Jones	**10,000**	10,000
Robert Rickman	**nil**	nil
Eric Sanderson	**nil**	nil

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

Share Capital

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.

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 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
Investec Wealth & Investment Limited	1,089,699	3.01

Report of the Directors

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 the management fee and performance fee, 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 2012 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 defined assets for each 1% out-performance of the benchmark (the FTSE Mid 250 (ex-Investment Companies) Index) over and above 0.8%, to a maximum performance fee of 1% of average defined assets in any given year. For the year ended 30 September 2012, a performance fee of £159,000 (2011:£325,000) is payable under the terms of the management agreement as shown in note 4 to the accounts on page 30.

The Manager is also entitled to a secretarial fee amounting to £111,000 (2011: £105,000) per annum including VAT. This fee continues to be subject to annual adjustment in line with changes in the Retail Prices 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 2012 (2011: Nil).

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements 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 financial statements respectively.

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

Under applicable law and regulation, the Directors are also responsible for preparing a Report of the Directors, Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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 financial statements, 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.

Report of the Directors

Going Concern
The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see note 20 to the accounts on pages 35 to 38), capital management policies and procedures (see note 21 to the accounts on page 38), the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance Statement
The Company's Corporate Governance Statement is set out on pages 20 to 23 and forms part of this report of the Directors.

Anti-Bribery Policy
The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an 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 2010.

Environmental Policy
As an investment trust, the Company only has indirect 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.

Independent Auditor
The Company's Auditor, Ernst & Young LLP, has expressed its willingness to remain in office and resolutions to re-appoint them as Auditor to the Company and to authorise the Directors to determine their 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 Senior Statutory Auditor every five years. The previous Senior Statutory Auditor retired during the year and a replacement appointed.

The Audit Committee has in place a pre-approval policy on the engagement of the Auditor to supply non-audit services to the Company. No fees were payable to the Auditor for non-audit services during the year (2011: 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.

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 Tuesday, 29 January 2013 at 12.00 noon. The formal Notice of Meeting 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 27 January 2012, 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 2012, 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

Report of the Directors

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 12 December 2012). 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 12 December 2012). 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 2014 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 27 January 2012, 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 12 December 2012. 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 2014, 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.

Resolution 11 – Amendment to the Company's Articles of Association (Special Resolution)

A special resolution will be proposed to amend the Company's Articles of Association to remove the prohibition on the distribution of capital profits by way of a dividend or otherwise than by way of repurchase of the Company's shares (the "Amended Articles"). Further details can be found in the Chairman's Statement on page 4. If passed, this amendment will align the Company's constitution with recent changes in regulation.

Copies of the Amended Articles are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the AGM.

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

12 December 2012

Remuneration Report

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

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £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 carry out 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 2012, Directors received fees of £20,000 per annum, with £27,500 per annum for the Chairman with the chairman of the Audit Committee receiving an additional £2,000. The last review of Directors' fees was carried out in November 2012 when it was agreed that the Directors' fees should remain unchanged.

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

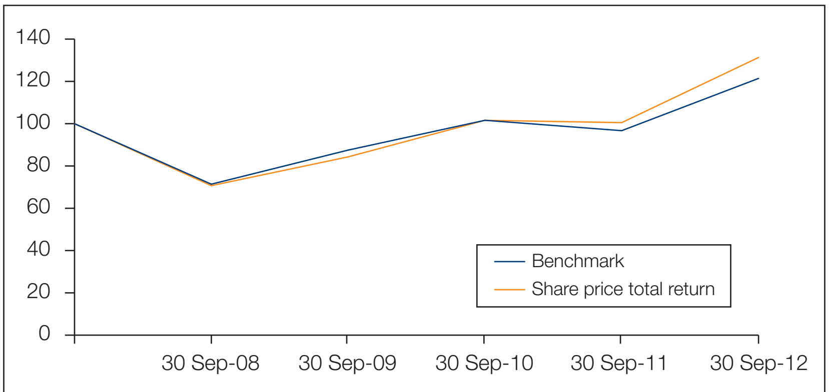
No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The terms of appointment are available for inspection at the Company's Registered Office address during 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 such Directors to seek an additional term.

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

Performance Graph

This graph shows the Company's share price total return compared with its benchmark over the last five years.



Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 September 2007.

Remuneration Report

Remuneration

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

	For the year ended 30 September 2012 £	For the year ended 30 September 2011 £
Peter Timms (Chairman)	27,500	25,000
Rachel Beagles	22,000	20,000
Malcolm Coubrough[1]	–	6,425
Chris Jones	20,000	20,000
Maxwell Packe[2]	–	13,146
Robert Rickman[3]	20,000	13,662
Eric Sanderson[3]	20,000	13,611
Total	109,500	111,844

[1]Retired as a Director on 26 January 2011.
[2]Retired as a Director on 27 May 2011.
[3]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 24).

By Order of the Board
Schroder Investment Management Limited
Company Secretary

12 December 2012

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 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 Statement of Directors' Responsibilities and Going Concern 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 trust. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the 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, its 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 of these Directors, including their age and length of service, are set out on the inside front cover of this report. The Board considers each of the Directors 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 2012 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 22.

Audit Committee

The role of the Audit Committee, chaired by Mrs Beagles, 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 three occasions during the year ended 30 September 2012 and considered the annual and half-yearly accounts, the external Auditor's year-end report, management representation letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the Investment Manager and Custodian.

Representatives of the Company's Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered. Having reviewed the performance of the external Auditor, the Committee considered it appropriate to recommend their re-appointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

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 2012 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 Nomination 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 Nomination Committee will consider a range of candidates sourced either from recommendation from within the Company or by using external consultants.

The Nomination Committee will assess potential candidates on merit against a range of criteria including experience, knowledge, professional skills and personal qualities as well as 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 Nomination 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 Nomination Committee met once during the year ended 30 September 2012 and informally as necessary to consider Board succession planning, Board composition and future requirements.

Tenure

The Directors have adopted a policy on tenure that is considered appropriate for an investment company. The Board does 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 prepare reports for the Board from time to time. 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 2012. 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

Corporate Governance

that of its 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 focusses 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 and in addition, meets specifically to discuss strategy once each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the scheduled Board meetings and at Committee meetings held during the year under review was as follows:

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Peter Timms	5/5	3/3	1/1	1/1
Rachel Beagles	5/5	3/3	1/1	1/1
Chris Jones	5/5	3/3	1/1	1/1
Robert Rickman	5/5	3/3	1/1	1/1
Eric Sanderson	5/5	3/3	1/1	1/1

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

Information Flows

The Chairman ensures that all Directors receive in a timely manner relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. 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.

Substantial Shareholders

Interests of 3% or more of the voting rights attaching to the Company's issued share capital, which have been notified to the Company, are set out in the Report of the Directors on page 14.

Relations with Shareholders

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

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 the full Board of 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. Shareholders wishing to write to the Chairman should do so through the Company Secretary at 31 Gresham Street, London EC2V 7QA.

Environmental Policy

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

Exercise of Voting Powers 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 considers the UK Stewardship Code 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 at least annually to conduct 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 in place a 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 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. 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 page 15, 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 the 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 2012 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 Directors' statement, set out on page 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.

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

12 December 2012

Income Statement

for the year ended 30 September 2012

	Note	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	24,195	24,195	–	(2,601)	(2,601)
Income from investments	3	3,280	14	3,294	2,914	12	2,926
Other interest receivable and similar income	3	23	–	23	41	–	41
Gross return/(loss)		3,303	24,209	27,512	2,955	(2,589)	366
Investment management fee	4	(82)	(736)	(818)	(80)	(717)	(797)
Performance fee	4	–	(159)	(159)	–	(325)	(325)
Administrative expenses	5	(411)	–	(411)	(413)	–	(413)
Net return/(loss) before finance costs and taxation		2,810	23,314	26,124	2,462	(3,631)	(1,169)
Finance costs	6	(21)	(189)	(210)	(20)	(180)	(200)
Net return/(loss) on ordinary activities before taxation		2,789	23,125	25,914	2,442	(3,811)	(1,369)
Taxation on ordinary activities	7	–	–	–	(5)	–	(5)
Net return/(loss) on ordinary activities after taxation		2,789	23,125	25,914	2,437	(3,811)	(1,374)
Return/(loss) per share	9	7.72p	63.98p	71.70p	6.74p	(10.54)p	(3.80)p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Total column includes all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ("STRGL"). For this reason a STRGL has not been presented.

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

The notes on pages 29 to 38 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2012

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2010	9,036	13,971	220	2,184	15,477	54,598	3,264	98,750
Net (loss)/return on ordinary activities	–	–	–	–	–	(3,811)	2,437	(1,374)
Dividend paid in the year	–	–	–	–	–	–	(2,107)	(2,107)
At 30 September 2011	9,036	13,971	220	2,184	15,477	50,787	3,594	95,269
Net return on ordinary activities	–	–	–	–	–	23,125	2,789	25,914
Dividend paid in the year	–	–	–	–	–	–	(2,241)	(2,241)
At 30 September 2012	**9,036**	**13,971**	**220**	**2,184**	**15,477**	**73,912**	**4,142**	**118,942**

The notes on pages 29 to 38 form an integral part of these accounts.

Balance Sheet

at 30 September 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	121,885	97,991
Current assets			
Debtors	11	2,430	639
Cash and short-term deposits		5,636	7,341
		8,066	7,980
Current liabilities			
Creditors: amounts falling due within one year	12	(11,009)	(10,702)
Net current liabilities		(2,943)	(2,722)
Net assets		118,942	95,269
Capital and reserves			
Called-up share capital	13	9,036	9,036
Share premium	14	13,971	13,971
Capital redemption reserve	14	220	220
Merger reserve	14	2,184	2,184
Share purchase reserve	14	15,477	15,477
Capital reserves	14	73,912	50,787
Revenue reserve	14	4,142	3,594
Total equity shareholders' funds		118,942	95,269
Net asset value per share	15	329.08p	263.58p

These accounts were approved and authorised for issue by the Board of Directors on 12 December 2012 and signed on its behalf by:

Peter Timms
Chairman

The notes on pages 29 to 38 form an integral part of these accounts.

Registered in Scotland
Company Number: SC082551

Cash Flow Statement

for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	**16**	**1,709**	1,364
Servicing of finance			
Interest paid		**(217)**	(201)
Net cash outflow from servicing of finance		**(217)**	(201)
Taxation			
Taxation paid		**–**	(4)
Investment activities			
Purchases of investments		**(34,197)**	(44,956)
Sales of investments		**33,227**	46,319
Special dividend received allocated to capital		**14**	12
Net cash (outflow)/inflow from investment activities		**(956)**	1,375
Dividends paid		**(2,241)**	(2,107)
Net cash (outflow)/inflow before financing		**(1,705)**	427
Financing		**–**	–
Net cash (outflow)/inflow in the year	**17**	**(1,705)**	427

The notes on pages 29 to 38 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30 September 2012

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in January 2009. All of the Company's operations are of a continuing nature.

Sterling is the Company's functional currency and the presentational currency of the accounts.

The policies applied in these accounts are consistent with those applied in the preceding year.

The accounts have been prepared on the going concern basis. The disclosures on going concern in the Directors' Report on page 16 form part of the financial statements. The principal accounting policies adopted are set out below.

(b) Valuation of investments

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

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

(c) Accounting for reserves

Gains and losses on sales of investments and management fee, performance fee and finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves. Increases and decreases in the valuation of investments held at the year-end, are included in the Income Statement and dealt with in capital reserves within "Investment holding gains and losses".

(d) Income

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

UK dividends are included net of tax credits.

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

Underwriting commission is included in revenue on a receipts basis. Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance taken to revenue.

(e) Expenses

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

- The management fee is allocated 10% to revenue and 90% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio;
- Any performance fee is allocated 100% to capital; and
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 32.

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of FRS 25 "Financial Instruments: Presentation" and FRS 26 "Financial Instruments: Measurement".

Finance costs are allocated 10% to revenue and 90% to capital in line with the Board's expected long term split of revenue and capital return from the company's investment portfolio.

(g) Financial instruments

Cash and short-term deposits 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 accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortised cost. They are recorded at the proceeds received net of direct issue costs.

Notes to the Accounts

(h) Taxation
Current tax is provided at the amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 19: "Deferred Tax".

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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

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

(i) Value added tax ("VAT")
Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Dividends payable
In accordance with FRS 21: "Events after the Balance Sheet Date", dividends are included in the accounts in the year in which they are paid.

2. Gains/(losses) on investments held at fair value through profit or loss

	2012 £'000	2011 £'000
Gains on sales of investments based on historic cost	**3,002**	8,999
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(138)**	(4,200)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**2,864**	4,799
Net movement in investment holding gains and losses	**21,331**	(7,400)
Gains/(losses) on investments held at fair value through profit or loss	**24,195**	(2,601)

3. Income

	2012 £'000	2011 £'000
Revenue:		
Income from investments:		
UK dividends	**3,116**	2,767
UK property income distributions	**61**	53
Stock dividends	**103**	94
	3,280	2,914
Other interest receivable and similar income:		
Deposit interest	**23**	41
	3,303	2,955
Capital:		
Special dividends allocated to capital	**14**	12

4. Investment management fee

		2012			2011	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	**82**	**736**	**818**	80	717	797
Performance fee	**–**	**159**	**159**	–	325	325
	82	**895**	**977**	80	1,042	1,122

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

Notes to the Accounts

5. Administrative expenses

	2012 £'000	2011 £'000
Administration expenses	**168**	174
Directors' fees	**110**	112
Secretarial fee	**111**	105
Auditor's remuneration for audit services[1]	**22**	22
	411	413

[1]Includes £4,000 (2011: £4,000) irrecoverable VAT.

6. Finance costs

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Interest on bank loans and overdrafts	**21**	**189**	**210**	20	180	200

7. Taxation on ordinary activities

(a) Analysis of charge in the year:

	2012 £'000	2011 £'000
Irrecoverable overseas tax	**–**	5
Current tax charge for the year	**–**	5

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2011: higher) than the Company's applicable rate of corporation tax for the year of 25% (2011: 27%)

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

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Net return/(loss) on ordinary activities before taxation	**2,789**	**23,125**	**25,914**	2,442	(3,811)	(1,369)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 25% (2011: 27%)	**697**	**5,781**	**6,478**	659	(1,029)	(370)
Effects of:						
Capital (returns)/losses on investments	**–**	**(6,049)**	**(6,049)**	–	702	702
Income not chargeable to corporation tax	**(803)**	**(4)**	**(807)**	(770)	(3)	(773)
Unrelieved expenses	**106**	**272**	**378**	111	330	441
Irrecoverable overseas tax	**–**	**–**	**–**	5	–	5
Current tax charge for the year	**–**	**–**	**–**	5	–	5

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,212,000 (2011: £4,369,000) based on a prospective corporation tax rate of 23% (2011: 26%). The reduction in the standard rate of corporation tax was substantively enacted on 3 July 2012 and is effective from 1 April 2013.

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

Given the Company's intention to meet the conditions required to obtain approval as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts

8. Dividends

(a) Dividends paid and declared

	2012 £'000	2011 £'000
2011 final dividend paid of 6.20p (2010: 5.83p)	**2,241**	2,107

	2012 £'000	2011 £'000
2012 final dividend declared of 6.82p (2011: 6.20p)	**2,465**	2,241

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010

The requirements of Section 1158 are considered on the basis of the dividend declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £2,789,000 (2011: £2,437,000).

	2012 £'000	2011 £'000
2012 final dividend declared of 6.82p (2011: 6.20p)	**2,465**	2,241

9. Return/(loss) per share

	2012 £'000	2011 £'000
Revenue return	**2,789**	2,437
Capital return/(loss)	**23,125**	(3,811)
Total return/(loss)	**25,914**	(1,374)
Weighted average number of Ordinary shares in issue during the year	**36,143,690**	36,143,690
Revenue return per share	**7.72p**	6.74p
Capital return/(loss) per share	**63.98p**	(10.54)p
Total return/(loss) per share	**71.70p**	(3.80)p

10. Investments held at fair value through profit or loss

	2012 £'000	2011 £'000
Opening book cost	**94,838**	87,010
Opening investment holding gains	**3,153**	14,753
Opening valuation	**97,991**	101,763
Purchases at cost	**34,754**	44,809
Sales proceeds	**(35,055)**	(45,980)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**2,864**	4,799
Net movement in investment holding gains and losses	**21,331**	(7,400)
Closing valuation	**121,885**	97,991
Closing book cost	**97,539**	94,838
Closing investment holding gains	**24,346**	3,153
Total investments held at fair value through profit or loss	**121,885**	97,991

All investments are listed on a recognised stock exchange.

During the year, prior year investment holding gains amounting to £138,000 have been transferred to gains and losses on sales of investments as disclosed in note 14 on page 34.

Notes to the Accounts

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

	2012 £'000	2011 £'000
On acquisitions	**211**	258
On disposals	**58**	65
	269	323

11. Debtors

	2012 £'000	2011 £'000
Securities sold awaiting settlement	**1,960**	132
Dividends and interest receivable	**457**	495
Other debtors	**13**	12
	2,430	639

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

12. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loan	**10,000**	10,000
Securities purchased awaiting settlement	**514**	60
Performance fee payable	**159**	325
Other creditors and accruals	**336**	317
	11,009	10,702

The Bank Loan comprises £10 million drawn down on the Company's £15 million 364 day revolving credit facility with Scotiabank, which replaced a £15 million credit facility with ING Bank on 16 July 2012. A total of £10 million was drawn down on that facility at the end of the previous year.

The Scotiabank facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been met.

Further details of the credit facility are given in note 20 on page 36.

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

13. Called-up share capital

	2012 £'000	2011 £'000
Ordinary shares allotted, called-up and fully paid: 36,143,690 (2011: 36,143,690) shares of 25p each	**9,036**	9,036

Notes to the Accounts

14. Reserves

	Share premium £'000	Capital redemption reserve £'000	Merger reserve[1] £'000	Share purchase reserve[2] £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	13,971	220	2,184	15,477	47,634	3,153	3,594
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	2,864	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	21,331	–
Transfer on disposal of investments	–	–	–	–	138	(138)	–
Special dividend allocated to capital	–	–	–	–	14	–	–
Management fee and finance costs allocated to capital	–	–	–	–	(925)	–	–
Performance fee	–	–	–	–	(159)	–	–
Dividends paid	–	–	–	–	–	–	(2,241)
Retained revenue for the year	–	–	–	–	–	–	2,789
Closing balance	**13,971**	**220**	**2,184**	**15,477**	**49,566**	**24,346**	**4,142**

[1]The "Merger reserve" represents the premium over the nominal value of shares issued following a merger in 1989.

[2]The "Share purchase reserve" is for the purpose of financing share buy-backs and was created following the cancellation of the "Warrant reserve" in 2003.

15. Net asset value per share

	2012	2011
Net assets attributable to the Ordinary shareholders (£'000)	**118,942**	95,269
Ordinary shares in issue at the year-end	**36,143,690**	36,143,690
Net asset value per share	**329.08p**	263.58p

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

	2012 £'000	2011 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	**26,124**	(1,169)
Less capital (return)/loss on ordinary activities before finance costs and taxation	**(23,314)**	3,631
Stock dividends received as income	**(103)**	(94)
Decrease/(increase) in accrued dividends and interest receivable	**38**	(90)
Increase in other debtors	**(1)**	(5)
Increase in accrued expenses	**26**	9
Management fee charged to capital	**(736)**	(717)
Performance fee paid	**(325)**	(201)
Net cash inflow from operating activities	**1,709**	1,364

Notes to the Accounts

17. Analysis of changes in net debt

	At 30 September 2011 £'000	Cash flow £'000	**At 30 September 2012 £'000**
Cash and short-term deposits	7,341	(1,705)	**5,636**
Bank loan	(10,000)	–	**(10,000)**
Net debt	(2,659)	(1,705)	**(4,364)**

18. Transactions with the Manager

The Company has appointed Schroder Investment Management Limited (the "Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting and company secretarial services. If the Company invests in funds managed or advised by the Manager or any of its associated companies, those funds are excluded from the assets used for the purposes of the management fee calculation and therefore attract no fee. Under the terms of the Investment Management Agreement, the Manager is also entitled to receive a secretarial fee and a performance fee. Details of these calculations are given in the Report of the Directors on page 15.

The management fee payable in respect of the year ended 30 September 2012 amounted to £818,000 (2011: £797,000) of which £220,000 (2011: £183,000) was outstanding at the year-end. The secretarial fee payable for the year amounted to £111,000 (2011: £105,000) including VAT, of which £40,000 (2011: £30,000) was outstanding at the year-end. A performance fee amounting to £159,000 (2011: £325,000) is payable for the year and the whole of this amount (2011: same) was outstanding at the year-end.

No Director of the Company served as a director of Schroder Investment Management Limited, or any member of the Schroder Group, at any time during the year.

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets.

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

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

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

The Company's policy on the valuation of investments is given in note 1(b) on page 29.

At 30 September 2012, the Company's investment portfolio comprised entirely Level 1 investments (2011: same).

There have been no transfers between Levels 1, 2 or 3 during the year (2011: Nil).

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

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. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

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

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

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

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

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

– a Sterling loan facility with Scotiabank, the purpose of which is to assist in financing the Company's operations.

(a) Market risk

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

Notes to the Accounts

(i) Interest rate risk

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

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board's policy is to permit gearing up to 25% where gearing is defined as net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets.

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

Interest rate exposure

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

	2012 £'000	2011 £'000
Exposure to floating interest rates:		
Cash and short-term deposits	**5,636**	7,341
Creditors: amounts falling due within one year – borrowings on the credit facility	**(10,000)**	(10,000)
Total exposure	**(4,364)**	(2,659)

Interest receivable on cash balances is at a margin below LIBOR (2011: same).

The loan at the prior year end represented £10 million drawn down on a £15 million credit facility with ING Bank, which was replaced with a £15 million 364 day revolving credit facility with Scotiabank on 16 July 2012. Under the terms of this facility, interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 30 September 2012, the Company had drawn down £10 million on this facility at an interest rate of 1.74% per annum.

The above year end amounts are not representative of the exposure to interest rates during the year as the level of cash balances and drawings on the loan facility have fluctuated. The maximum and minimum net (loan)/cash balances during the year are as follows:

	2012 £'000	2011 £'000
Maximum debit interest rate exposure during the year – net loan balances	**(5,870)**	(6,200)
Minimum debit/maximum credit interest rate exposure during the year – net (loan)/cash balances	**(571)**	900

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2011: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2012		2011	
	0.5% increase in rate £'000	**0.5% decrease in rate £'000**	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**23**	**(23)**	32	(32)
Capital return	**(45)**	**45**	(45)	45
Total return after taxation	**(22)**	**22**	(13)	13
Net assets	**(22)**	**22**	(13)	13

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

(ii) Other price risk

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

Management of market price risk

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

Notes to the Accounts

Market price risk exposure

The Company's total exposure to changes in market prices at 30 September comprises its holdings in equity investments as follows:

	2012 £'000	2011 £'000
Equity investments held at fair value through profit or loss	**121,885**	97,991

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 8 to 10. This shows that the portfolio principally comprises investments listed in the UK. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 20% (2011: 20%) in the fair values of the Company's equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure through equity investments and includes the impact on the management fee, but assumes that all other variables are held constant.

	2012		2011	
	20% increase in fair value £'000	**20% decrease in fair value £'000**	20% increase in fair value £'000	20% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**(15)**	**15**	(12)	12
Capital return	**24,246**	**(24,246)**	19,492	(19,492)
Total return after taxation and net assets	**24,231**	**(24,231)**	19,480	(19,480)
Percentage change in net asset value	**20.4%**	**(20.4%)**	20.4%	(20.4%)

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of a credit facility. The Board's policy is for the Company to remain fully invested in normal market conditions and that short-term borrowings be used to manage short-term liabilities and working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

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

	Three months or less 2012 £'000	Three months or less 2011 £'000
Creditors: amounts falling due within one year		
Bank loan - including interest	**10,044**	10,051
Securities purchased awaiting settlement	**514**	60
Performance fee payable and other creditors and accruals	**459**	599
	11,017	10,710

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

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

Notes to the Accounts

Cash

Counterparties are subject to daily credit analysis by the Manager. Cash balances will only be deposited with reputable banks with high quality credit ratings.

Exposure to the Custodian

JPMorgan Chase is the Custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

The following amounts shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

	2012		2011	
	Balance sheet £'000	**Maximum exposure £'000**	Balance sheet £'000	Maximum exposure £'000
Current assets				
Debtors - securities sold awaiting settlement, dividends and interest receivable and other debtors	**2,430**	**2,417**	639	627
Cash and short-term deposits	**5,636**	**5,636**	7,341	7,341
	8,066	**8,053**	7,980	7,968

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

(d) Fair values of financial assets and financial liabilities

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

21. Capital management policies and procedures

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

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

	2012 £'000	2011 £'000
Debt		
Bank loan	**10,000**	10,000
Equity		
Called-up share capital	**9,036**	9,036
Reserves	**109,906**	86,233
	118,942	95,269
Total debt and equity	**128,942**	105,269

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to permit gearing up to 25% where gearing is defined as net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets.

	2012 £'000	2011 £'000
Net assets plus borrowings used for investment purposes, less cash	**123,306**	97,928
Net assets	**118,942**	95,269
Gearing	**3.7%**	2.8%

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

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

– the need to buy back-equity shares, which takes into account the share price discount or premium;

– the opportunities for issues of new shares; and

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

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 Tuesday, 29 January 2013 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 to 11 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2012.
2. To approve a final dividend of 6.82 pence per share for the year ended 30 September 2012.
3. To approve the Remuneration Report for the year ended 30 September 2012.
4. To re-elect Mr Peter Timms as a Director of the Company.
5. To re-elect Mrs Rachel Beagles 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 12 December 2012); 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 12 December 2012); 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 12 December 2012;
    (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."
11. To consider and, if thought fit, to pass the following resolution as a Special Resolution:
    "THAT the Articles of Association of the Company be amended by amending the following Articles:
    (1) Article 121 to (a) insert the words "or unless relating to the payment of dividends as permitted by the Statutes", between "or dealings with capital assets" and "or to writing down shares, securities, investments or other capital assets"; and (b) delete the words "or regarded or treated as profits of the Company available for distribution by way of dividend or otherwise or applied in paying dividends on any share in the Company's capital" which occur after the words "shall in any event be transferred to profit and loss or revenue account".
    (2) Article 128 to: (a) replace the words "out of profits available for distribution under" which occur in the first sentence, with the words "in accordance with"; and (b) delete the second sentence."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Number: SC82551

12 December 2012

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 +44 121 415 0207 for oversees shareholders), or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the Meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk 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 (or +44 121 415 0207 for oversees shareholders).

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

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

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Meeting. Please contact the Registrar if you need any further guidance on this.

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 27 January 2013, 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 27 January 2013 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 of the Company's Annual Report and Accounts for the year ended 30 September 2012.

7. As at 12 December 2012, 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 12 December 2012 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 Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

10. Copies of the proposed amended Articles of Association are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the Meeting for at least 15 minutes prior to, and during, the Meeting. The proposed amendments are explained in the Chairman's Statement on page 4 of the Annual Report.

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 12 December 2012, 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 UK 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.

www.schroderukmidcapfund.com

Schroders