Schroder
UK Growth Fund plc

Report and Accounts for the year ended 30 April 2014

Schroders

Investment Objective

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

Directors

Alan Clifton (Chairman)*†
Chairman since 5 August 2002, was appointed as a Director on 18 June 2001 and was previously the Managing Director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc. He is currently Chairman of JP Morgan Japanese Smaller Companies Trust plc and of International Biotechnology Trust plc and a Director of Invesco Perpetual Select Trust plc and Macau Property Opportunities Fund Ltd.

Andrew Hutton*†
was appointed as a Director on 3 September 2008. He is owner and Director of A.J. Hutton Ltd., an investment advisory firm. He was previously a Managing Director of JP Morgan and Head of Investment Management at Coutts Group. He is currently Chairman of JP Morgan Global Emerging Markets Income Trust PLC.

Bob Cowdell*†
was appointed as a Director on 1 November 2011. He is currently a Director of Catlin Insurance Company (UK) Limited and Catlin Underwriting Agencies Limited. He was previously co-founder and Head of the ABN AMRO Global Investment Funds Team, Head of Financials at RBS Hoare Govett and a Managing Director of RBS Global Banking & Markets.

Stella Pirie OBE*†
was appointed as a Director on 5 August 2002. She is currently a Director and Audit Committee Chairman of Avon Rubber Plc and Highcross Group Limited. She was previously Chair of Governors of Bath Spa University and a Director of GCap Media Plc and a number of other public and private sector companies.

David Ritchie*†
was appointed as a Director on 6 August 2001. He is Chairman of Cornelian Asset Management Group Limited and a Director of AMEC Staff Pensions Trustee Limited. He is a former Executive Chairman of Scottish Widows Investment Management Limited and has been a Director and Chairman of a number of other investment companies.

Carolan Dobson*†
was appointed as a Director on 13 March 2014. She is Chairman of Aberdeen Smaller Companies High Income Trust plc and JP Morgan European Smaller Companies Trust plc. She is also a non-executive Director of Brunner Investment Trust plc. She was a fund manager holding a number of positions including Director at Murray Johnstone Ltd and subsequently undertook several key roles at Abbey Asset Managers Ltd.

* Member of the Audit and Management Engagement Committees. Mr Clifton is Chairman of the Nomination and Management Engagement Committees and Mrs Pirie is Chairman of the Audit Committee.

† Member of the Nomination Committee.

Advisers

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

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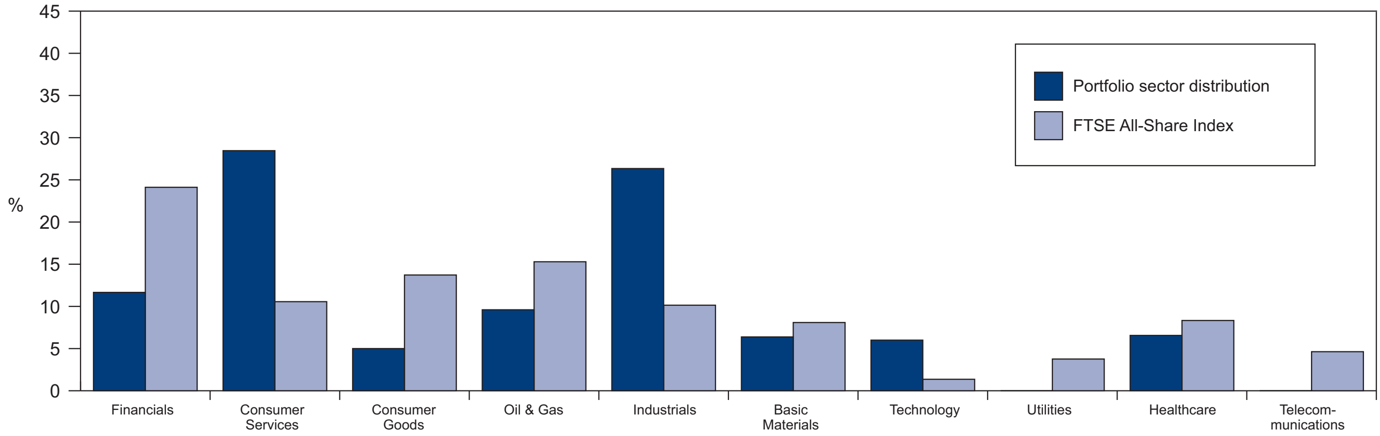
Financial Highlights

	2014	2013	
Total returns (including dividends reinvested) for the year ended 30 April			
Net asset value ("NAV") per share[1]	**12.4%**	27.9%	
Share price[1]	**16.6%**	27.7%	
Benchmark[2]	**10.5%**	17.8%	
			% Change
NAV, share price and discount at 30 April			
Shareholders' funds (£'000)	**302,917**	276,074	+9.7
Ordinary Shares in issue	**160,917,184**	160,917,184	–
NAV per share	**188.24p**	171.56p	+9.7
Share price	**178.50p**	157.00p	+13.7
Share price discount	**5.2%**	8.5%	
Revenue for the year ended 30 April			
Net revenue after taxation (£'000)	**9,843**	6,666	+47.7
Return per share	**6.12p**	4.14p	+47.8
Dividends per share	**4.50p**	4.00p	+12.5
Special dividend per share	**1.00p**	–	N/A
Gearing[3]	**9.3%**	4.9%	
Ongoing Charges[4]	**0.47%**	0.86%	

[1] Source: Morningstar.
[2] Source: Thomson Financial Datastream. The Company's benchmark is the FTSE All-Share Index total return.
[3] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of 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 fall in this year's figure is largely due to the lower management fee charge, which was waived for six months during the year.

Comparison of Portfolio Sector Distribution with the FTSE All-Share Index at 30 April 2014[1]



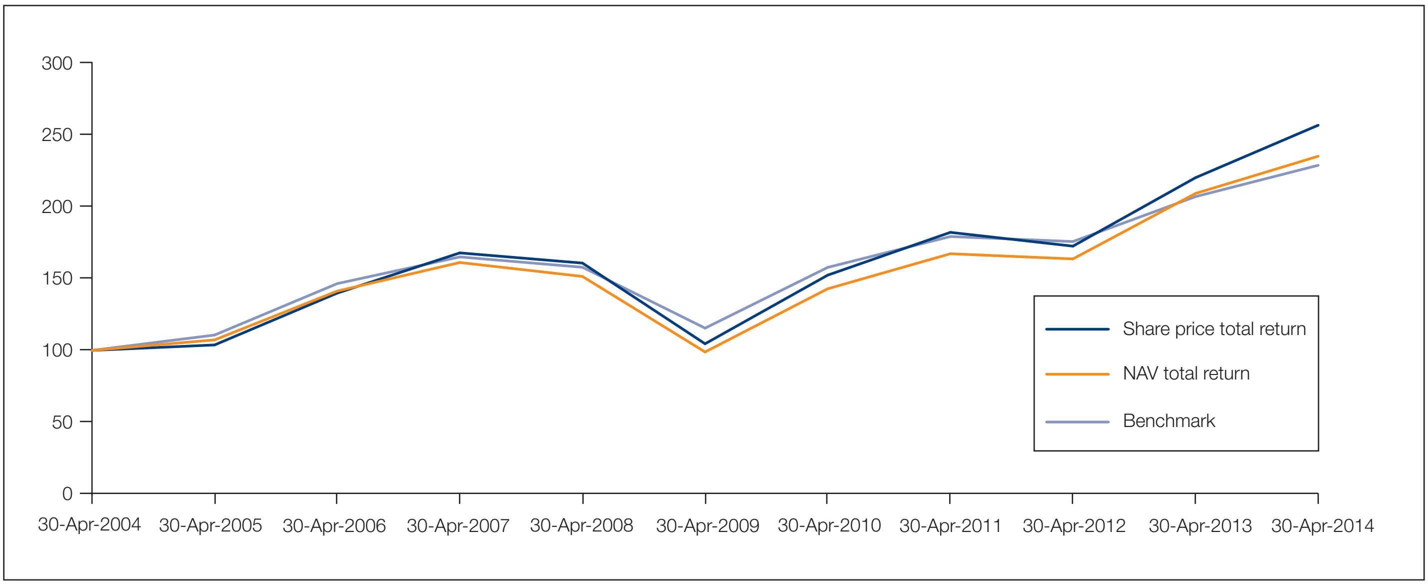
[1]Source: Schroders/Thompson Financial Datastream.

Ten-Year Financial Record

At 30 April		2005[1]	2006	2007	2008	2009	2010	2011	2012	2013	2014
Shareholders' funds (£'000)		179,295	229,131	244,496	225,260	141,443	197,103	232,141	224,204	276,074	302,917
NAV per share (pence)[2]		108.90	139.59	155.36	143.59	90.16	125.78	144.24	137.73	171.56	188.24
Share price (pence)		94.00	123.00	143.75	134.25	83.50	117.25	137.12	126.50	157.00	178.50
Share price discount (%)		13.7	11.9	7.5	6.5	7.4	6.8	4.9	8.2	8.5	5.2
Year ended 30 April											
Net revenue after taxation (£'000)		5,310	5,539	6,383	6,681	5,744	3,828	4,300	5,603	6,666	9,843
Return per share (pence)[2]		3.20	3.36	3.94	4.26	3.66	2.45	2.76	3.49	4.14	6.12
Dividends per share (pence)		3.15	3.35	3.50	3.85	3.85	2.75	3.00	3.50	4.00	5.50[3]
Ongoing Charges (%)[4]		0.69	0.68	0.69	0.64	0.63	0.75	0.70	0.88	0.86	0.47
Gearing (%)[5]		13.1	12.1	14.0	14.2	11.7	5.5	9.4	7.5	4.9	9.3
Performance[6]											
NAV total return[7]	100.0	107.3	141.3	161.2	151.5	98.9	142.9	167.3	163.7	209.3	235.2
Share price total return	100.0	103.8	139.9	167.9	160.8	104.6	152.4	182.2	172.6	220.3	256.8
Benchmark[8]	100.0	110.7	146.5	165.1	157.9	115.5	157.8	179.3	175.8	207.1	228.9

[1] The results for the year ended 30 April 2005 have been restated, where necessary, in accordance with Financial Reporting Standards 21, 25 and 26.
[2] Diluted where applicable.
[3] Comprises an ordinary dividend of 4.50p and a special dividend of 1.00p.
[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 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.
[5] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[6] Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 April 2004.
[7] Calculated using capital net asset values plus income reinvested for the period to 30 April 2009 and cum income net asset values plus income reinvested thereafter.
[8] The Company's benchmark is the FTSE All-Share Index total return.

Ten-Year Share Price, Benchmark and NAV Performance to 30 April 2014



Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 30 April 2004.

Chairman's Statement

Performance

The Company's amended investment policy was introduced during the year ended 30 April 2014, following approval by shareholders at the General Meeting held on 30 July 2013. From that time, Julie Dean has managed the portfolio in line with the policy she has used successfully with the open-ended Cazenove UK Opportunities Fund. As I outlined in my Statement last year, the Board negotiated both a permanent reduction in investment management fees and a contribution from Schroders towards the costs of transitioning the portfolio in the form of a six-month management fee holiday. It is pleasing to see that the Company's portfolio showed good absolute performance and, during the year, the net asset value produced a total return of 12.4%, while the share price saw a total return of 16.6%. These compare with a total return of 10.5% produced by the FTSE All-Share Index over the same period.

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

Earnings and Dividends

One consequence of the change in investment policy has been an increase in investment income. The income for the year under review was also boosted by the one-off management fee waiver and some special dividends, which may not be repeated next year. The income from the portfolio rose by 47.7% on the previous year from £6.7m to £9.8m and earnings per share increased by 47.8%, from 4.14p to 6.12p per share.

The Directors have declared a second interim dividend of 2.25p per share, making a total of 4.50p per share for the year as a whole, an increase of 12.5% over total dividends of 4.00p payable in respect of the previous year. In addition, the Directors have declared a special dividend of 1.00p per share for the year ended 30 April 2014 reflecting the exceptional boost to net income enjoyed in the period. Both the second interim dividend and the special dividend will be payable on 31 July 2014 to shareholders on the Register on 11 July 2014.

Alternative Investment Fund Managers Directive (AIFMD)

It is intended that, like other investment trusts, the Company will become classified as an Alternative Investment Fund in accordance with the AIFMD. The Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM) and for a Depositary to be appointed. The Company has made preparations for the Directive and has agreed terms with counterparties.

Gearing Policy and AIFMD Leverage Limit

During the year, the Company maintained its borrowing facility at £35 million and increased drawings from £25 million to £30 million.

The net effective gearing level (which takes account not only of the borrowings but any cash held by the Investment Manager) at the beginning of the year was 4.9% and had increased to 9.3% by the end of the year. The average net effective gearing level during the year under review was 6.6%. The Company's gearing continues to operate within pre-agreed limits so that net effective gearing does not represent more than 20% of shareholders' funds. It should be noted that the effect of gearing is to amplify underlying investment performance. Broadly speaking, the Board expects the Company to operate throughout the year with a gearing level of around 10%.

The AIFMD has introduced a requirement for the AIFM to set maximum levels of leverage, using a wider definition than borrowing and including the use of derivatives. Full details of this leverage limit may be found on the AIFM's website from the date on which the Company becomes an Alternative Investment Fund.

Discount Management Policy

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

The average discount during the year was 2.8% and no shares were purchased for cancellation in support of the Board's discount management policy. The Directors are seeking authority from shareholders for a renewal of the required authorities to purchase shares for cancellation or to hold shares in Treasury for reissue at a premium to net asset value, to assist with achieving the target long-term discount level established by the formal discount management policy.

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

Chairman's Statement

Board Composition

Your Board continues to monitor its composition and independence and, in accordance with its long term succession plan and having regards to the appropriate balance of skills, experience and diversity of the Board, Mr David Ritchie is retiring at the Annual General Meeting and will not seek re-election as a Director of the Company. I would like to take this opportunity to thank David for his invaluable contribution to the Company and his sound advice over the last 13 years.

I am pleased to announce that Ms Carolan Dobson was appointed as a non-executive Director of the Company, with effect from 13 March 2014. The election of Ms Dobson will be proposed at the Annual General Meeting and a brief summary of her experience and background may be found below.

Ms Dobson is Chairman of Aberdeen Smaller Companies High Income Trust plc and JP Morgan European Smaller Companies Trust plc. She is also a non-executive Director of Brunner Investment Trust plc. She was a fund manager holding a number of positions including Director at Murray Johnstone Limited and subsequently undertook several key roles at Abbey Asset Managers Limited.

Continuation Vote

The Notice of the Annual General Meeting contains an ordinary resolution proposing that the Company should continue as an investment trust for a further five year period.

During the year, the Board considered the future options for the Company at some length following the departure of Richard Buxton, the previous lead manager, from Schroders. Following this review by the Board, carried out independently from Schroders with advice from the Corporate Broker, Schroders was re-appointed and Julie Dean was appointed as lead portfolio manager. Subsequently shareholders approved an amendment to the investment policy in order for the Company's portfolio to be managed in the style which she applies to the Cazenove UK Opportunities Fund.

The Board considers that the long term investment objectives of the Company remain appropriate and that the Manager is well placed to deliver superior returns over the longer term.

The Board has therefore decided unanimously to recommend that the Company continues as an investment trust. The Directors will be voting their shares accordingly and wish to encourage all other shareholders likewise to vote in favour of continuation.

Outlook

It has been 5 years since the market bottomed after the financial crisis. Since then, I have been able to report both a rise in the Company's net asset value and outperformance of the benchmark in four of the last five years, with the net asset value total return being +138% over those five years. It would be tempting fate to anticipate similar returns going forward, but your Board believes that there is still potential in the UK stock market to be exploited by our fund manager.

The market faces a number of challenges, not least of sustained growth, but does offer a plausible long term alternative to the low yields on cash and bonds. Equally, the process that led to us recommending at last year's General Meeting the change in lead manager and policy emphasised the confidence we have in Julie Dean and her team.

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Tuesday 5 August 2014, and shareholders are encouraged to attend. I hope as many of you as possible will be able to come along. The meeting, as in previous years, will include a presentation by the Investment Manager on the prospects for the UK market and the Company's investment strategy.

Alan Clifton
Chairman

30 June 2014

Investment Manager's Review

Over the 12 months to 30 April 2014 the total return on the Company's net asset value was 12.4%, compared to the total return from the FTSE All Share index of 10.5% (source: Morningstar).

Market Background

The first month of the Company's year, May, saw the UK market achieving a record 13 consecutive months of rises. The US Federal Reserve brought this streak to an end when they began to discuss a tapering of their asset purchases. Market momentum recovered later in the summer, and since then prices have generally risen, albeit in a volatile fashion. The rise was characterised by underperformance from larger-sized stocks relative to their smaller peers until February, since when there has been a rotation in leadership with oil majors, mining and food and drink companies improving after languishing through much of the last two years. The accompanying de-rating of consumer cyclicals and growth stocks, which make up a substantial proportion of UK mid caps, has left the mid cap FTSE 250 index falling since December.

The rise in the market has been at odds with a recent – and broadly unexpected – rally in the UK bond market, illustrating that there are two conflicting views of the economic outlook at the moment. The bond market seems to be anticipating low economic growth and low inflation, while the stock market is still anticipating a healthy environment for corporate profits growth. One important part of the debate is over how long central banks worldwide keep interest rates at the current low levels.

Change in Investment Policy

The portfolio was changed to a new investment policy after agreement from shareholders at the July General Meeting. As was described then, the lead portfolio manager became Julie Dean, who joined Schroders that month as part of Schroders' acquisition of Cazenove Capital Holdings Ltd. The investment policy was changed to allow her to manage the portfolio in the style she applies to the Cazenove UK Opportunities Fund (now the Schroder UK Opportunities Fund), an open-ended fund that is AAA-rated by Citywire.

This style follows a business cycle approach to investing, seeking to outperform the market with less volatility than the peer group's average. This differs from the more concentrated and stock-specific approach of the former policy, and as a result there has been substantial change in the holdings. One of the more visible differences is that there are now more holdings (potentially up to 65 rather than 20-40 before), including exposure to small-cap and AIM shares (up to a maximum of 5% in each).

Performance

Given the change in portfolio manager, the period split into two in terms of performance.

Under the former policy, the portfolio benefited from some of its domestic cyclical holdings such as Lloyds Banking, Taylor Wimpey, and in the retail sector. Performance was more mixed under the new policy, with Perform Group, RSA and Tate & Lyle among the biggest detractors after profits warnings. The Budget announcement that UK retirees would no longer be obliged to purchase a pension annuity hit holdings in Partnership Assurance and Just Retirement. We continue to hold Perform where we feel that management has refocused on the core business where it is a leader in its growing niche. However, we have sold out of the others now that the investment case has changed. Not holding AstraZeneca when there was a bid from Pfizer was also unhelpful.

On the positive side, Sage, GKN and Legal & General provided good returns. Not holding HSBC was also helpful from a relative perspective.

Outlook

Economic activity data has recently shown improvements worldwide. Although inflation remains at the low end of the authorities' comfort zones, there is starting to be a pick-up in some prices, which is reassuring for investors worried about the dangers of deflation. We anticipate that the first UK interest rate increase will come earlier than economists are forecasting.

There is no evidence from previous business cycles that equities cannot make progress at the tightening stage, but this time round there have been an extraordinary amount of unconventional and untested policies. The market cycle may yet end with another surge of investor confidence that sends prices much higher. However share price volatility has been very low, encouraging us to tilt the portfolio more defensively.

Investment Manager's Review

We have done this by cutting back some of the cyclical holdings, but the portfolio remains overweight stocks expected to benefit from the continuing business expansion: in consumer cyclicals (eg Daily Mail & General Trust, Thomas Cook), industrial cyclicals (eg GKN, Melrose), and commodity stocks (eg. the miners and Royal Dutch Shell). These are complemented by a significant underweight in "value defensive" companies – those with steady profits whose share prices have been overvalued by investors wanting security – and financials.

At the end of April the portfolio had 59 holdings, illustrating the change from the earlier policy (there were 35 holdings a year ago), and there is an overweight in mid-cap stocks at the expense of larger-sized ones. We have targeted keeping Gearing close to 10% for much of the time since the change in policy, and this is expected to continue until we become materially more concerned about the level of the overall market.

Schroder Investment Management Limited
30 June 2014

Investment Portfolio

As at 30 April 2014

Company	Sector classification	Principal activity	Market value of holding £'000	% of equity shareholders' funds
Rio Tinto	Basic Materials	Mining	16,703	5.5
Legal & General	Financials	Financial services	15,673	5.2
Royal Dutch Shell	Oil and Gas	Integrated oil and gas production	14,585	4.8
BP	Oil and Gas	Integrated oil and gas production	13,728	4.5
Reed Elsevier	Consumer Services	Professional publishing	13,116	4.3
Sage	Technology	Business accounting software	12,910	4.3
Melrose	Industrials	Engineering	12,757	4.2
Pearson	Consumer Services	Business and educational publishing	12,731	4.2
GlaxoSmithKline	Healthcare	Pharmaceuticals	9,136	3.0
Ashmore	Financials	Emerging markets investment specialist	8,508	2.8
Rolls Royce	Industrials	Power systems manufacturing	7,919	2.6
Shire	Healthcare	Speciality pharmaceuticals	7,499	2.5
GKN	Consumer Goods	Global engineering	7,476	2.5
ITV	Consumer Services	UK broadcaster	7,362	2.4
Thomas Cook	Consumer Services	Holiday travel	7,337	2.4
Premier Farnell	Industrials	Electronic systems	6,495	2.1
Brown Group	Consumer Services	Internet and catalogue retailer	6,284	2.1
XAAR	Industrials	Industrial inkjet printhead provider	6,252	2.1
Intermediate Capital	Financials	Commercial lender	6,225	2.1
Smith (DS)	Industrials	Consumer packaging solutions	6,015	2.0
Twenty largest investments			**198,711**	**65.6**
Daily Mail & General Trust	Consumer Services	Newspapers	5,436	1.8
Howden Joinery	Industrials	Kitchen supplier	5,106	1.7
Babcock International	Industrials	Engineering supplier	5,036	1.7
Wolseley	Industrials	Plumbing and heating products	4,959	1.6
Smiths Group	Industrials	Engineering	4,602	1.5
Booker Group	Consumer Services	Cash and carry operator	4,598	1.5
Informa	Consumer Services	Specialized information provider	4,582	1.5
BTG	Healthcare	Speciality healthcare	4,509	1.5
Debenhams	Consumer Services	Fashion, accessories and homeware retailing	4,288	1.4
WPP	Consumer Services	Advertising	4,216	1.4
Hansteen Holdings	Financials	Commercial property investment	4,193	1.4
International Consolidated Airlines	Consumer Services	International airline	4,177	1.4
Rentokil	Industrials	Commercial services provider	4,053	1.3
Antofagasta	Basic Materials	Copper mining	3,856	1.3
Cobham	Industrials	Specialist electronic engineer	3,846	1.3
Stock Spirits	Consumer Goods	Spirits distributor	3,794	1.2
National Express	Consumer Services	Transport provider	3,622	1.2
Marks & Spencer	Consumer Services	Clothing and food retailer	3,201	1.1
Ultra Electronics	Industrials	Specialist electronic engineer	3,078	1.0
Merlin Entertainments	Consumer Services	Operator of visitor attractions	3,024	1.0
Forty largest investments			**282,887**	**93.4**
Esure Group	Financials	General insurance	3,017	1.0
Spectris	Industrials	Precision engineer	2,908	1.0
John Menzies	Industrials	Aviation support and distribution	2,901	1.0
Spirent Communications	Technology	Telecom communication support	2,855	0.9
Hellermann Tyton	Industrials	Cable management	2,674	0.9

Investment Portfolio

Company	Sector classification	Principal activity	Market value of holding £'000	% of equity shareholders' funds
Petrofac	Oil and Gas	Oil and gas exploration and services	2,643	0.9
Alent	Industrials	Chemical and materials engineer	2,480	0.8
ITE	Consumer Services	Trade exhibitions	2,443	0.8
Britvic	Consumer Goods	Soft drinks	2,168	0.7
Perform	Consumer Services	Multimedia	2,103	0.7
Low & Bonar	Industrials	Materials manufacturer	1,984	0.7
UBM	Consumer Services	Marketing and media communications	1,956	0.6
Hogg Robinson	Industrials	Corporate travel services	1,894	0.6
Innovation	Technology	Business process outsourcing	1,803	0.6
Devro	Consumer Goods	Food casings	1,417	0.5
Inchcape	Consumer Services	Automotive distributor	1,319	0.4
Premier Foods	Consumer Goods	Food producer	1,266	0.4
Sepura	Technology	Communication solutions	1,141	0.4
Wandisco	Technology	Internet software solutions	638	0.2
Total investments			**322,497**	**106.5**
Net current liabilities			**(19,580)**	**(6.5)**
Total equity shareholders' funds			**302,917**	**100.0**

At 30 April 2013, the twenty largest investments represented 73.2% of equity shareholders' funds.

Strategic Report

Company Structure

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

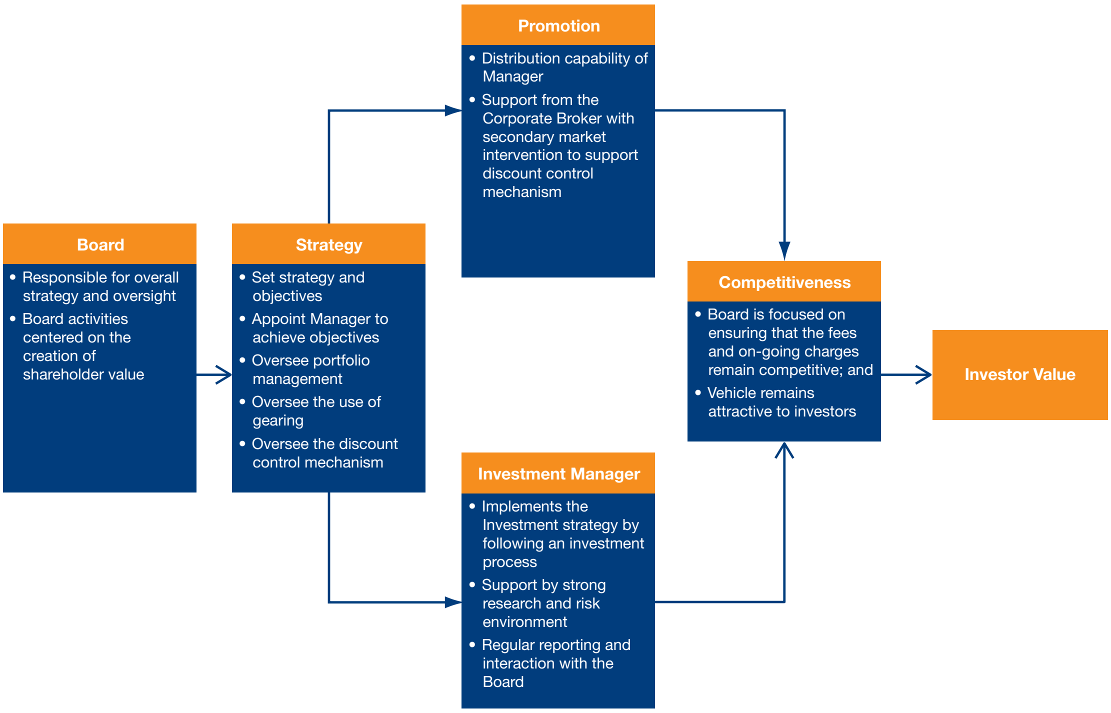
The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company is not a close company for taxation purposes.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting of the Company on 5 August 2014 and thereafter at five yearly intervals.

Business Model

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



Role and Composition of the Board

The Board considers its key performance indicators to be outperformance against the benchmark Index over the long term, promotion of the Company and discount control and reviewing ongoing costs to help to ensure that the trust remains an appropriate investment vehicle for existing shareholders and attractive to potential investors.

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

Investment activities are predominantly monitored through quarterly Board meetings at which the Board receives detailed reports and updates from the Manager, which attends each Board meeting. Services from other key third party service providers are reviewed as appropriate.

Strategic Report

The Company promotes its shares to a broad range of investors including discretionary wealth managers, private investors, financial advisors and institutions which have the potential to be long term supporters of the investment strategy. The Company seeks to achieve this through its Manager and Corporate Broker, which promotes the shares of the Company through regular contact with both current and potential shareholders. These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with advisor and execution only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on the Schroders website. The Corporate Broker seeks to represent the Company in the market on a daily basis and helps to manage liquidity through market making and regular contact with investors.

In order to support the promotion of the Company by assisting in reducing the volatility of the discount, the Board has in place a formal discount control mechanism whereby it seeks to maintain the Company's share price discount to the net asset value at which shares are quoted on the London Stock Exchange at no greater than 5% over the long term, subject to adverse market conditions. The Board continues to review this target level as general market conditions change over time.

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

As at 30 April 2014, the Board was comprised of four men and two women. All Directors are non-executive and are considered to be independent. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board, taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account when the Board examines its overall balance, skill set and experience.

Investment Management

Schroder Investment Management Limited ("Schroders" or the "Manager"), which is authorised and regulated by the Financial Conduct Authority ("FCA"), provides portfolio management, accounting and company secretarial services to the Company under the terms of an Investment Management Agreement. The Manager 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 Schroders Group manages £268.0 billion (as at 31 March 2014) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager implements the investment strategy, managing the Company's assets in line with appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, hedging, cash, derivatives and other financial instruments. Schroders also acts as Company Secretary, providing the Board with corporate governance support, liaising with the Company's Corporate Broker to assist in the implementation of the Company's discount management policy and advising the Board on key relationships with other third party service providers, whose services are subject to regular review.

Investment Objective

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

Investment Policy

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

Strategic Report

The stocks are predominantly constituents of the FTSE 350 Index but the Company may invest up to 5% of net assets at the time of investment in each of smaller capitalisation stocks and AIM stocks.

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

Gearing

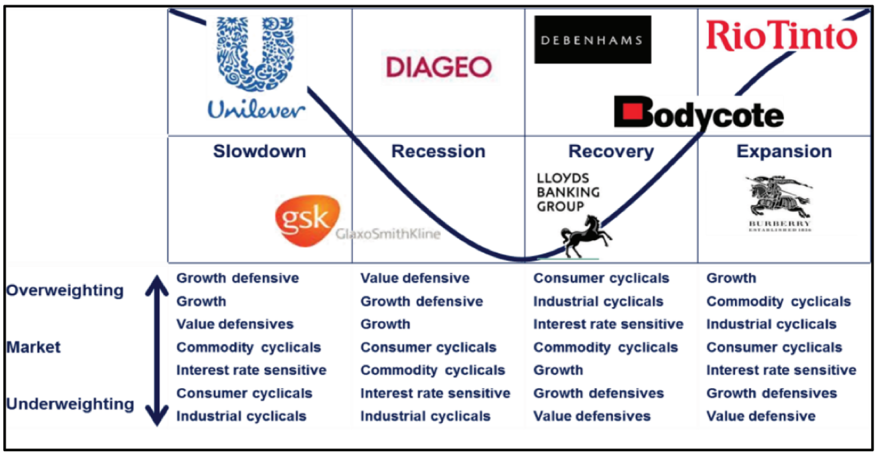
The Directors expect that, with the objective of maximising returns to Shareholders, some form of gearing may be employed by the Company from time to time, but they do not anticipate gearing levels in excess of 20% of Shareholders' funds. The Company can also hold up to 20% of Shareholders' funds in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

The Company utilises a revolving credit facility, currently in the amount of £35 million (30 April 2013: £35 million). The Board has set parameters within which the Manager is authorised to use the credit facility and draw down funds.

Investment Philosophy and Process

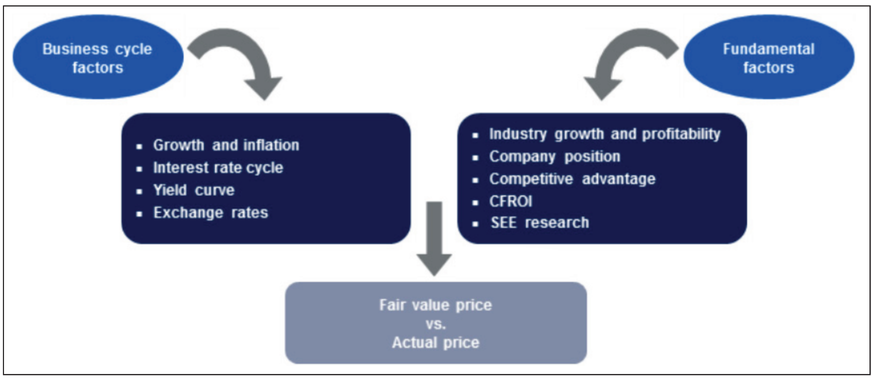
The Manager's investment philosophy can be summarised as business cycle investing. This considers the possible dependency of a company's profits stream to the business cycle, which is the fluctuation of economic activity around a long-term trend. Over a business cycle, the profits from operationally geared, cyclical companies and the profits from defensive companies will diverge materially. The following chart illustrates the seven style groupings used by the Manager to exploit this, and their typical emphasis within the portfolio at different stages of the business cycle.

Sector Performance Through the Business Cycle



Source: Schroders

At the heart of its analysis is the understanding of a company's returns on capital profile. It looks at the history of a company's returns and use its business cycle process to determine the likely future direction of investment returns. This is compared with the current market price to assess the potential return.

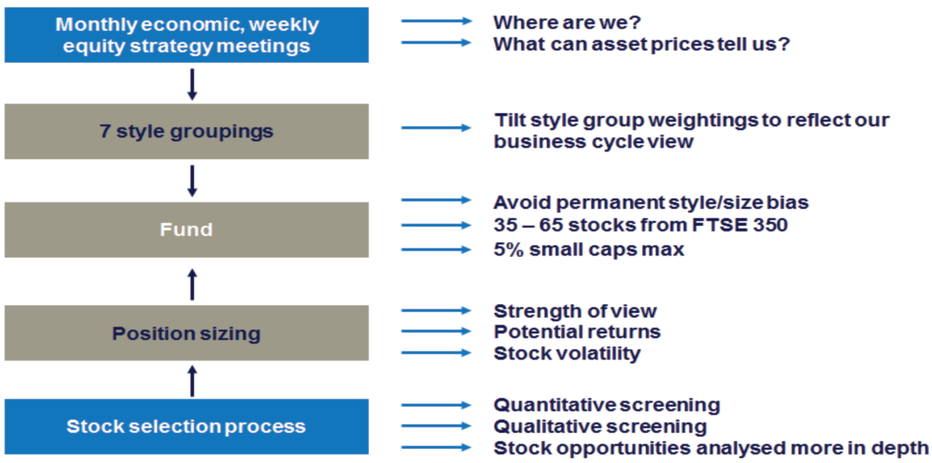


Source: Schroders

Strategic Report

Both factors – the understanding of where the economy is in relation to the business cycle, and the stock opportunities this leads to – are implemented through a process summarised in the chart below. Monthly meetings with Schroders' Economics team and Credit managers discuss macro-economic data to set the weightings of the seven sector style groupings. Weekly meetings decide the sector and stock selection, and provide a forum for new stock ideas and reviewing existing positions.

Portfolio Construction



Source: Schroders

Investment Restrictions and 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 Company's total net assets, at the date of acquisition, may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; (c) no more than 15% of the Company's total net assets may be invested in open-ended funds; (d) no more than 5% of the Company's total net assets may be invested in each of smaller capitalisation stocks and AIM stocks; and (e) no holding to exceed 2% of the issued share capital of any company.

The Investment Portfolio on pages 8 and 9 demonstrates that, as at 30 April 2014, the Company held 59 investments spread over 8 sectors. The largest investment, Rio Tinto, represented 5.5% of shareholders' funds at 30 April 2014. At the end of the year, the Company did not hold any unlisted investments, open-ended funds or real estate investment trusts. The Board believes that the objective of spreading 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 Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 and 7.

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and has put in place a robust framework of internal control which is designed to monitor those risks and to enable the Directors to mitigate them as far as possible. The matrix and the monitoring system, which have been in place throughout the year and which are reviewed annually by the Board, assist in determining the nature and extent of the risks the Board is willing to take in achieving its strategic objectives. The principal risks are considered to be as follows:

Investment activity and performance

An inappropriate investment strategy (for example in terms of asset allocation or the level of gearing) may result in underperformance against the market and the companies in its peer group. The Board monitors at each Board meeting the Manager's compliance with the Company's Investment Restrictions.

Strategic Report

Financial Risk

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

The Company utilises a credit facility, currently in the amount of £35 million, which increases the funds available for investment through borrowing. Therefore, in falling markets, any reduction in the net asset value and, by implication the consequent share price movement, is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. The Company's gearing continues to operate within pre-agreed limits so that gearing does not exceed 20% of shareholders' funds.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 38 to 41.

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 share price 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.

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 Acts 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. Breakdown of the controls of service providers, including the Manager, could also lead to reputational damage or loss.

Corporate Social and Environmental Policy

As an investment company, the Company has no direct social, environmental or human rights responsibilities; its policy is focused on ensuring that its portfolio is properly managed and invested. The Company has however adopted a Corporate Social and Environmental policy, details of which are set out in the Report of the Directors on page 16.

Future Developments

The future performance of the Company depends upon the success of the Company's investment strategy in light of economic factors and equity market developments. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 6 and 7.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

30 June 2014

Report of the Directors

The Directors present their annual Report and the audited financial statements for the year ended 30 April 2014.

Revenue and Earnings

The net revenue return before finance costs and taxation for the year was £9,959,000 (2013: £6,796,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £9,843,000 (2013: £6,666,000), equivalent to net revenue of 6.12p (2013: 4.14p) per Ordinary share.

Dividend Policy

Having already paid a dividend of 2.25p per share, the Board has declared a second interim dividend of 2.25p per share for the year ended 30 April 2014 taking dividends for the full year to 4.50p per share (2013: 4.00p). In addition, the Board has also declared a special dividend of 1.00p per share. Both dividends are payable on 31 July 2014 to shareholders on the register on 11 July 2014. As in previous years, dividends are declared as interims to enable payment at the end of July.

The Company's focus is on total return without constraining the Manager to deliver any given level of investment income. The Directors of the Company intend to continue to pay dividends at the end of January and July in each year. Although it is their intention to distribute substantially all of the Company's net income after expenses and taxation, the Company is currently permitted by the investment trust qualifying rules to retain up to a maximum of 15% of its gross income in each year as a revenue reserve. The Company may take advantage of this to facilitate a consistent dividend policy.

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 with the exception of Ms Carolan Dobson, who was appointed as a Director on 13 March 2014.

In accordance with the Company's Articles of Association, Ms Dobson will seek election at the forthcoming Annual General Meeting, this being the first Annual General Meeting since her appointment during the year. Full biographical details for Ms Dobson may be found on the inside front cover of this Report. In accordance with the Company's Articles of Association and the UK Corporate Governance Code which recommends Directors who have served for more than 9 years seek annual re-election, Mrs Pirie, Mr Clifton, Mr Cowdell and Mr Hutton will retire at the Annual General Meeting, and being eligible, offer themselves for re-election. Mrs Pirie and Mr Clifton are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years. Mr Ritchie will retire at the Annual General Meeting and will not seek re-election.

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

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 April 2014, all of which were beneficial were as follows:

Director	**Ordinary shares of 25p each at 30 April 2014**	Ordinary shares of 25p each at 1 May 2013
Alan Clifton	**42,000**	42,000
Bob Cowdell	**8,050**	8,050
Carolan Dobson*	**Nil**	N/A
Andrew Hutton	**50,000**	50,000
Stella Pirie	**28,827**	28,688
David Ritchie	**41,000**	41,000

*Ms Dobson was appointed as a Director on 13 March 2014.

The information in the above table has been audited (see Independent Auditor's Report on pages 25 to 27).

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

Share Capital

As at the date of this Report, the Company had 160,917,184 Ordinary shares of 25p each in issue. No shares were held in Treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 160,917,184. Changes to share capital during the year under review are detailed in note 13 on page 36.

Report of the Directors

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Investec Wealth and Investment Limited	14,456,829	8.98%
Rathbone Brothers PLC	8,316,132	5.17%
Quilter & Co Ltd	7,735,411	4.81%
Barclays plc	6,018,095	3.74%
East Riding of Yorkshire Council	5,000,000	3.11%

Investment Manager

During the year under review the Board considered the services provided by the Manager. Explanations of the factors behind the performance for the year under review are set out in the Chairman's Statement and the Investment Manager's Review. Following a comprehensive review of all management arrangements in June 2013, the Board agreed to retain Schroders. The Board continues to consider that the Manager has the appropriate depth of resource to achieve above-average returns in the longer-term. The Board therefore considers that the Manager's continued appointment under the terms of the current Investment Management Agreement, further details of which are set out below, remains in the interests of shareholders as a whole.

The Investment Management Agreement, which is governed by the laws of England and Wales, can be terminated by either party on 3 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. In connection with its retention, the Manager agreed to reduce the management fee charged to the Company from 0.65% to 0.60% of the Company's net assets less current liabilities, with effect from 1 July 2013 and, from that date, the Company was no longer charged a separate secretarial fee.

The Manager also agreed to waive its management fee for a period of 6 months, commencing on 1 July 2013, as a contribution to portfolio transition costs arising from the change in investment policy.

Custodian

Since the end of the year under review, the Company has appointed HSBC Bank plc as its Custodian, in place of JPMorgan Chase.

Registrar

The Company has appointed Equiniti Limited to act as Registrar. The services provided in their capacity as Registrar include share register maintenance, including the cancellation and allotment of shares as required; handling Shareholder queries and correspondence; arranging for the payment of dividends, maintenance and reconciliation of associated bank accounts; meeting management for company meetings including registering of proxy votes and Scrutineer services as and when required; and Corporate Action Services.

Corporate Social and Environmental Policy

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

Greenhouse Gas Emissions

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

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve

Report of the Directors

the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, 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.

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;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- Considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 38 to 41), capital management policies and procedures (see note 21 to the accounts on page 41), expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary, 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. The ongoing validity of the going concern basis depends on the outcome of the continuation vote, on which the Board is recommending that shareholders vote in favour. In particular, no provision has been made for the costs of winding-up the Company or liquidating its investments in the event that the resolution is not passed.

Provision of Information to the Auditors

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

Independent Auditors

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

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code in September 2012 (the "Code") which applies to accounting periods beginning on or after 1 October 2012 and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities and Going Concern statement set out on pages 16 and 17, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

Report of the Directors

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.

Operation and Composition of the Board

Composition

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.

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chairman's other significant commitments are detailed on the inside front cover of this Report. He has no conflicting relationships.

Role of the Board

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

The Chairman ensures that all Directors receive 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 Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

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

Training and Development

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

Conflicts of Interest

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

Board Evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough appraisal process has been put in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman, discussions are held between the Directors and the Audit Committee chairman. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors as well as building on and developing individual and collective strengths.

Directors' Liability Insurance and Indemnity

Directors' and officers' liability insurance cover was in place in respect of the Directors throughout the year. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out

Report of the Directors

of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. This indemnity was in place throughout the year under review.

Directors' Attendance at Meetings

Five Board meetings are scheduled for the coming year to deal with matters including the setting and monitoring of investment strategy, approval of borrowings, the review of investment performance, the level of the discount or premium to net asset value and the evaluation of the service providers. In addition, a strategy meeting is held each year. Additional meetings of the Board may be arranged as required.

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

Director	Board	Nomination Committee	Audit Committee	Management Engagement Committee
Alan Clifton	5/5	1/1	3/3	1/1
Bob Cowdell	5/5	1/1	3/3	1/1
Carolan Dobson*	1/5	0/1	1/3	1/1
Andrew Hutton	5/5	1/1	3/3	1/1
Stella Pirie	5/5	1/1	3/3	1/1
David Ritchie	5/5	1/1	3/3	1/1

*Ms Dobson was appointed as a Director on 13 March 2014.

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.

Board Committees and Their Activities

Terms of Reference

The Committees of the Board have defined Terms of Reference which are available on the website www.schroderukgrowthfund.com. Membership of the Committees is set out on the inside front cover of this Report.

Audit Committee

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

The Audit Committee met three times during the year to consider the operational controls maintained by the Manager and Custodian, the half-year and Annual Accounts and the Audit Plan and Engagement letter, the Independence of the Auditor and Evaluation of the Auditor. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience (see Directors' biographies on the inside front cover of this Report).

During its review of the Company's financial statements for the year ended 30 April 2014, the Audit Committee considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during their reporting:

Issue Considered	How the Issue was Addressed
• Overall accuracy of the Annual Report and Accounts	• Consideration of the draft Annual Report and Accounts, the letter from the Manager in support of the letter of representation to the Auditors and the Auditors' Report to the Audit Committee.
• Calculation of the investment management fee	• Consideration of methodology used to calculate fees, matched against the criteria set out in the Investment Management Agreement.
• Valuation and existence of holdings	• Review of portfolio holdings and assurance reports on controls from the Manager and Custodian.
• Compliance with S1158 of the Corporation Tax Act 2010	• Consideration of compliance criteria.
• Internal Controls and risk management	• Consideration of several key aspects of internal control and risk management operating within the management company.

Report of the Directors

Effectiveness of the Independent Audit Process

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

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

The Auditors are required to rotate the Senior Statutory Auditor every five years. This is the second year that the Partner has conducted the audit of the Company's financial statements.

The Board is aware that the European Parliament adopted an amended Directive in April 2014 which will introduce reforms of the audit market in Europe, including the mandatory rotation of audit firms. The Board will consider the impact of the reforms once introduced into UK law.

Provision of Non-Audit Services

The Audit Committee has adopted a policy on the engagement of the Company's Auditors to supply non-audit services to the Company. £2,000 is payable to the Auditors for non-audit services provided in respect of taxation compliance for the year under review (2013: £2,000). The Committee ensures that auditor objectivity and independence are safeguarded by a policy requiring pre-approval by the Committee for all non-audit services, which takes into consideration confirmation from the Auditors that they have adequate arrangements in place to safeguard their objectivity and independence in carrying out such work, within the meaning of the regulatory and professional requirements to which they are subject; the fees to be incurred, relative to the audit fees; the nature of the non-audit services; and whether the Auditors' skills and experience make it the most suitable supplier of such services and whether they are in a position to provide them.

Nomination Committee

The Nomination Committee is responsible for succession planning bearing in mind the balance of skills, knowledge and experience existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nomination Committee aims to maintain a balance of relevant skills, experience, gender, ages and length of service of the Directors serving on the Board.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, it aims to promote diversification and the Board also recognises the importance of diversity.

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

Once appointed as a Director, re-appointment is not automatic and follows a formal process of evaluation of each Director's performance by the Chairman. Any Director who is subject to annual re-election due to length of service or appointment to other trusts also managed by the Manager is subject to particularly rigorous assessment of their contribution.

The Committee met on one occasion during the year under review to consider the appointment of a new non-executive Director, recommending the appointment of Ms Carolan Dobson to the Board for approval. The Committee did not utilise the services of an external search consultancy in the selection of suitable candidates for a new Director as candidates of sufficient calibre were identified from within the Company.

Management Engagement Committee

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

Report of the Directors

To discharge its duties, the Committee met on a number of occasions during the year ended 30 April 2014 and considered the performance and suitability of the Manager, the terms and conditions of the management contract and services provided by other service providers.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half Year Report and the Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and its results. In addition Interim Management Statements are issued twice per annum in accordance with the Transparency Directive.

The Chairmen of the Board and its Committees attend the Annual General Meeting ("AGM") and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least twenty working days notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the inside front cover.

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chairman or the Board are, in each case, considered by the Chairman and by the Board.

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. 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 at www.schroders.com.

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.

Internal Audit

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

Internal Control and Risk Management Systems

Information on the Company's internal control and risk management systems can be found in the Strategic Report on pages 10 to 14.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

30 June 2014

Remuneration Report

Introduction

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

The Report is presented in a different format this year in order to comply with new legislative requirements. Both the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration are subject to shareholder approval at the forthcoming Annual General Meeting ("AGM") as described below.

Directors' Remuneration Policy

The determination of the Directors' fees is a matter dealt with by the Board.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles of Association. This aggregate level of Directors' fees is currently set at £200,000 per annum and any increase in this level requires approval by the Board and the Company's shareholders.

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

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

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

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

Component Parts of the Directors' Remuneration

The elements which comprise the basis of remuneration paid to Directors are set out in the table below (see also related notes below the table).

Salary/fees	Amounts receivable during the financial year in respect of of one-year performance targets	Amounts receivable during the financial year in respect of performance targets of more than one year	Pensions related benefits
Fees only payable	N/A	N/A	N/A

Notes

[1] The Chairman of the Board and the chairman of the Audit Committee each receive fees at a higher rate than the other Directors to reflect their additional responsibilities.

[2] The fees payable to Directors are not performance-related. They are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

[3] The maximum that may be paid in respect of Directors' aggregate fees is limited by the provisions of the Company's Articles of Association, as amended from time to time with the approval of shareholders.

[4] As the Company has no employees, there are no comparisons to be made between this Directors' Remuneration Policy and a policy on the remuneration of employees.

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

Remuneration Report

Directors' Annual Report on Remuneration

This Report sets out how the Directors' Remuneration Policy was implemented during the year ended 30 April 2014.

Fees Paid to Directors

During the year ended 30 April 2014, the Chairman was paid a fee of £32,500, and the other members of the Board were each paid a fee of £22,500. The Chairman of the Audit Committee, received an additional £2,500.

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 30 April 2014 and the previous financial year:

	Salary/Fees		Amounts receivable during the year ended 30 April in respect of one-year performance targets		Amounts receivable during the year ended 30 April in respect of performance targets of more than one year		Pensions-Related Benefits		Total	
Director	**2014 £**	**2013 £**	**2014 £**	**2013 £**	**2014 £**	**2013 £**	**2014 £**	**2013 £**	**2014 £**	**2013 £**
Alan Clifton (Chairman)	32,500	30,000	–	–	–	–	–	–	32,500	30,000
Bob Cowdell	22,500	20,000	–	–	–	–	–	–	22,500	20,000
Carolan Dobson[1]	3,356	–	–	–	–	–	–	–	3,356	–
Andrew Hutton	22,500	20,000	–	–	–	–	–	–	22,500	20,000
Stella Pirie	25,250	22,500	–	–	–	–	–	–	25,250	22,500
David Ritchie	22,500	20,000	–	–	–	–	–	–	22,500	20,000

[1]Appointed as a Director 13 March 2014.

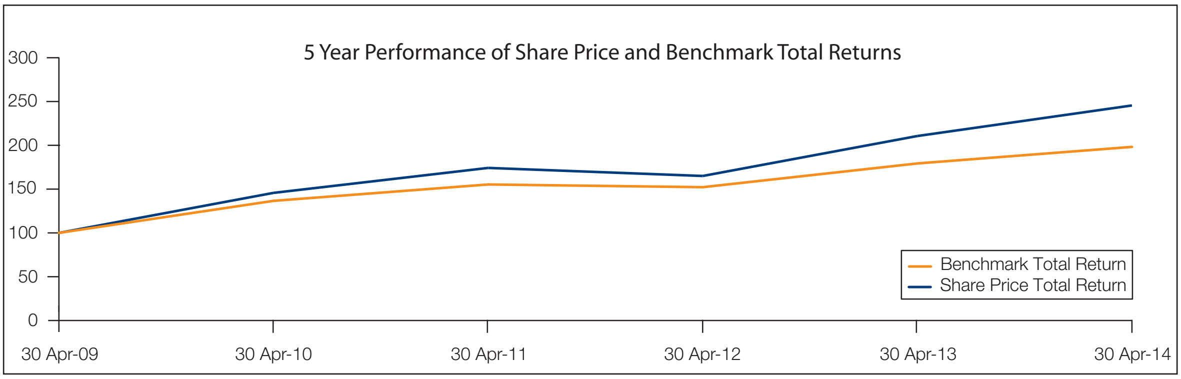
Consideration of Matters Relating to Directors' Remuneration

Directors' remuneration levels were reviewed by the Board during the year under review. The members of the Committee at the time that remuneration levels were considered were as set out in the inside front cover of this Report. No external advice was sought in considering Directors' fee levels. However information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Company's Investment Manager and corporate broker was taken into consideration.

Following the Annual Review, and with effect from 1 November 2013, Directors' fees were increased by £5,000 per annum to £25,000 per annum and the fees payable to the Chairman were increased by £5,000 to £35,000 per annum. The additional fee payable to the Audit Committee Chairman was increased by £500 to £3,000 per annum.

Performance Graph

A graph showing the Company's share price total return compared with its Benchmark the FTSE All-Share Index, over the last five years is shown below.



Source: Morningstar/Thomson Financial Datastream Rebased to 100 at 30 April 2009.

Remuneration Report

Expenditure by the Company on Directors' Remuneration compared with Distributions to Shareholders

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

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000	% Change
Remuneration paid to Directors	**129**	113	+14.2
Distributions to shareholders			
– Dividends	**7,242**	6,033	+20.0
– Share buy-backs	**–**	695	N/A
Total distributions to shareholders	**7,242**	6,728	+7.6

Directors' Share Interests

The Company's Articles of Association do not contain provision for Directors to own shares in the Company. The shareholdings of Directors, including those of connected persons, at the beginning and end of the financial year under review are set out in the Report of the Directors on page 15. Such information has been audited.

The Company does not operate a share scheme for Directors nor does it award Directors share options.

Implementation of the Directors' Remuneration Policy for the year ending 30 April 2015

The Board does not intend to make any significant changes to the implementation of the Directors' Remuneration Policy as set out in this Report for the year ending 30 April 2015.

Shareholder Approval

Directors' Remuneration Policy

The above Remuneration Policy is currently in force and is subject to a binding vote every three years. An ordinary resolution to approve this Policy will be put to shareholders at the forthcoming AGM, following which the full Policy provisions will continue to apply until the AGM to be held in 2017 unless a revised Remuneration Policy is approved prior to such AGM.

Director's Annual Report on Remuneration

The above Report on Directors' Remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the Annual General Meeting held on 30 July 2013, 99.84% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Remuneration Report for the year ended 30 April 2013 were in favour while 0.16% were against. 7,901 votes were withheld.

Alan Clifton
Chairman
30 June 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 30 April 2014 and of its profit and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Schroder UK Growth Fund plc (the "Company"), comprise:

- the balance sheet as at 30 April 2014;
- the income statement for the year then ended;
- the cash flow statement and the reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined an overall materiality for the financial statements as a whole of £3.0m which is approximately 1% of Net Assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.15m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Company is a standalone Investment Trust Company managed by an independent investment manager, Schroder Investment Management Limited (the "Investment Manager").

The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Investment Manager. The Investment Manager has, with the consent of the Directors, delegated the provision of certain administrative functions to HSBC Securities Services (UK) Limited (the "Company Administrator").

In establishing the overall approach to our audit we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Investment Manager and Company Administrator, and we assessed the control environment in place at both entities, to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Areas of particular audit focus

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 19.

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

Area of focus	How the scope of our audit addressed the area of focus
Valuation and existence of investments We focused on this area because investments represent the principal element of the financial statements.	The investment portfolio comprises listed equity investments. We tested the valuation of the investment portfolio by agreeing the valuation of investments to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings to an independent custodian confirmation.
Risk of management override of internal controls ISAs (UK & Ireland) require we consider management override of controls.	We tested a sample of journal entries to determine whether adjustments were supported by evidence and appropriately authorised. We built an element of unpredictability into our detailed testing by testing immaterial expense items.

Going Concern

Under the Listing Rules we are required to review the Directors' Statement, set out on page 17, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- 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 Strategic Report set out on pages 10 to 14 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 17 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. On page 19, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 16 and 17, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

30 June 2014

Notes:

- The maintenance and integrity of the Schroder UK Growth Fund plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 30 April 2014

	Note	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	2	–	25,148	25,148	–	53,290	53,290
Income from investments	3	10,700	–	10,700	7,682	–	7,682
Other interest receivable and similar income	3	58	–	58	55	–	55
Gross return		10,758	25,148	35,906	7,737	53,290	61,027
Investment management fee	4	(271)	(633)	(904)	(481)	(1,122)	(1,603)
Administrative expenses	5	(528)	–	(528)	(460)	–	(460)
Net return before finance costs and taxation		9,959	24,515	34,474	6,796	52,168	58,964
Finance costs	6	(117)	(273)	(390)	(125)	(292)	(417)
Net return on ordinary activities before taxation		9,842	24,242	34,084	6,671	51,876	58,547
Taxation on ordinary activities	7	1	–	1	(5)	–	(5)
Net return on ordinary activities after taxation		9,843	24,242	34,085	6,666	51,876	58,542
Return per share	9	6.12p	15.06p	21.18p	4.14p	32.23p	36.37p

Dividends declared in respect of the financial year ended 30 April 2014 amount to 5.50p (2013: 4.00p) per share. Further information on dividends is given in note 8 on page 35.

The “Total” column of this statement is the profit and loss account of the Company. The “Revenue” and “Capital” columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has 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 32 to 41 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 April 2014

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 April 2012	40,569	9,829	19,409	78,766	417	70,196	5,018	224,204
Net return on ordinary activities	–	–	–	–	–	51,876	6,666	58,542
Dividends paid in the year	–	–	–	–	–	–	(6,033)	(6,033)
Repurchase and cancellation of the Company's own Ordinary shares	(137)	–	137	(695)	–	–	–	(695)
Cancellation of Subscription shares	(213)	–	213	–	–	–	–	–
Conversion of Subscription shares into Ordinary shares	(1)	1	–	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	11	45	–	–	–	–	–	56
At 30 April 2013	40,229	9,875	19,759	78,071	417	122,072	5,651	276,074
Net return on ordinary activities	–	–	–	–	–	24,242	9,843	34,085
Dividends paid in the year	–	–	–	–	–	–	(7,242)	(7,242)
At 30 April 2014	**40,229**	**9,875**	**19,759**	**78,071**	**417**	**146,314**	**8,252**	**302,917**

The notes on pages 32 to 41 form an integral part of these accounts.

Balance Sheet

at 30 April 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	322,497	288,229
Current assets			
Debtors	11	17,002	2,038
Cash at bank and in hand		1,696	11,391
		18,698	13,429
Current liabilities			
Creditors: amounts falling due within one year	12	(38,278)	(25,584)
Net current liabilities		(19,580)	(12,155)
Net assets		302,917	276,074
Capital and reserves			
Called-up share capital	13	40,229	40,229
Share premium	14	9,875	9,875
Capital redemption reserve	14	19,759	19,759
Share purchase reserve	14	78,071	78,071
Warrant exercise reserve	14	417	417
Capital reserves	14	146,314	122,072
Revenue reserve	14	8,252	5,651
Total equity shareholders' funds		302,917	276,074
Net asset value per share	15	188.24p	171.56p

These accounts were approved and authorised for issue by the Board of Directors on 30 June 2014 and signed on its behalf by:

Alan Clifton
Chairman

The notes on pages 32 to 41 form an integral part of these accounts.

Registered in England and Wales
Company registration number: 2894077

Cash Flow Statement

for the year ended 30 April 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	**16**	**8,145**	5,067
Servicing of finance			
Interest paid		**(394)**	(423)
Net cash outflow from servicing of finance		**(394)**	(423)
Taxation			
Overseas tax (paid) / recovered		**(5)**	24
Investment activities			
Purchases of investments		**(472,324)**	(31,790)
Sales of investments		**457,125**	37,102
Net cash (outflow)/inflow from investment activities		**(15,199)**	5,312
Dividends paid		**(7,242)**	(6,033)
Net cash (outflow)/inflow before financing		**(14,695)**	3,947
Financing			
Repurchase and cancellation of the Company's own Ordinary shares		**–**	(695)
Issue of Ordinary shares on exercise of Subscription shares		**–**	56
Net cash outflow from financing		**–**	(639)
Net cash (outflow)/inflow in the year	**17**	**(14,695)**	3,308

The notes on pages 32 to 41 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") 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.

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

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

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

The cost of repurchasing Ordinary shares including the related stamp duty and transactions costs is charged to "Share purchase reserve".

(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.

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

Underwriting commission is taken to 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 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on pages 35 to 36.

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

(g) Financial instruments

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

Other debtors and creditors do not carry any interest, are short term in nature and are 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 at amortised cost. They are recorded at the proceeds received net of direct issue costs.

Notes to the Accounts

(h) Taxation

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 on investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Gains on sales of investments based on historic cost	**64,164**	15,694
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(42,110)**	(8,352)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**22,054**	7,342
Net movement in investment holding gains and losses	**3,094**	45,948
Gains on investments held at fair value through profit or loss	**25,148**	53,290

3. Income

	2014 £'000	2013 £'000
Income from investments:		
UK dividends	**10,547**	7,503
Property income dividends	**56**	–
Scrip dividends	**97**	179
	10,700	7,682
Other interest receivable and similar income:		
Deposit interest	**21**	20
Underwriting commission	**37**	35
	58	55
Total income	**10,758**	7,737

4. Investment management fee

	2014			2013		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fee	**271**	**633**	**904**	481	1,122	1,603

The basis for calculating the investment management fee is set out in the Report of the Directors on page 16.

Notes to the Accounts

5. Administrative expenses

	2014 £'000	2013 £'000
Administration expenses	**360**	237
Directors' fees	**129**	113
Secretarial fee	**14**	85
Auditors' remuneration for audit services[1]	**23**	23
Auditors' remuneration for taxation compliance services[2]	**2**	2
	528	460

[1] Includes £4,000 (2013: £4,000) irrecoverable VAT.
[2] Includes £400 (2013: £400) irrecoverable VAT.

6. Finance costs

	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	**117**	**273**	**390**	125	292	417

7. Taxation on ordinary activities

(a) Analysis of charge in the year:

	2014 £'000	2013 £'000
Irrecoverable overseas tax	**(1)**	5
Current tax charge for the year	**(1)**	5

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2013: lower) than the Company's applicable rate of corporation tax for the year of 22.83% (2013: 23.92%).

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

	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	**9,842**	**24,242**	**34,084**	6,671	51,876	58,547
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 22.83% (2013: 23.92%)	**2,247**	**5,534**	**7,781**	1,596	12,409	14,005
Effects of:						
Capital returns on investments	**–**	**(5,741)**	**(5,741)**	–	(12,747)	(12,747)
Income not chargeable to corporation tax	**(2,443)**	**–**	**(2,443)**	(1,837)	–	(1,837)
Unrelieved expenses	**196**	**207**	**403**	241	338	579
Irrecoverable overseas tax	**(1)**	**–**	**(1)**	5	–	5
Current tax charge for the year	**(1)**	**–**	**(1)**	5	–	5

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £7,517,000 (2013: £8,239,000) based on a prospective corporation tax rate of 20% (2013: 23%). The reduction in the standard rate of corporation tax was substantively enacted on 2 July 2013 and is effective from 1 April 2015. 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 status as an Investment Trust, 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

Dividends paid	2014 £'000	2013 £'000
2013 second interim dividend of 2.25p (2012: 2.00p)	**3,621**	3,217
2014 first interim dividend of 2.25p (2013: 1.75p)	**3,621**	2,816
Total dividends paid in the year	**7,242**	6,033

Dividends declared	2014 £'000	2013 £'000
2014 second interim dividend declared of 2.25p (2013: 2.25p)	**3,621**	3,621
2014 special dividend of 1.00p (2013: nil)	**1,609**	–
Total dividends declared	**5,230**	3,621

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

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £9,843,000 (2013: £6,666,000).

	2014 £'000	2013 £'000
First interim dividend of 2.25p (2013: 1.75p)	**3,621**	2,816
Second interim dividend of 2.25p (2013: 2.25p)	**3,621**	3,621
Special dividend of 1.00p (2013: nil)	**1,609**	–
Total dividends of 5.50p (2013: 4.00p) per share	**8,851**	6,437

9. Return per share

	2014 £'000	2013 £'000
Revenue return	**9,843**	6,666
Capital return	**24,242**	51,876
Total return	**34,085**	58,542
Weighted average number of shares in issue during the year	**160,917,184**	160,930,746
Revenue return per share	**6.12p**	4.14p
Capital return per share	**15.06p**	32.23p
Total return per share	**21.18p**	36.37p

10. Investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Opening book cost	**240,835**	230,302
Opening investment holding gains	**47,394**	9,798
Opening valuation	**288,229**	240,100
Purchases at cost	**480,154**	31,941
Sales proceeds	**(471,034)**	(37,102)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**22,054**	7,342
Net movement in investment holding gains and losses	**3,094**	45,948
Closing valuation	**322,497**	288,229
Closing book cost	**314,119**	240,835
Closing investment holding gains	**8,378**	47,394
Total investments held at fair value through profit or loss	**322,497**	288,229

All investments are listed on a recognised stock exchange.

Notes to the Accounts

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

	2014 £'000	2013 £'000
On acquisitions	2,762	158
On disposals	682	22
	3,444	180

11. Debtors

	2014 £'000	2013 £'000
Dividends and interest receivable	3,057	2,004
Securities sold awaiting settlement	13,909	–
Taxation recoverable	24	18
Other debtors	12	16
	17,002	2,038

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

12. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loan	30,000	25,000
Securities purchased awaiting settlement	7,733	–
Other creditors and accruals	545	584
	38,278	25,584

The loan is drawn down on the Company's £35 million, one year, Revolving Credit Facility with Scotiabank, which was renewed in July 2013. The 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 during the year. The loan at the prior year-end was drawn down on the preceding facility with Scotiabank. Further details are given in note 20(a) on pages 38 to 40.

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

13. Called-up share capital

	2014 £'000	2013 £'000
Ordinary shares allotted, called-up and fully paid:		
Ordinary shares of 25p each:		
Opening balance of 160,917,184 (2013: 161,423,790) shares of 25p each	40,229	40,355
Repurchase and cancellation of nil (2013: 550,000) shares	–	(137)
Issue of nil (2013: 43,394) shares on exercise of Subscription shares	–	11
Closing balance of 160,917,184 (2013: 160,917,184) shares	40,229	40,229
Subscription shares of 1p each:		
Opening balance of nil (2013: 21,393,197) Subscription shares	–	214
Exercise of nil (2013: 43,394) Subscription shares into Ordinary shares	–	(1)
Cancellation of nil (2013: 21,349,803) Subscription shares	–	(213)
Closing balance of nil Subscription shares (2013: nil)	–	–
Total called-up share capital	40,229	40,229

Notes to the Accounts

14. Reserves

	Share premium £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	9,875	19,759	78,071	417	74,678	47,394	5,651
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	22,054	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	3,094	–
Transfer on disposal of investments	–	–	–	–	42,110	(42,110)	–
Management fee and finance costs allocated to capital	–	–	–	–	(906)	–	–
Dividends paid	–	–	–	–	–	–	(7,242)
Retained revenue for the year	–	–	–	–	–	–	9,843
Closing balance	**9,875**	**19,759**	**78,071**	**417**	**137,936**	**8,378**	**8,252**

15. Net asset value per share

	2014	2013
Net assets attributable to Ordinary shareholders (£'000)	**302,917**	276,074
Ordinary shares in issue at the year end	**160,917,184**	160,917,184
Net asset value per share	**188.24p**	171.56p

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

	2014 £'000	2013 £'000
Total return on ordinary activities before finance costs and taxation	**34,474**	58,964
Less capital return on ordinary activities before finance costs and taxation	**(24,515)**	(52,168)
Scrip dividends received as income	**(97)**	(179)
Increase in accrued dividends and interest receivable	**(1,053)**	(517)
Decrease/(increase) in other debtors	**4**	(1)
(Decrease)/increase in accrued expenses	**(35)**	90
Management fee allocated to capital	**(633)**	(1,122)
Net cash inflow from operating activities	**8,145**	5,067

17. Analysis of changes in net debt

	At 30 April 2013 £'000	Cash flow £'000	**At 30 April 2014 £'000**
Cash at bank and in hand	11,391	(9,695)	**1,696**
Bank loan	(25,000)	(5,000)	**(30,000)**
Net debt	(13,609)	(14,695)	**(28,304)**

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, secretarial and administration services. Details of the Investment Management Agreement (IMA) are given in the Report of the Directors on page 16. 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.

Notes to the Accounts

The Manager agreed to waive its investment management fee for a period of six months commencing 1 July 2013, as a contribution to portfolio transition costs arising from the change in investment policy during the year. No secretarial fee is payable to the Manager after 30 June 2013.

The management fee payable in respect of the year ended 30 April 2014 amounted to £904,000 (2013: £1,603,000), of which £443,000 (2013: £438,000) was outstanding at the year end. The secretarial fee payable in respect of the year ended 30 April 2014 amounted to £14,000 (2013: £85,000) including VAT, of which nil (2013: £21,000) 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 within the scope of FRS 29 that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments and its liabilities are not held at fair value. The investments are categorised into a hierarchy comprising 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.

Details of the valuation techniques used by the Company are given in note 1(b) on page 32.

At 30 April 2014, all investments in the Company's portfolio are categorised as Level 1 (2013: same).

There have been no transfers between Levels 1, 2 or 3 during the year (2013: nil).

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

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

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

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

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

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

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

– a sterling credit facility with Scotiabank, the purpose of which is to manage working capital requirements and to gear the Company as appropriate.

(a) Market risk

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

(i) Interest rate risk

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

Management of interest rate risk

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

Notes to the Accounts

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:

	2014 £'000	2013 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**1,696**	11,391
Creditors: amounts falling due within one year – drawings on the credit facility	**(30,000)**	(25,000)
Total exposure	**(28,304)**	(13,609)

Interest receivable on cash balances is at a margin below LIBOR (2013: same).

The Company has a £35 million one year Revolving Credit Facility with Scotiabank which expires in July 2014. Interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 30 April 2014, the Company had drawn down £30 million on this facility at an interest rate of 1.4% per annum. At the prior year end, the Company had drawn down £25 million on the preceding facility with Scotiabank.

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 credit facility have fluctuated. The maximum and minimum balances during the year are as follows:

	2014 £'000	2013 £'000
Maximum interest rate exposure during the year – net drawing on the credit facility	**(29,002)**	(23,422)
Minimum interest rate exposure during the year – net drawings on the credit facility	**(9,628)**	(11,467)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2013: 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.

	2014		2013	
	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	**(36)**	**36**	20	(20)
Capital return	**(105)**	**105**	(88)	88
Total return after taxation	**(141)**	**141**	(68)	68
Net assets	**(141)**	**141**	(68)	68

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

(ii) Market price risk

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

Market price risk exposure

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

	2014 £'000	2013 £'000
Equity investments held at fair value through profit or loss	**322,497**	288,229

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

Notes to the Accounts

Concentration of exposure to market price risk
An analysis of the Company's investments is given on pages 8 and 9. This shows that the portfolio is predominantly invested in stocks listed in the UK. Accordingly there is a concentration of exposure to the UK. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country 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 10% (2013: 10%) in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure to equity investments and assumes all other variables are held constant.

	2014		2013	
	10% increase in fair value £'000	**10% decrease in fair value £'000**	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**–**	**–**	–	–
Capital return	**32,250**	**(32,250)**	28,823	(28,823)
Total return after taxation and net assets	**32,250**	**(32,250)**	28,823	(28,823)
Change in net asset value	**10.6%**	**(10.6%)**	10.4%	(10.4%)

(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. Short term borrowings are used to manage 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 2014 £'000	Three months or less 2013 £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	**30,033**	25,028
Securities purchased awaiting settlement	**7,733**	–
Other creditors and accruals	**536**	571
	38,302	25,599

(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.

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.

Notes to the Accounts

Exposure to the Custodian

The Company's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the Company's right of ownership is clear and they are therefore protected. However cash balances deposited with the Custodian may be at risk in this instance, as the Company would rank alongside other creditors.

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.

	2014		2013	
	Balance sheet £'000	**Maximum exposure £'000**	Balance sheet £'000	Maximum exposure £'000
Fixed assets:				
Investments held at fair value through profit or loss	**322,497**	**–**	288,229	–
Current assets:				
Debtors – dividends and interest receivable and other debtors	**3,093**	**3,081**	2,038	2,022
Securities sold awaiting settlement	**13,909**	**13,909**	–	–
Cash at bank and in hand	**1,696**	**1,696**	11,391	11,391
	341,195	**18,686**	301,658	13,413

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

(d) Fair values of financial assets and financial liabilities

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

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:

	2014 £'000	2013 £'000
Debt		
Bank loan	**30,000**	25,000
Equity		
Called-up share capital	**40,229**	40,229
Reserves	**262,688**	235,845
	302,917	276,074
Total debt and equity	**332,917**	301,074

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

The Board's policy is to limit gearing/(net cash) within the range +20% to -20%, where gearing represents borrowings used for investment purposes less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this represents a "net cash" position.

	2014 £'000	2013 £'000
Borrowings used for investment purposes, less cash	**28,304**	13,609
Net assets	**302,917**	276,074
Gearing	**9.3%**	4.9%

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

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

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

– the opportunities for issues of new shares; and

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

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Tuesday, 5 August 2014 at 12 noon. The formal Notice of Meeting is set out on page 43.

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

Special Business to be proposed at the AGM

Resolution 11 – Continuation Vote (Ordinary Resolution)

In accordance with the Company's Articles of Association, the Directors are required to put forward a proposal for the continuation of the Company to shareholders at five yearly intervals. The Board considers that the long term investment objectives of the Company remain appropriate and that the current Manager is well placed to deliver superior returns over the longer term. An ordinary resolution will therefore be proposed at the AGM to agree that the Company should continue as an investment trust for a further five year period.

Resolution 12 – Directors' Authority to allot Shares (Ordinary Resolution) and Resolution 13 – Power to Disapply Pre-emption Rights (Special Resolution)

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

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £4,022,929 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £4,022,929 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM). This authority excludes shares that have been in Treasury. The Board has established guidelines for Treasury shares and will only re-issue shares held in Treasury at a premium to the Company's net asset value (inclusive of current year income) plus any applicable costs.

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

If approved, both of these authorities will expire at the conclusion of the AGM in 2015 unless renewed, varied or revoked earlier.

Resolution 14: Authority to Make Market Purchases of the Company's Own Shares (Special Resolution)

At the AGM held on 30 July 2013, the Company was granted authority to make market purchases of up to 24,121,485 ordinary shares of 25p each for cancellation. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 24,121,485 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM (excluding Treasury Shares). The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the 2014 AGM will lapse at the conclusion of the AGM in 2015 unless renewed or revoked earlier.

Recommendation

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

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder UK Growth Fund plc will be held at 12 noon on Tuesday, 5 August 2014 at 31 Gresham Street, London EC2V 7QA to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 12 will be proposed as Ordinary Resolutions and resolutions 13 and 14 will be proposed as Special Resolutions.

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 April 2014.
2. To approve the Company's Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the year ended 30 April 2014.
4. To elect Ms Carolan Dobson as a Director of the Company.
5. To re-elect Mr Alan Clifton as a Director of the Company.
6. To re-elect Mr Bob Cowdell as a Director of the Company.
7. To re-elect Mr Andrew Hutton as a Director of the Company.
8. To re-elect Mrs Stella Pirie as a Director of the Company.
9. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company.
10. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors of the Company.
11. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:
    "That, in accordance with the Articles of Association, the Company should continue as an investment trust for a further five year period."
12. 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 £4,022,929 (representing 10% of the share capital in issue on 30 June 2014); and provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
13. To consider and, if thought fit, to pass the following resolution as a special resolution:
    "That, subject to the passing of Resolution 12 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in Treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 12 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £4,022,929 (representing 10% of the aggregate nominal amount of the share capital in issue on 30 June 2014); 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."
14. 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 its issued Ordinary shares of 25p each in the capital of the Company ("Ordinary shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per Ordinary share provided that:
    (a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 24,121,485, representing 14.99% of the issued Ordinary share capital as at 30 June 2014;
    (b) the minimum price which may be paid for an Ordinary share is 25p;
    (c) the maximum price which may be paid for an Ordinary share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary 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 Ordinary shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless renewed prior to such time or revoked; and
    (f) the Company may make a contract to purchase Ordinary 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 Ordinary shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 2894077
30 June 2014

Explanatory Notes

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 overseas 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 and Shareholder Reference ID 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. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12 noon on 3 August 2014. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 or +44 121 415 0207 for overseas 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 Annual General 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 3 August 2014, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 3 August 2014 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. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (IDRA19) by the latest time for receipt of proxy appointments.

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 election and re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 30 April 2014.

7. As at 30 June 2014, 160,917,184 Ordinary shares of 25 pence each were in issue (no shares were held in Treasury). Therefore, the total number of voting rights in the Company as at 30 June 2014 was 160,917,184.

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.schroderukgrowthfund.com.

9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM 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.

Company Summary and Shareholder Information

The Company

Schroder UK Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 30 June 2014, the Company had 160,917,184 Ordinary shares of 25p each in issue (no shares were held in Treasury). The Company's assets are managed and administered by Schroders. The Company has, since its launch in 1994, measured its performance against the FTSE All-Share Index. The Company measures its performance on a total return basis.

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

Website and Share Price Information

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

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

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 maintains 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.schroderukgrowthfund.com

Schroders