Schroder UK Growth Fund plc

Annual Report and Accounts for the year ended 30 April 2016

Schroders

Investment objective

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

Investment policy

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

The stocks are predominantly constituents of the FTSE 350 Index 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.

Key financial highlights

NET ASSET VALUE ("NAV") TOTAL RETURN ONE YEAR	NAV TOTAL RETURN THREE YEARS ANNUALISED	NAV TOTAL RETURN FIVE YEARS ANNUALISED
(4.4)%	3.1%	6.5%
BENCHMARK TOTAL RETURN ONE YEAR	BENCHMARK TOTAL RETURN THREE YEARS ANNUALISED	BENCHMARK TOTAL RETURN FIVE YEARS ANNUALISED
(5.7)%	3.9%	5.3%
SHARE PRICE TOTAL RETURN ONE YEAR	SHARE PRICE TOTAL RETURN THREE YEARS ANNUALISED	SHARE PRICE TOTAL RETURN FIVE YEARS ANNUALISED
(4.9)%	2.4%	5.4%

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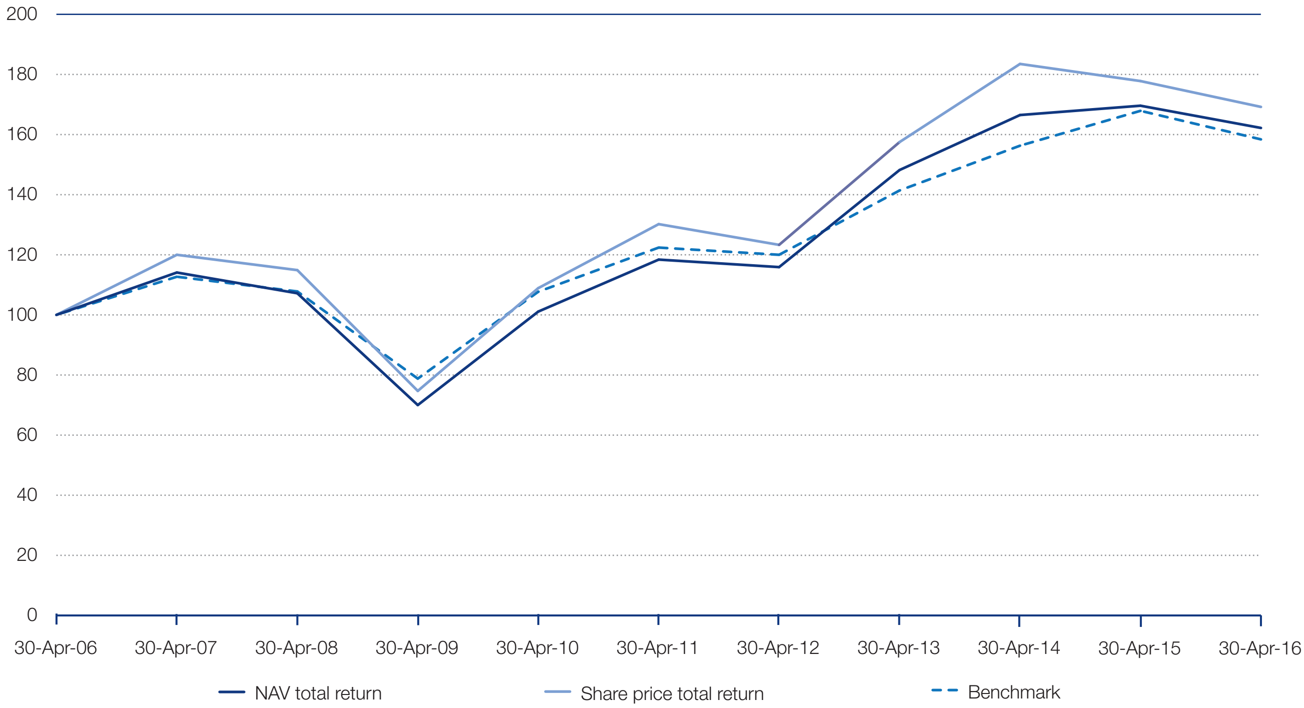
Financial Highlights

Total returns[1] for the year ended 30 April	2016	2015
Net asset value ("NAV") per share[2]	**(4.4)%**	1.9%
Share price[2]	**(4.9)%**	(3.1)%
Benchmark[3]	**(5.7)%**	7.5%

Net asset value, share price and discount at 30 April	2016	2015	% change
Shareholders' funds (£'000)	**274,880**	298,837	(8.0)
Shares in issue	**160,375,184**	160,917,184	
NAV per share	**171.40p**	185.71p	(7.7)
Share price	**152.88p**	167.00p	(8.5)
Share price discount to ex-income NAV per share	**9.1%**	8.4%	
Revenue for the year ended 30 April			
Net revenue after taxation (£'000)	**9,262**	9,475	(2.2)
Return per share	**5.77p**	5.89p	(2.0)
Dividends per share	**5.20p**	5.00p	4.0
Special dividend per share	**–**	1.00p	
Net cash[4]	**(2.0)%**	(3.6)%	
Ongoing Charges[5]	**0.32%**	0.47%	

[1]Total returns include an adjustment for dividends paid, which are assumed to be reinvested back into the Company.
[2]Source: Morningstar.
[3]Source: Thomson Reuters. The Company's benchmark is the FTSE All-Share Index total return.
[4]Borrowings used for investment purposes less cash, expressed as a percentage of net assets. At the current and comparative year end, cash exceeded borrowings (the Company had no borrowings) and this is shown as a negative "Net cash" position. If borrowings were to exceed cash, this would be shown as "Gearing".
[5]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 both the current and comparative years are lower than the historical average because, following the departure of the portfolio manager in September 2014, the Manager agreed to bear portfolio transition costs of £1.615 million by way of a management fee waiver with effect from 1 November 2014. This waiver reduced the fee payable for the year ended 30 April 2016 by £892,000 and reduced the fee payable for the preceding year by £723,000.

10 Year NAV, Share Price and Benchmark Total Returns to 30 April 2016



Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 April 2006.

Chairman's Statement

Alan Clifton

Performance

The year to 30 April 2016 has been volatile for UK markets, initially caused by concerns in relation to global growth and subsequently compounded by the uncertainties surrounding the Referendum on the UK's membership of the European Union. During the year to 30 April 2016, the Company's NAV returned -4.4%, while the share price returned -4.9%. This compares with an equivalent return of -5.7% by the FTSE All-Share Index over the same period.

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

Earnings and Dividends

The Directors have declared a second interim dividend of 2.60p per share, making a total of 5.20p per share for the year, an increase of 4.0% over total ordinary dividends of 5.00p per share paid in respect of the previous year. The second interim dividend will be payable on 29 July 2016 to shareholders on the register on 15 July 2016.

Gearing Policy

During the year, the Company maintained its total borrowing facilities at £35 million, although half of the total borrowings were shifted to a more cost efficient overdraft facility. The gearing facilities have remained undrawn throughout the year and, at the end of the year, the net cash position was 2.0%. Our Manager has the freedom to utilise the Company's borrowing facility when suitable investment opportunities arise.

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.

Discount Management Policy

The average discount to net asset value at which the shares have traded over the Company's past financial year was 8.8%. This is a higher figure than for the previous twelve months and reflects both the present lack of strong demand for the shares and a general widening of discount levels throughout the investment trust sector, reflecting underlying market concerns. Inevitably, UK focused investment funds have been particularly affected by the considerable uncertainties surrounding the recent EU Referendum and our peer group of funds has also seen a significant broadening of discounts. A total of 542,000 ordinary shares were purchased to be held in Treasury during the year under review and a further 142,000 ordinary shares have been purchased since the end of the year.

As shareholders will be aware, the Board has a policy of seeking to restrict the discount level to around 5% over the long term. As outlined in the circular dated 23 October 2006, this target will be reviewed and, if appropriate, amended from time to time to reflect prevailing market conditions. Against the background of negative market sentiment, your Board has been reluctant to commit the substantial shareholders' resources to defend, in the short term, a stated long term target of 5% which, it has been advised, is not presently attainable. The Board remains mindful of its obligations towards all shareholders, in seeking to address the issue of its current higher than target discount level.

Board Composition

The Board continues to review its composition and to consider its succession and refreshment polices and I am retiring at the Annual General Meeting and will not seek re-election. Carolan Dobson will take over as Chairman from the conclusion of the Annual General Meeting and I wish Carolan and her colleagues all the best for the future.

In addition, further changes to the Board will be made in the year ahead and a process is currently underway, being led by the Nomination Committee, to recruit an additional Director. One of the long-serving Directors will retire once this appointment has been made and a period of time has been allowed for to allow for suitable continuity.

Chairman's Statement

Outlook

We suspect UK equity investment will remain challenging. The result of the EU Referendum has created one more major immediate uncertainty for company managements and investors and there is still a structural lack of growth in many economies worldwide.

While these issues are undeniable, they also provide an opportunity. At a corporate level the weakness of sterling after the Referendum has made UK companies more competitive internationally, and increases the value of their overseas profits. For the Company, a world of low nominal growth makes outperformance of a benchmark more appealing to investors, while high market volatility makes consistency of that outperformance even more appealing. There will always be a sustained future for any investment trust that can supply both.

Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on Thursday, 4 August 2016, 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 Manager on the prospects for the UK market and the Company's investment strategy.

Alan Clifton
Chairman

7 July 2016

Manager's Review

Over the year to 30 April 2016 the total return of the net asset value was -4.4%, compared to the total return from the FTSE All Share Index of -5.7% (source Morningstar).

Market background

The past twelve months have been a difficult and volatile period for UK equities as a number of global uncertainties weighed on markets. Initial concerns surrounding negotiations between Greece and its international creditors and a potential exit from the EU (formalised by the Referendum vote after the end of the financial year) were supplemented by fears about emerging markets, the outlook for China and latterly the durability of US growth. This occurred amid uncertainty around the consequences of the US Federal Reserve's decision to increase interest rates by 0.25% in December, the first rise in nearly a decade. The accompanying dollar strength and uncertain global growth outlook weighed heavily on commodities with supply-side factors further negatively impacting crude oil prices. Commodities rebounded at the period end as dollar strength unwound in line with the deferral in expectations for further rises in US rates.

Resource sectors performed poorly against the weak commodity price backdrop, with the mining sector hit particularly hard as the decline in base metal prices called into question the resilience of sector balance sheets and the sustainability of dividends. Financials were another poor performer as fears over the deteriorating economic outlook drew questions over the sustainability of current provisioning levels and net interest margins for the banks, and the potential for rising credit spreads to translate into increased bond defaults for insurers. In addition, uncertainty around the result in the UK Referendum over EU membership led to increased caution towards the sector given its economic sensitivity. Traditionally defensive areas of the market performed relatively well, as did the FTSE 250 Index, where a greater exposure to domestically derived earnings was supported by a relatively benign outlook for the UK consumer. However, the resources sectors staged a recovery at the end of the period as the dollar weakened and commodity prices rebounded following significant Chinese fixed asset stimulus and uncertainty over the likelihood of future US rate rises given poor economic data.

Performance Attribution – 12 months to 30 April 2016

The 1.3% outperformance came primarily from stock selection, with a small contribution from not being fully invested.

	Impact
FTSE All-Share Index	-5.7%
Stock selection	+1.6%
Sector allocation	-0.2%
Cash contribution	+0.2%
Costs	-0.3%
NAV total return	-4.4%

Source: Schroders estimates, Factset

Our overweight in software and computer services was the standout, with **Sage**, **Fidessa**, **iomart** and **Computacenter** performing particularly well. Accounting and payroll software provider **Sage** is one year into a significant transformation programme with central costs being reduced, alongside investment into R&D and Sales and Marketing. Robust trading results confirming strong organic revenue growth and stable profit margins reassured the market and increased confidence in the strategy of driving higher, more subscription and cloud-focussed growth.

Trading software provider **Fidessa** performed well, particularly in Q1 2016 following reassuring full year results. Evidence is emerging that the impact of the difficult trading backdrop for equity customers is transitioning from being a historic headwind (as customers closed their operations) to represent an opportunity, as customers use Fidessa's software to reduce costs. The significant investment in developing a global derivatives trading platform offers significant underappreciated value.

IT infrastructure services group **Computacenter** performed well, notably in Q4 2016 after announcing robust Q3 results, confirming its status as a resilient cash-generative growth company. A strong net cash balance puts the group in a good position to return cash to shareholders. Cloud Services company **iomart** delivered strong organic growth supplemented by acquisitions in cloud consultancy and webhosting. With high recurring revenue and a strong balance sheet, the group is well-positioned to succeed in an increasingly complex market as public/ hybrid cloud grows.

Our overweight to the tobacco sector, and particularly to **Imperial Brands**, was another positive. It performed well driven by earnings upgrades from improving organic sales momentum and its acquisition of US brands from Reynolds Tobacco. As confidence grew in its ability to sustain its 10% per annum dividend growth target the shares have been re-rated more in line with their peer group.

Our media holdings performed well. We are attracted to the high return on capital and cash generation that the sector produces. Business information group **RELX** produced its customary consistent operating performance and the shares broadly tracked the strong, cash backed earnings growth that the market has become used to. Publishing group **Informa** is undergoing a restructuring plan which is turning around the business faster than expected, particularly in its underperforming Business Intelligence and Knowledge & Networking divisions. Investment to drive growth is paying dividends as the new management have delivered stronger organic growth and cash generation than forecast.

Top 5 positive and negative contributors

Top 5 positive	Portfolio (%)	Active weight (%)	Total return (%)	Impact (%)
Sage	3.4	3.1	24.7	0.8
RELX	3.4	2.7	14.7	0.6
Imperial Brands	3.7	2.1	21.3	0.6
Fidessa	1.8	1.7	10.9	0.5
Standard Chartered	0.3	-0.5	-45.2	0.5
Total				+2.9

Top 5 negative	Portfolio (%)	Active weight (%)	Total return (%)	Impact (%)
The Royal Bank of Scotland	1.6	1.2	-32.1	–0.6
Barclays	3.7	1.8	-30.6	-0.6
Glencore	0.6	-0.3	-45.8	-0.5
SABMiller	0.0	-1.8	23.4	-0.5
Reckitt Benckiser Group	0.0	-1.9	16.7	-0.4
Total				-2.5

Source: Factset, 12 months to 30 April 2016. Portfolio weight is the average over the period, and active weight compares that to the FTSE All-Share Index equivalent. Impact is the contribution to performance relative to the FTSE All-Share Index

From a sector perspective beverages had the largest negative impact on performance, in particular not owning **SABMiller**. Companies selling staple goods have rerated strongly in a world of low nominal growth and uncertainty over the economic outlook. We believed that the rating of **SABMiller** more than reflected the organic growth it was delivering. However, the approach from AB InBev last year detracted from the relative performance of the portfolio.

Our exposure to banks was also a notable detractor. Whilst the portfolio benefited from being underweight **Standard Chartered** and **HSBC**, our holdings in **The Royal Bank of Scotland (RBS)** and **Barclays** more than offset such benefits. While the result of the EU Referendum has added more uncertainty to their future, we continue to believe the sector offers long term value and we are reaching a point where the value leakage from capital and conduct litigation is reaching an endpoint.

RBS endured a tough 12 months of share price performance, as it revealed its eighth consecutive year of losses and cautioned that it would have to delay resuming dividend payments or share buybacks beyond the first quarter of 2017. The decision to delay returning capital was in order to gain clarity over the quantum of its conduct fine relating to US mortgage-backed security mis-selling, as well to complete the disposal of Williams & Glyn. However, we remain positive, given the strength of its capital position and its strong domestic retail and commercial franchises which we believe will become increasingly apparent as the group restructures the underperforming Ulster, Investment and Private Banking divisions.

Barclays published disappointing fourth-quarter results, including a 50% reduction in the dividend over the next two years and the divestment of its African business in order to protect its capital position. The relative weakness of its capital position and exposure to more volatile investment banking business meant we had a preference for **Lloyds** and **RBS**.

During the course of the year our concerns towards the mining sector grew. Whilst the sector represents one the cheapest in the market on the basis of price to 10 year average earnings, reduced costs and capex have not resulted in increased profitability. Given the long-term nature of the industry, capacity is still coming on stream while demand, particularly from China, has weakened. Long-term structural headwinds persist as Chinese fixed asset investment looks historically high and debt levels within the economy have risen sharply. We exited **Rio Tinto** and **Glencore** to reflect these concerns.

Portfolio activity

We have added to our position in **Lloyds Banking Group** over the past twelve months, given the strength of its capital position and strong cash generation. The bank announced a significant increase in the ordinary dividend and the declaration of a special dividend. That Lloyds was able to increase shareholder distributions, despite additional provisions for mis-sold payment protection insurance is testament to its strong capital position and supports the view that the period of capital build for UK banks is reaching a conclusion. Despite the negative impact on net interest margins of deferred UK interest rate rises in the UK, the company was able to reassure that this could be mitigated through falling deposit pricing and a benign backdrop for impairments.

Lloyds Banking Group is the template for what **RBS** and **Barclays** could achieve once they have worked through their legacy issues. We are more positive on **RBS**, due to the relative strength of its capital position, especially following its disposal of the remaining stake in Citizens Financial. As a result we increased our position.

We added to **Standard Chartered** after its rights issue as the low price to book multiple fails to reflect improvements in risk controls, asset quality and capital undertaken by the new Chief Executive as well as the growth opportunities available to the group over the medium term through is deep emerging market trade network.

Within financials we initiated a position in life insurance company **Prudential**. Weakness in the sector reflecting widening credit spreads was exacerbated by concerns over capital controls in China impacting its Asian growth engine as well as a Department of Labor ruling affecting its US variable annuity business. We believe the valuation more than reflects these concerns and represented an excellent opportunity to buy this high quality, cash generative growth franchise.

These additions were largely funded by reducing our holdings in **HSBC** and **Barclays**.

We added mobile telecoms group **Vodafone** to the portfolio on share price weakness as market hopes of a merger with Verizon Wireless were dashed. The European operating environment, however, is showing signs of underlying improvement and the investment the group has made into the quality of its network through Project Spring is leading to improved market performance. Improving operating cash flow coupled with reducing levels of elevated capex should see the high dividend yield covered by free cash flow in 2017. There is an added possibility of a future deal with Verizon.

BAE Systems, the global defence company, saw its share price under pressure in the first half of the period over concerns surrounding the strategic defence security review in the UK and a potential Typhoon order from Saudi Arabia given oil price weakness. However, we believe BAE represents good cyclically-adjusted value given the extent to which the revenue backdrop for defence spending has been under pressure for a number of years. The reduction in conflict-related spending coupled with underlying governmental budgetary pressure in the key US and UK markets has seen defence spending fall 40% from its peak. We believe that a floor in these revenue headwinds has been reached and the attractive long-term earnings visibility of the group and its strong through-cycle cash generation have been overlooked. As a result, we initiated a position in the company during the year.

Manager's Review

We broadened our exposure to the pharmaceuticals sector by initiating new positions in small-cap companies **Clinigen**, **Indivior** and **Skyepharma**. **Clinigen** supplies third-party medicines to pharmaceutical companies which require comparator drugs for clinical trials, sources unlicensed drugs which, under special circumstances, can be used by patients before final approval, and has its own products business, the latter of which has a niche in acquiring overlooked medicines. We believe the valuation looks compelling given its strong growth outlook. **Indivior** develops treatments for opiate-based drug addictions. The company faced generic competition to US sales of its patent-protected film version of the heroine substitute Suboxone, which it has won after the year end. In our opinion, the share price had fallen to a level where the risk of a successful patent challenge was factored in. Furthermore, their new once-monthly injectable treatment for opiate addiction has the potential to replace lost Suboxone sales and the patent protection out to 2024 now provides room to transition patients in the meantime. Meanwhile, a strong long-term pipeline prompted us to acquire a new holding in **Skyepharma**. The business, which is enjoying robust growth in its asthma drug, subsequently reported strong results and revealed plans to merge with Vectura, a rival UK specialist in drugs and inhalers for lung conditions.

We took profits in telecoms company **BT** as the shares performed strongly reflecting strong operational delivery and the acquisition of EE. We believe the medium term outlook remains positive, but in the short term risks increased in advance of Ofcom's regulatory reviews. In addition, we reduced or exited our positions in a number of stocks which have performed well and the valuation opportunity is less-compelling, such as **Melrose**, **Regus**, **Smith & Nephew**, **Taylor Wimpey**, **St James's Place**, **London Stock Exchange** and **Rentokil**.

Outlook

We continue to keep the portfolio cautiously positioned as we remain concerned that the valuation for the median stock in the market remains high and that value is concentrated into an increasingly narrow group of sectors. Such high valuations are leading to increasingly nervous markets, made worse by the EU Referendum result, and markets are increasingly sensitive to short term economic data.

Recent levels of market volatility are reminiscent of periods of market fear such as the Eurozone crisis. Historically these have proven good opportunities to increase risk within the portfolio, however, valuation (as measured by the median stock in the market) is not as supportive as on those previous occasions, and some of the sectors that are cheap by historical standards are cyclicals facing an uncertain outlook (for example the domestic banks). Heightened volatility has also provided an opportunity to rotate portfolios in the past, and we continue to find opportunities to invest. As such, currently we have been more active repositioning the portfolio within sectors rather than using the gearing to raise the overall risk of the portfolio.

The result of the EU Referendum guarantees an uncertain immediate future both economically and politically, with the added danger of collateral damage to, for example, European economies. Domestic growth is likely to be lower than expected earlier, although companies' overseas businesses will be boosted by the fall in sterling since the vote. Our priority now is finding value opportunities in the current market volatility, with the goal also of using the gearing facility if and when enough opportunities emerge.

10 most overweight positions

Security	Portfolio (%)	Index (%)	Difference (%)
Sage	4.0	0.3	+3.7
GlaxoSmithKline	6.6	3.5	+3.1
Balfour Beatty	2.8	0.1	+2.7
Fidessa	2.7	0.0	+2.7
RELX	3.2	0.7	+2.5
Aviva	3.4	0.9	+2.5
JRP Group	2.2	0.0	+2.2
The Royal Bank of Scotland	2.6	0.4	+2.3
Lloyds Banking Group	4.4	2.1	+2.3
Tesco	2.9	0.7	+2.2

Source: Factset, as at 30 April 2016

Our investment approach forces a constant re-evaluation of where the best combination of value and quality lies in the market as well as seeking to invest in companies which appear cheap in a cyclical context. We believe this combination produces a portfolio capable of generating decent and sustainable returns on capital and ultimately cash returns to shareholders over the medium term.

Against a backdrop of low nominal growth and weak profits delivery the market has placed certain companies, whose earning streams appear relatively resilient or are able to deliver strong organic growth, on high valuations. This relative outperformance has been exacerbated further by the recent Brexit vote and accompanying uncertainty over the outlook for UK GDP forecasts. We had been reducing exposure to such companies and were hunting for value in areas of the market where earnings are cyclically depressed and which incorporate a self-help component to their investment case. As such, the domestic banks, defence, construction, food retail and media, pharma and oil sectors currently represent sectors where the portfolio is significantly represented. **Lloyds**, **RBS**, **Standard Chartered**, **JRP Group**, **BAE**, **Chemring**, **Balfour Beatty**, **Tesco**, **Morrison**, **Spirent** and **Royal Dutch Shell** all demonstrate these characteristics across a range of different sectors. Given the possibility that the UK economy now faces a recession in the face of current political and economic uncertainty, we are paying close attention to the extent to which profits may fall from here and balance-sheets are positioned to cope with this change.

Schroder Investment Management Limited

7 July 2016

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

Investment Portfolio

At 30 April 2016

Stocks in bold are the 20 largest investments, which by value account for 69.0% (2015: 67.3%) of total investments. All investments are equities.

	£'000	%
Financials		
Lloyds Banking Group	**11,820**	**4.4**
Aviva	**9,136**	**3.4**
The Royal Bank of Scotland	**6,983**	**2.6**
JRP Group	**5,998**	**2.2**
Prudential	**5,726**	**2.1**
ICAP	5,608	2.1
Standard Chartered	4,425	1.7
HSBC	2,958	1.1
Legal & General	2,696	1.0
Barclays	2,097	0.8
Total Financials	**57,447**	**21.4**
Consumer Services		
RELX	**8,632**	**3.2**
Tesco	**7,759**	**2.9**
Carnival	**5,906**	**2.2**
Daily Mail & General Trust	5,702	2.1
Informa	4,148	1.5
FirstGroup	3,297	1.2
Morrison (Wm)	3,240	1.2
Mitchells & Butlers	1,798	0.7
GAME Digital	1,193	0.4
UMB	952	0.4
Total Consumer Services	**42,627**	**15.8**
Healthcare		
GlaxoSmithKline	**17,628**	**6.6**
AstraZeneca	**10,879**	**4.1**
BTG	2,338	0.9
Indivior	1,409	0.5
Clinigen	1,362	0.5
Skyepharma	1,206	0.5
Total Healthcare	**34,822**	**13.1**
Technology		
Sage	**10,602**	**4.0**
Fidessa	**7,321**	**2.7**
Computacenter	5,198	1.9
Redcentric	2,755	1.0
iomart	2,388	0.9

	£'000	%
Spirent Communications	1,809	0.7
Total Technology	**30,073**	**11.2**
Industrials		
BAE Systems	**7,678**	**2.9**
Balfour Beatty	**7,512**	**2.8**
Smiths Group	4,315	1.6
Chemring	3,373	1.3
Rentokil Initial	3,039	1.1
Qinetiq	1,984	0.7
Smith & Nephew	1,892	0.7
Total Industrials	**29,793**	**11.1**
Oil and Gas		
Royal Dutch Shell 'B'	**19,361**	**7.2**
BP	**6,832**	**2.6**
Royal Dutch Shell 'A'	426	0.2
Total Oil and Gas	**26,619**	**10.0**
Consumer Goods		
British American Tobacco	**11,221**	**4.2**
Imperial Brands	**9,633**	**3.6**
Crest Nicholson	2,622	1.0
Tate & Lyle	1,379	0.5
Total Consumer Goods	**24,855**	**9.3**
Telecommunications		
Vodafone	**8,046**	**3.0**
BT	**6,206**	**2.3**
Total Telecommunications	**14,252**	**5.3**
Utilities		
Centrica	3,655	1.4
Drax Group	1,774	0.7
Total Utilities	**5,429**	**2.1**
Basic Materials		
Victrex	1,291	0.5
Total Basic Materials	**1,291**	**0.5**
Electronic and Electrical Equipment		
Renishaw	620	0.2
Total Electronic and Electrical Equipment	**620**	**0.2**
Total investments	**267,828**	**100.0**

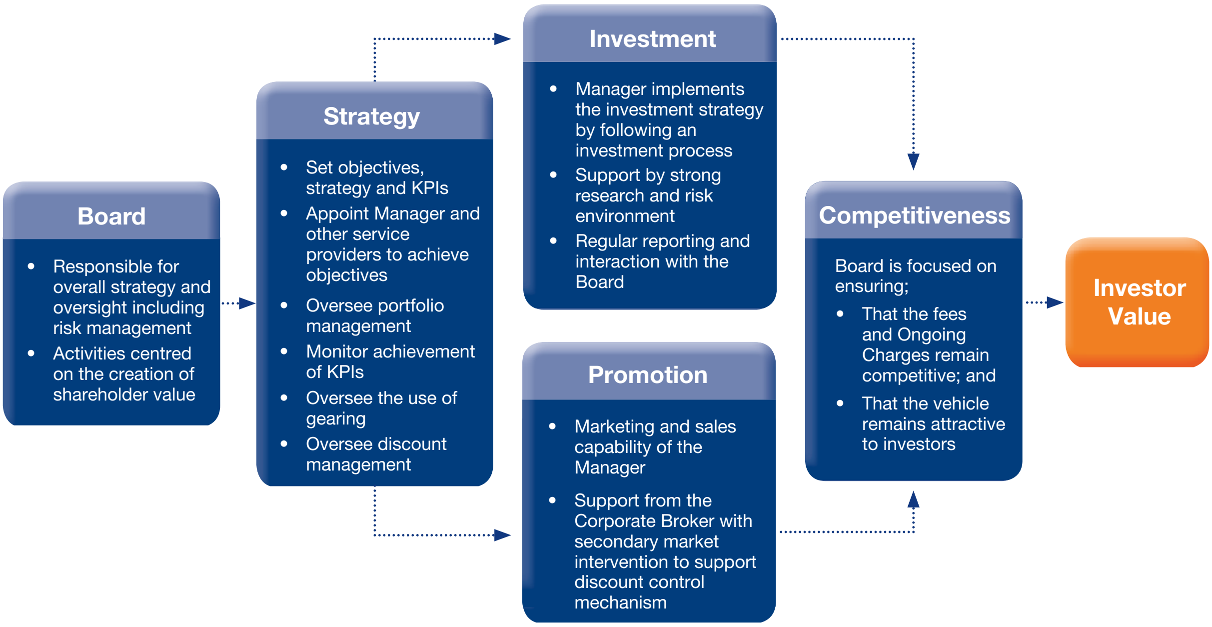
Business model

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

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

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

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



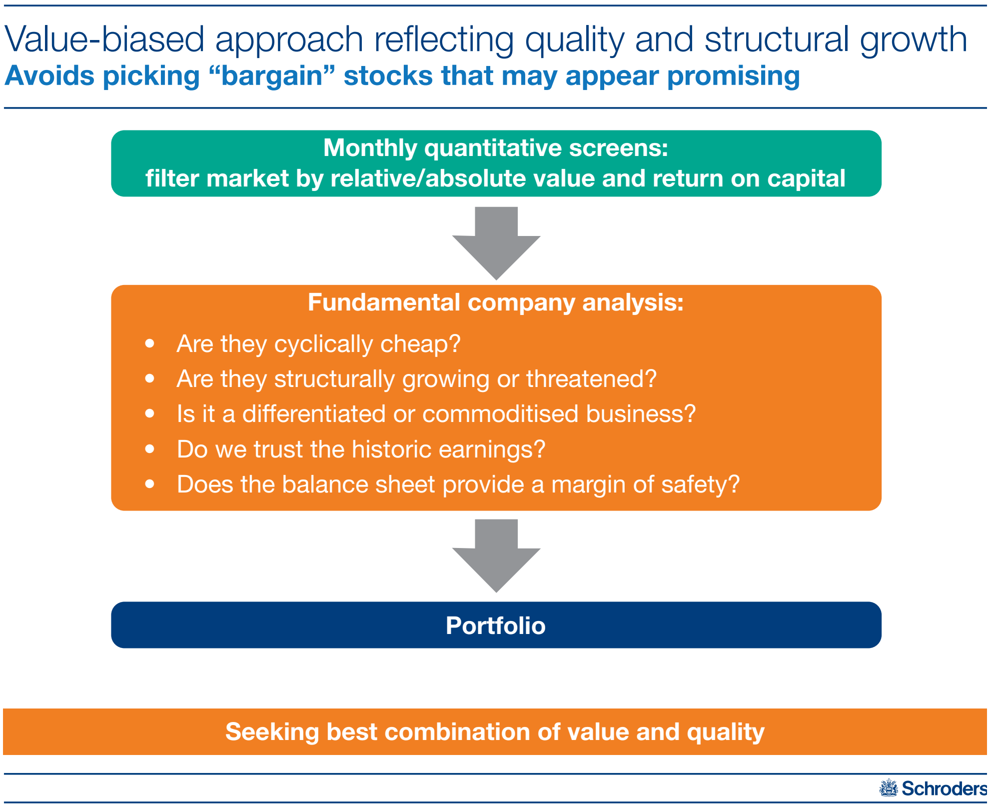
Investment objective and policy

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

The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate.

Investment process: seeking consistent outperformance through the best combination of value and quality

The Manager aims to deliver consistent returns to investors by investing in a focused portfolio of equities, predominantly in constituent companies of the FTSE 350 Index. The Manager takes a value-based approach, assessing the relative quality, structural growth and cyclicality of the portfolio holdings. The investment approach forces a constant re-evaluation of where the best combination of value and quality lies in the market as well as seeking to invest in companies which appear cheap in a cyclical context. This combination aims to produce a portfolio capable of generating decent and sustainable returns on capital and ultimately cash returns to shareholders over the medium term. Gearing – the use of borrowing to amplify returns – will be used tactically when the Manager believes that investors are being well-rewarded for taking on incremental risk.



The Manager believes that, over time, the mis-pricing of stocks compared to their fair value will be recognised by the market. The belief is that valuation is the key determinant of future returns: high valuations are often accompanied by higher growth expectations, resulting in a higher probability of an unsuccessful investment.

The investment process seeks to identify companies that demonstrate the best combination of value and quality. This approach provides a consistent framework with which to identify mispriced investment opportunities and to appraise company valuations.

The process first considers both relative value and absolute value in tandem:

– Relative value is assessed using a monthly screen to rank companies on the basis of the best combination of value and quality;

– Absolute value is assessed by looking at the cyclically adjusted price-to-earnings ratio to iron out the cyclicality of a company's earnings, using a ten year earnings history. This enables the Manager to consider current levels of profits and operating margins in the context of both their own histories and that of the economic cycle.

This systematic screening of the market forces a constant re-evaluation of where this best combination of value and quality lies. The nature of the screens penalises businesses whose profit streams are cyclically extended, are capital intensive, and where those profits do not convert into cash over time.

The next step is to perform fundamental analysis to assess the quality of the business in a more subjective sense since the Manager believes that different businesses should trade on different valuations, depending upon their structural growth characteristics, franchise strength or stability of earnings. In doing so the Manager looks to avoid picking stocks that appear cheap but show little promise for the future.

Typically this results in a focused portfolio of up to 65 large and medium-sized UK companies that the Manager believes have strong business models and franchises, healthy balance sheets and as yet unrecognised potential on a two to three year view. The Manager does not take a macroeconomic view and impose that view top-down onto the portfolio and hence seeks to construct a portfolio that can perform well independent of a particular macro outcome.

In these ways, the Manager aims to build a margin of safety into the investments, seeking companies with significant upside opportunities that also offer a degree of downside protection through, for example, cash on the balance sheet, recurring revenue streams or low valuation. Upside opportunities are typically presented in the form of management initiatives, unrecognised growth potential or cyclical recovery and low valuation.

Investment restrictions and spread of risk

The key restrictions imposed on the Manager are that: (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the Company's total assets, at the date of acquisition, may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies or investment trusts; (c) the Company will not invest more than 15% of its gross assets in other listed investment companies or investment trusts; (d) no more than 15% of the Company's total net assets may be invested in open-ended funds; (e) no more than 5% of the Company's total net assets may be invested in each of smaller capitalisation stocks and AIM stocks; and (f) no holding to exceed 2% of the issued share capital of any company.

The Investment Portfolio on page 10 demonstrates that, as at 30 April 2016, the Company held 52 investments spread over 11 sectors. The largest investment, Royal Dutch Shell "B" represented 7.2% of total investments at 30 April 2016. 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.

Promotion

The Company promotes its shares to a broad range of investors 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 promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary Fund Managers. The Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.
- Execution Only investors. The Company promotes its shares via engaging with platforms and through its website. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.
- The Company also promotes its shares to institutional investors.

The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate. 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 adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 3 and in the Explanation of Special Business at the AGM on page 50.

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company.

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

Corporate and Social Responsibility

Board diversity

As at 30 April 2016, the Board comprised three men and two women. 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.

Responsible investment policy

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

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The Board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The Board monitors the implementation of this policy through regular reporting by the Manager on its engagement activity, how it is integrated into the investment process, and the outcomes of the activity.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy.

Greenhouse gas emissions

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

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in June 2016.

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

A summary of the principal risks and uncertainties faced by the Company which have remained unchanged throughout the year, and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, is set out below.

Risk	Mitigation and management
Strategic risk	
The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying net asset value.	Appropriateness of the Company's investment remit periodically reviewed and success of the Company in meeting its stated objectives is monitored. Share price relative to net asset value monitored and use of buy back authorities considered on a regular basis. Marketing and distribution activity is actively reviewed.
Investment management risk	
The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager.
Financial and currency risk	
The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company's underlying investments.	Risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	Ongoing competitiveness of all service provider fees subject to periodic benchmarking against competitors. Annual consideration of management fee levels.
Custody risk	
Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.	Depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings are independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. Annual report from the Depositary on its activities, including matters arising from custody operations.

Risk	Mitigation and management
Gearing and leverage risk	
The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 20% of shareholders' funds in cash or cash equivalents.
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. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against disclosure of inside information.
Service provider risk	
The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, Depositary and Registrar. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.

Risk assessment and internal controls

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

A full analysis of the financial risks facing the Company is set out in note 19 on pages 45 to 49.

Viability statement

The Directors have assessed the prospects of the Company over the three year period to the Annual General Meeting in 2019. The Directors believe this period to be appropriate as that they will be required by the Company's Articles of Association to put forward a proposal for the continuation of the Company at that meeting and therefore cannot presume that such resolution will be passed by shareholders.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 15 and 16 and in particular the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary, and on that basis consider that three years is an appropriate time period.

Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to the Annual General Meeting in 2019.

Going concern

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

By Order of the Board

Schroder Investment Management Limited
Company Secretary

7 July 2016

Board of Directors

Alan Clifton

Status: Independent Non-Executive Chairman
Length of service: 15 years, appointed a Director in June 2001 and Chairman in August 2002
Experience: He was previously the Managing Director of Morley Fund Management (now Aviva Investors), the asset management arm of Aviva plc. He is currently Chairman of JPMorgan Japan 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.
Committee membership: Management Engagement and Nomination Committees (Chairman of the Management Engagement Committee)
Current remuneration: £35,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Bob Cowdell

Status: Independent Non-Executive Director
Length of Service: 4 years, appointed a Director in November 2011
Experience: He is currently the Chairman of Real Estate Credit Investments PCC Limited and a Non-Executive Director of Thomas Miller Holdings Limited and a former Non-Executive Director of Catlin Insurance Company (UK) Limited, Catlin Underwriting Agencies Limited, XL Insurance Company SE and XL London Market Limited. He was previously co-founder and Head of the ABN AMRO Global Investment Funds Team and Head of Financials at RBS Hoare Govett.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Carolan Dobson

Status: Independent Non-Executive Director
Length of Service: 2 years, appointed a Director in March 2014
Experience: 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 The Brunner Investment Trust plc and Blackrock Latin American 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.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Board of Directors

Andrew Hutton

Status: Senior Independent Non-Executive Director
Length of Service: 8 years, appointed a Director in September 2008 and Senior Independent Director in April 2015.
Experience: He is owner and Director of A.J. Hutton Ltd., an investment advisory firm. He was previously a Managing Director of JP Morgan and Head of Investment Management at Coutts Group. He is currently Chairman of JP Morgan Global Emerging Markets Income Trust PLC.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Nomination Committee)
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Stella Pirie OBE

Status: Independent Non-Executive Director
Length of Service: 13 years, appointed a Director in August 2002
Experience: She was formerly Senior Independent Director and Audit Committee Chairman of Avon Rubber plc. She has been Chair of Governors of Bath Spa University and a Director of GCap Media plc and a number of other public and private sector companies.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Audit Committee)
Current remuneration: £28,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None

Strategic Report
Governance
Financial
Annual General Meeting

Report of the Directors

The Directors submit their Report and the audited financial statements of the Company for the year ended 30 April 2016.

Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £9,262,000 (2015: £9,475,000), equivalent to a revenue return per ordinary share of 5.77 pence (2015: 5.89 pence).

Having already paid a dividend of 2.60p per share, the Board has declared a second interim dividend of 2.60p per share for the year ended 30 April 2016 taking ordinary dividends for the full year to 5.20p (2015: 5.00p) per share. The dividend is payable on 29 July 2016 to shareholders on the register on 15 July 2016. As in previous years, dividends are declared as interims to enable payment at the end of January and July.

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 18 and 19. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 30.

In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Ms Dobson and Mrs Pirie will retire at the AGM, and being eligible, offer themselves for re-election.

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

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

The Board, having taken all relevant matters into account, considers that Ms Dobson and Mrs Pirie continue to demonstrate commitment to their roles, provide valuable contributions to the deliberations of the Board and remain free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of their re-elections.

Mr Clifton will retire at the forthcoming AGM and will not seek re-election and Ms Dobson will become Chairman on that date.

Share capital

As at the date of this Report, the Company had 160,233,184 ordinary shares of 25p in issue. A total of 684,000 shares were held in Treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 160,233,184. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 44.

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
1607 Capital Partners LLC	20,833,461	13.00%
Rathbone Brothers PLC	7,958,326	4.97%
Quilter & Co Ltd	7,735,411	4.83%
Investec Wealth & Investment Limited	6,911,698	4.31%
Barclays plc	6,018,095	3.76%
East Riding of Yorkshire Council	5,000,000	3.12%

Key service providers

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

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager ("AIFM") Agreement. The AIFM Agreement, which is governed by the laws of England and Wales, can be terminated by either party on three months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this Report no such notice had been given by either party.

SUTL is authorised and regulated by the Financial Conduct Authority ("FCA") and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM Agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £324.9 billion (as at 31 March 2016) 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 fee waiver which came into effect following the departure of a previous lead portfolio manager in September 2014 came to an end during December 2015, following which a reduced management fee of 0.5% p.a. has been payable.

The management fee payable in respect of the year ended 30 April 2016 amounted to £503,000 (2015: £859,000).

Details of all amounts payable to the Manager are set out in note 16 on page 45.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM Agreement, further details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

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

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

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Report of the Directors

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code in September 2014 (the "Code") which applies to accounting periods beginning on or after 1 October 2014 and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Compliance statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 27 and the Viability Statement and Going Concern Statement set out on page 17, indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

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

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 18. He has no conflicting relationships.

Role and operation of the Board

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

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

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

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

Training and development

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

Conflicts of interest

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

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Senior Independent Director. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place in June 2016.

Directors' and officers' liability insurance and indemnity

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

Directors' attendance at meetings

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

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

Director	Board	Nominations Committee	Audit Committee
Alan Clifton	5/5	3/3	2/2
Bob Cowdell	5/5	3/3	2/2
Carolan Dobson	5/5	3/3	2/2
Andrew Hutton	5/5	3/3	2/2
Stella Pirie	5/5	3/3	2/2

The timing of the Management Engagement Committee meeting changed during the year from March to September and as a result no meeting was held during the year under review.

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

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpage and the Annual Report which aims to provide shareholders with a clear understanding of the Company's activities and its results.

The Chairmen of the Board and its committees, as well as the Senior Independent Director, 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 20 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 outside back 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 the Board.

Committees

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

The Committees of the Board have defined Terms of Reference which are available on the webpage www.schroderukgrowthfund.com. Membership of the Committees is set out on pages 18 and 19 of this Report.

Nomination Committee

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

To discharge its duties the Nomination Committee met on three occasions during the year to consider Board balance, skills and succession planning, including the appointment of a successor Chairman. Mr Clifton did not participate in discussions regarding the appointment of his successor.

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, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new Director. The Board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

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

Management Engagement Committee

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

As explained earlier in this Report, due to a change in timing of meetings of the Committee, no meeting was held during the year under review. The next meeting will be held during the second half of 2016.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

7 July 2016

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the Terms of Reference. Membership of the Committee is as set out on pages 18 and 19. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Audit Committee met twice during the year ended 30 April 2016. The Audit Committee discharged its responsibilities by:

- considering its Terms of Reference;
- reviewing the operational controls maintained by the Manager and Depositary;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditors;
- evaluating the Auditors' performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 30 April 2016, 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 its reporting:

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

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 April 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the statement of Directors' responsibilities on page 27.

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 its re-appointment at the forthcoming Annual General Meeting. This evaluation involved an assessment of the effectiveness of the Auditors' performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager on the audit process and the year end report from the Auditors, which details compliance with regulatory

Report of the Audit Committee

requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also met the Auditors without representatives of the Manager present.

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

The Auditors are required to rotate the Senior Statutory Auditor every five years. This is the fourth year that the Senior Statutory Auditor has conducted the audit of the Company's financial statements. PricewaterhouseCoopers LLP has provided audit services to the Company from its incorporation in 1994 to date. The Audit Committee is aware that the European Union has proposed changes which will substantially change the statutory audit of public interest enterprises which includes UK listed companies. These changes are in addition to guidance issued by the Finance Reporting Council and the findings of the UK Competition Commission. The Audit Committee has kept this matter under review and has concluded that PricewaterhouseCoopers LLP must be replaced before commencement of the audit in 2021, and the Audit Committee will consider putting the audit out to tender before that date.

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

Independent Auditors

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

Provision of information to the Auditors

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

Provision of non-audit services

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

The Auditors have provided taxation compliance services to the Company during the year, for which they received a fee of £2,000 (2015: £2,000).

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 Audit Committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Directors will continue to annually review whether an internal audit function is needed.

Stella Pirie
Audit Committee Chairman

7 July 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Report of the Directors, 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 the Directors 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 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 return 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Each of the Directors, whose names and functions are listed on pages 18 and 19, confirm 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 contained in the Report and Accounts 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
- 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 position and performance, business model and strategy.

By order of the Board

Alan Clifton
Chairman

7 July 2016

Remuneration Report

Introduction

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

The following Remuneration Policy is currently in force and is subject to a binding vote every three years. The full policy provisions will continue to apply until the AGM to be held in 2017 unless a revised remuneration policy is approved by shareholders prior to such AGM. In addition, the below Directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 5 August 2014, 99.78% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour, while 0.22% were against. 14,615,232 votes were withheld.

At the AGM held on 5 August 2015, 99.76% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the year ended 30 April 2015 were in favour, while 0.24% were against. 210,685 votes were withheld.

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. 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. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long term strategic objectives.

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

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

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

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

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

Directors' annual report on remuneration

This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 April 2016.

Fees paid to Directors

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 30 April 2016 and the previous financial year:

	Salary/fees	
Director	**2016 £**	2015 £
Alan Clifton (Chairman)	**35,000**	35,000
Bob Cowdell	**25,000**	25,000
Carolan Dobson	**25,000**	25,028
Andrew Hutton	**25,000**	25,000
Stella Pirie	**28,000**	28,250
David Ritchie[1]	**–**	6,640
Total	**138,000**	144,918

[1]Retired as a Director on 5 August 2014.

The information in the above table has been audited.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in March 2016. The members of the Board at the time that remuneration levels were considered were as set out on pages 18 and 19 of this Annual Report. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the annual review, the Board decided that Directors' fees should remain unchanged. Directors' fees were last increased in November 2013.

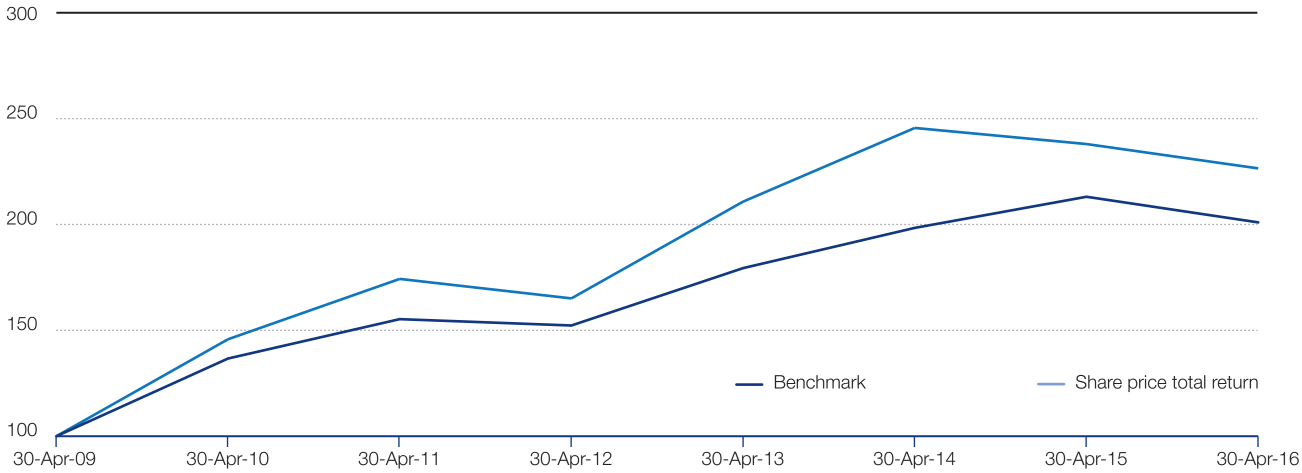
Expenditure by the Company on remuneration and distributions to shareholders

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

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000	Change %
Remuneration paid to Directors	**138**	145	–4.8
Distributions paid to shareholders – dividends	**9,798**	9,253	+5.9

Remuneration Report

7 Year Share Price and Benchmark Total Returns



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

Directors' share interests

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

	At 30 April 2016	At 1 May 2015
Alan Clifton	**50,000**	42,000
Bob Cowdell	**8,648**	8,322
Carolan Dobson	**15,960**	15,960
Andrew Hutton	**50,000**	50,000
Stella Pirie	**47,638**	46,603

The information in the above table has been audited (see Independent Auditors' Report on pages 31 to 34).

Alan Clifton
Chairman

7 July 2016

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

Report on the financial statements

Our opinion

In our opinion, Schroder UK Growth Fund plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 April 2016 and of its loss 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Statement of Financial Position as at 30 April 2016;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Materiality

- Overall materiality: £2.7 million which represents 1% of net assets.

Audit Scope

- The Company is a standalone Investment Trust Company and engages Schroder Unit Trusts Limited (the "Manager") to manage its assets.
- We conduct our audit of the financial statements at the offices of HSBC Securities Services (the "Administrator") who the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

Areas of focus

- Income from investments.
- Valuation and existence of investments.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

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

Area of focus	How our audit addressed the area of focus
Income from investments Refer to pages 25 and 26 (Report of the Audit Committee), page 38 and 39 (Accounting Policies) and page 40 (notes). ISAs (UK & Ireland) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as capital rather than revenue due to the pressure management may feel to achieve capital growth in line with the objective of the Company. We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP").	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the classification of income and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Valuation and existence of investments Refer to pages 25 and 26 (Report of the Audit Committee), pages 38 and 39 (Accounting Policies) and page 43 (Notes to the Accounts). The investment portfolio at 30 April 2016 comprised listed equity investments of £268 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We 100% tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We agreed the existence of investments to independent third party sources by agreeing the holdings of investments to an independent confirmation from the Depositary, HSBC Bank plc. No differences were identified.

How we tailored the audit scope

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

The Company's accounting is delegated to the Administrator who maintains its own accounting records and controls and reports to the Manager and the Directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment involved obtaining and reading the relevant control reports, issued by the independent auditors of the Manager and the Administrator in accordance with generally accepted assurance standards for such work, to gain an understanding of both the Manager's and Administrator's control environment and to consider the operating and accounting structure at both the Manager and the Administrator. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

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

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

Overall materiality	£2.7million (2015: £3.0m).
How we determined it	1% of net assets.

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

Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year on year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £138,000 (2015: £150,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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.

ISAs (UK & Ireland) reporting

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 – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 27, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), 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 position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 25, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on pages 15 and 16 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Company, including that those would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 17 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

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 page 27, 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.

What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through substantive procedures.

In addition, we read all the financial and non-financial information in 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.

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

7 July 2016

- The maintenance and integrity of the Schroders website is the responsibility of the Manager; 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 2016

	Note	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Losses on investments held at fair value through profit or loss	2	**–**	**(22,277)**	**(22,277)**	–	(3,593)	(3,593)
Income from investments	3	**9,836**	**88**	**9,924**	10,357	–	10,357
Other interest receivable and similar income	3	**3**	**–**	**3**	15	–	15
Gross return/(loss)		**9,839**	**(22,189)**	**(12,350)**	10,372	(3,593)	6,779
Investment management fee	4	**(151)**	**(352)**	**(503)**	(258)	(601)	(859)
Administrative expenses	5	**(430)**	**–**	**(430)**	(572)	–	(572)
Net return/(loss) before finance costs and taxation		**9,258**	**(22,541)**	**(13,283)**	9,542	(4,194)	5,348
Finance costs	6	**–**	**–**	**–**	(46)	(108)	(154)
Net return/(loss) on ordinary activities before taxation		**9,258**	**(22,541)**	**(13,283)**	9,496	(4,302)	5,194
Taxation on ordinary activities	7	**4**	**–**	**4**	(21)	–	(21)
Net return/(loss) on ordinary activities after taxation		**9,262**	**(22,541)**	**(13,279)**	9,475	(4,302)	5,173
Return/(loss) per share	9	**5.77p**	**(14.04)p**	**(8.27)p**	5.89p	(2.67)p	3.22p

Dividends declared in respect of the financial year ended 30 April 2016 amount to 5.20p (2015: 6.00p) per share. Further information on dividends is given in note 8 on page 42.

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 Income Statement and Statement of Changes in Equity.

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 38 to 49 form an integral part of these accounts.

Statement of Changes in Equity

for the year ended 30 April 2016

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 April 2014	40,229	9,875	19,759	417	78,071	146,314	8,252	302,917
Net (loss)/return on ordinary activities after taxation	–	–	–	–	–	(4,302)	9,475	5,173
Dividends paid in the year	–	–	–	–	–	–	(9,253)	(9,253)
At 30 April 2015	40,229	9,875	19,759	417	78,071	142,012	8,474	298,837
Net (loss)/return on ordinary activities after taxation	–	–	–	–	–	(22,541)	9,262	(13,279)
Repurchase of the Company's own shares into Treasury	–	–	–	–	(880)	–	–	(880)
Dividends paid in the year	–	–	–	–	–	–	(9,798)	(9,798)
At 30 April 2016	**40,229**	**9,875**	**19,759**	**417**	**77,191**	**119,471**	**7,938**	**274,880**

The notes on pages 38 to 49 form an integral part of these accounts.

Statement of Financial Position

at 30 April 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**267,828**	286,576
Current assets			
Debtors	11	**3,503**	1,741
Cash at bank and in hand		**5,553**	10,612
		9,056	12,353
Current liabilities			
Creditors: amounts falling due within one year	12	**(2,004)**	(92)
Net current assets		**7,052**	12,261
Total assets less current liabilities		**274,880**	298,837
Net assets		**274,880**	298,837
Capital and reserves			
Called-up share capital	13	**40,229**	40,229
Share premium	14	**9,875**	9,875
Capital redemption reserve	14	**19,759**	19,759
Warrant exercise reserve	14	**417**	417
Share purchase reserve	14	**77,191**	78,071
Capital reserves	14	**119,471**	142,012
Revenue reserve	14	**7,938**	8,474
Total equity shareholders' funds		**274,880**	298,837
Net asset value per share	15	**171.40p**	185.71p

These accounts were approved and authorised for issue by the Board of Directors on 7 July 2016 and signed on its behalf by:

Alan Clifton
Chairman

The notes on pages 38 to 49 form an integral part of these accounts.

Registered in England and Wales

Company registration number: 2894077

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006. United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("the SORP") issued by the Association of Investment Companies in November 2014 and which superseded the SORP issued 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 through profit or loss.

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

The Company has adopted Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the amended SORP, both of which became effective for periods beginning on or after 1 January 2015. FRS 102 replaces all extant standards applicable to the Company's accounts. As a result there are some presentational changes to the accounts but no change in the way numbers are measured. The adoption of FRS 102 has not affected the reported financial position or financial performance of the Company.

The changes to these accounts required by FRS 102 and the amended SORP may be summarised briefly as follows:

- the reconciliation of movements in shareholders' funds has been renamed "Statement of changes in equity";
- the balance sheet has been renamed "Statement of financial position";
- the Company no longer presents a statement of cash flows or the two related notes, as it is no longer required for an investment company which meets certain specified conditions; and
- footnotes have been added to note 14, indicating which of the Company's reserves are regarded as distributable.

Other than these changes, the accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 April 2015.

The Company has early adopted an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016 regarding the categorisation of financial instruments into the fair value hierarchy in note 18. As a result of this amendment, the criteria used to allocate financial instruments into the three levels remain unchanged from prior years.

(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".

(d) Income

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

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 included in revenue on a receipts basis. Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance included in 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 page 43.

(f) Finance costs

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

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

(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.

(h) Taxation

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

Deferred tax is accounted for in accordance with FRS 102.

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

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Dividends payable

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

(k) Repurchases of shares into Treasury and subsequent reissues

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

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

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

	2016 £'000	2015 £'000
Losses on sales of investments based on historic cost	(6,975)	(11,454)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(4,592)	(4,625)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(11,567)	(16,079)
Net movement in investment holding gains and losses	(10,710)	12,486
Losses on investments held at fair value through profit or loss	(22,277)	(3,593)

3. Income

	2016 £'000	2015 £'000
Income from investments:		
UK dividends	9,836	10,176
Property income dividends	–	57
Scrip dividends	–	124
	9,836	10,357
Other interest receivable and similar income		
Deposit interest	3	4
Miscellaneous Income	–	6
Underwriting commission	–	5
	3	15
Total income	9,839	10,372
Capital:		
Special dividend allocated to capital	88	–

4. Investment management fee

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	151	352	503	258	601	859

The basis for calculating the investment management fee is set out in the Report of the Directors on page 21 and details of all amounts payable to the Manager are given in note 16 on page 45.

5. Administrative expenses

	2016 £'000	2015 £'000
Administration expenses	266	402
Directors' fees[1]	138	145
Auditors' remuneration for audit services[2]	24	23
Auditors' remuneration for taxation compliance services[3]	2	2
	430	572

[1]Details of all amounts payable to Directors are given in the Remuneration Report on page 29.
[2]Includes £4,000 (2015: £4,000) irrecoverable VAT.
[3]Includes £400 (2015: £400) irrecoverable VAT.

6. Finance costs

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Interest on bank loans and overdrafts	–	–	–	46	108	154

7. Taxation

	2016 £'000	2015 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	**(4)**	21
Tax charge for the year	**(4)**	21

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2015: lower) than the Company's applicable rate of corporation tax for the year of 20.00% (2015: 20.92%).

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

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Net return/(loss) on ordinary activities before taxation	**9,258**	**(22,541)**	**(13,283)**	9,496	(4,302)	5,194
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 20.00% (2015: 20.92%)	**1,852**	**(4,508)**	**(2,656)**	1,987	(900)	1,087
Effects of:						
Capital returns on investments	**–**	**4,455**	**4,455**	–	752	752
Income not chargeable to corporation tax	**(1,967)**	**(18)**	**(1,985)**	(2,155)	–	(2,155)
Unrelieved expenses	**115**	**71**	**186**	168	148	316
Irrecoverable overseas tax	**(4)**	**–**	**(4)**	21	–	21
Tax charge for the year	**(4)**	**–**	**(4)**	21	–	21

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £7,196,000 (2015: £7,809,000) based on a prospective corporation tax rate of 18% (2015: 20%). The reduction in the standard rate of corporation tax was substantively enacted in October 2015 and is effective from 1 April 2020.

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

Given the Company's status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

	2016 £'000	2015 £'000
(a) Dividends paid and declared		
2015 second interim dividend of 2.50p (2014: 2.25p) paid out of revenue profits[1]	**4,017**	3,621
2015 special dividend of 1.00p (2014: 1.00p) paid out of revenue profits[1]	**1,607**	1,609
2016 first interim dividend of 2.60p (2015: 2.50p) paid out of revenue profits	**4,174**	4,023
Total dividends paid in the year	**9,798**	9,253

	2016 £'000	2015 £'000
2016 second interim dividend declared of 2.60p (2015: 2.50p) to be paid out of revenue profits	**4,170**	4,023
2015 special dividend of 1.00p declared and paid out of revenue profits	**–**	1,609
Total dividends declared	**4,170**	5,632

[1]The 2015 second interim and special dividends declared amounted to £4,023,000 and £1,609,000 respectively. However the amounts actually paid were £4,017,000 and £1,607,000 respectively, as shares were repurchased and cancelled after the accounting date but prior to the dividend Record Date.

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

The requirements of S1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £9,262,000 (2015: £9,475,000).

	2016 £'000	2015 £'000
First interim dividend of 2.60p (2015: 2.50p)	**4,174**	4,023
Second interim dividend of 2.60p (2015: 2.50p)	**4,170**	4,023
2015 special dividend of 1.00p	**–**	1,609
Total dividends of 5.20p (2015: 6.00p) per share	**8,344**	9,655

9. Return/(loss) per share

	2016	2015
Revenue return (£'000)	**9,262**	9,475
Capital loss (£'000)	**(22,541)**	(4,302)
Total (loss)/return (£'000)	**(13,279)**	5,173
Weighted average number of shares in issue during the year	**160,591,922**	160,917,184
Revenue return per share	**5.77p**	5.89p
Capital loss per share	**(14.04)p**	(2.67)p
Total (loss)/return per share	**(8.27)p**	3.22p

10. Investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Opening book cost	**270,337**	314,119
Opening investment holding gains	**16,239**	8,378
Opening valuation	**286,576**	322,497
Purchases at cost	**96,997**	307,472
Sales proceeds	**(93,468)**	(339,800)
Losses on sales of investments based on the carrying value at the previous balance sheet date	**(11,567)**	(16,079)
Net movement in investment holding gains and losses	**(10,710)**	12,486
Closing valuation	**267,828**	286,576
Closing book cost	**266,891**	270,337
Closing investment holding gains	**937**	16,239
Total investments held at fair value through profit or loss	**267,828**	286,576

All investments are listed on a recognised stock exchange.

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

	2016 £'000	2015 £'000
On acquisitions	**506**	1,818
On disposals	**70**	575
	576	2,393

11. Debtors

	2016 £'000	2015 £'000
Dividends and interest receivable	**1,785**	1,716
Securities sold awaiting settlement	**1,696**	–
Taxation recoverable	**11**	7
Other debtors	**11**	18
	3,503	1,741

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

12. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Securities purchased awaiting settlement	**1,562**	–
Other creditors and accruals	**442**	92
	2,004	92

During the year, the Company extended its one year, Revolving Credit Facility with Scotiabank, to 12 July 2016, but with a reduced limit of £17.5 million (2015: £35 million). The facility was not utilised during the year and was undrawn at the comparative year end. Further details are given in note 19(a)(i) on page 46.

During the year, the Company arranged a £17.5 million overdraft facility with HSBC Bank plc, which has not been utilised.

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

13. Called-up share capital

	2016 £'000	2015 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 160,917,184 (2015: same) shares of 25p each:	**40,229**	40,229
Repurchase of 542,000 (2015: nil) shares into Treasury	**(135)**	–
Subtotal of 160,375,184 (2015: 160,917,184) shares	**40,094**	40,229
542,000 (2015: nil) shares held in Treasury	**135**	–
Closing balance[1]	**40,229**	40,229

[1]Represents 160,917,184 (2015: 160,917,184) shares of 25p each, including 542,000 (2015: nil) shares held in Treasury. During the year, the Company purchased 542,000 of its own shares, nominal value £135,500, to hold in Treasury for a total consideration of £880,000 representing 0.34 % of the shares outstanding at the beginning of the year. The reason for these share purchases is to seek to manage the volatility of the share price discount to net asset value per share.

14. Reserves

					Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	**9,875**	**19,759**	**417**	**78,071**	**125,773**	**16,239**	**8,474**
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	**–**	**–**	**–**	**(11,567)**	**–**	**–**
Net movement in investment holding gains and losses	**–**	**–**	**–**	**–**	**–**	**(10,710)**	**–**
Transfer on disposal of investments	**–**	**–**	**–**	**–**	**4,592**	**(4,592)**	**–**
Management fee and finance costs allocated to capital	**–**	**–**	**–**	**–**	**(352)**	**–**	**–**
Special dividend allocated to capital	**–**	**–**	**–**	**–**	**88**	**–**	**–**
Repurchase of the Company's own shares into Treasury	**–**	**–**	**–**	**(880)**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(9,798)**
Retained revenue for the year	**–**	**–**	**–**	**–**	**–**	**–**	**9,262**
Closing balance	**9,875**	**19,759**	**417**	**77,191**	**118,534**	**937**	**7,938**

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

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

15. Net asset value per share

	2016	2015
Total equity shareholders funds (£'000)	**274,880**	298,837
Shares in issue at the year end, excluding shares held in Treasury	**160,375,184**	160,917,184
Net asset value per share	**171.40p**	185.71p

16. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive a management fee. Details of the basis of the calculation are given in the Report of the Directors on page 21. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the calculation and therefore incur no fee. The fee payable in respect of the year ended 30 April 2016 amounted to £503,000 (2015: £859,000) of which £338,000 (2015: nil) was outstanding at the year end.

Following the departure of the portfolio manager in September 2014, the Manager agreed to bear portfolio transition costs of £1.615 million by way of a management fee waiver with effect from 1 November 2014. This waiver reduced the fee payable for the year ended 30 April 2016 by £892,000 and reduced the fee payable for the preceding year by £723,000.

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

17. Related party transactions

The Company has no related parties other than it Directors. Details of the remuneration payable to Directors is given in the Remuneration Report on page 29. Details of Directors' shareholdings are given in the Remuneration Report on page 30.

18. Disclosures regarding financial instruments measured at fair value

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

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below. Note that the criteria used to categorise investments include an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016, and which the Company has early adopted.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.
Level 2 – valued using observable inputs other than quoted prices included within Level 1.
Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 38.

At 30 April 2016, all investments in the Company's portfolio are categorised as Level 1 (2015: same).

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

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

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

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

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

- investments in equity shares which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- a sterling credit facility with Scotiabank and an overdraft facility with HSBC Bank plc, the purpose of which are to manage working capital requirements and to gear the Company if 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.

The possible effects on cash flows that could arise as a result of changes in interest rates would be taken into account if the Company were to borrow on its credit or overdraft facilities. However, amounts drawn down on these facilities would be for short term periods and therefore exposure to interest rate risk would not be significant.

Interest rate exposure

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

	2016 £'000	2015 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	5,553	10,612
Total exposure	**5,553**	10,612

Interest receivable on cash balances is at a margin below LIBOR (2015: same).

During the year, the Company extended its one year Revolving Credit Facility with Scotiabank to 12 July 2016 but with a reduced limit of £17.5 million (2015: £35 million). 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. The facility was not utilised during the year and was undrawn at the comparative year end.

During the year, the Company arranged a £17.5 million overdraft facility with HSBC Bank plc, which has not been utilised.

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

	2016 £'000	2015 £'000
Minimum credit/maximum debit interest rate exposure during the year – net cash/(debt) balances	4,552	(24,452)
Maximum credit interest rate exposure during the year – net cash balances	12,724	17,126

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2015: 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.

	2016 0.5% increase in rate £'000	2016 0.5% decrease in rate £'000	2015 0.5% increase in rate £'000	2015 0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**28**	**(28)**	53	(53)
Total return after taxation	**28**	**(28)**	53	(53)
Net assets	**28**	**(28)**	53	(53)

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 its credit facility or overdraft facility.

(ii) Market price risk

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

Management of market price risk

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

Market price risk exposure

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

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	**267,828**	286,576

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 10. 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 the Company's investments may not be entirely exposed to economic conditions in the UK, as many companies listed in the UK do much of their business overseas.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2015: 10%) in the fair value of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure to market price risk through its portfolio of investments and assumes all other variables are held constant.

	2016 10% increase in fair value £'000	2016 10% decrease in fair value £'000	2015 10% increase in fair value £'000	2015 10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**–**	**–**	–	–
Capital return	**26,783**	**(26,783)**	28,658	(28,658)
Total return after taxation and net assets	**26,783**	**(26,783)**	28,658	(28,658)
Change in net asset value	**9.7%**	**(9.7)%**	9.6%	(9.6)%

(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 credit facilities.

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 if 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 2016 £'000	Three months or less 2015 £'000
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	1,562	–
Other creditors and accruals	442	92
	2,004	92

(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.

Exposure to the Custodian

The Custodian of the Company's assets is HSBC Bank plc which has Long Term Credit Ratings of AA- with Fitch and a A1 with Moody's. The Company's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the Custodian as banker and held on the Custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the Custodian in respect of cash balances.

Credit risk exposure

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

	2016		2015	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	267,828	–	286,576	–
Current assets				
Debtors – dividends and interest receivable and other debtors	1,807	1,796	1,741	1,723
Securities sold awaiting settlement	1,696	1,696	–	–
Cash at bank and in hand	5,553	5,553	10,612	10,612
	276,884	9,045	298,929	12,335

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 at fair value or the amount in the Statement of Financial Position is a reasonable approximation of fair value.

20. Capital management policies and procedures

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

The Company's capital structure comprises the following:

	2016 £'000	2015 £'000
Equity		
Called-up share capital	**40,229**	40,229
Reserves	**234,651**	258,608
Total equity	**274,880**	298,837

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. Neither the credit facility nor the new overdraft facility were utilised during the current year and the credit facility was undrawn at the comparative year end.

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.

21. Events after the end of the reporting period

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities, reported at the balance sheet date of 30 April 2016.

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Thursday, 4 August 2016 at 12.00 noon. The formal Notice of Meeting is set out on page 51.

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

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

Resolution 7 – Directors' authority to allot shares (Ordinary Resolution) and Resolution 8 – 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 £4,005,829 (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 £4,005,829 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in Treasury. The Board has established guidelines for Treasury shares and will only reissue shares held in Treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

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

If approved, both of these authorities will expire at the conclusion of the AGM in 2017 unless renewed, varied or revoked earlier.

Resolution 9: Authority to make market purchases of the Company's own shares (Special Resolution)

At the AGM held on 5 August 2015, the Company was granted authority to make market purchases of up to 24,085,509 ordinary shares of 25p each for cancellation. A total of 444,000 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 23,641,509 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 2016 AGM will lapse at the conclusion of the AGM in 2017 unless renewed, varied or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Growth Fund plc will be held at 31 Gresham Street, London EC2V 7QA on Thursday, 4 August 2016 at 12.00 noon to consider the following resolutions of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 April 2016.
2. To approve the Directors' Annual Report on Remuneration for the year ended 30 April 2016.
3. To approve the re-election of Carolan Dobson as a Director of the Company.
4. To approve the re-election of Stella Pirie as a Director of the Company.
5. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
6. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
7. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

   "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £4,005,829 (being 10% of the issued ordinary share capital, excluding shares held in Treasury, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
8. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

   "That, subject to the passing of Resolution 7 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 7 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 £4,005,829 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
9. To consider and, if thought fit, to pass the following resolution as a special resolution:

   "THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company ("Shares") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

   (a) the maximum number of Shares which may be purchased is 24,018,954, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice (excluding Treasury shares);

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

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

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

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

   (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2017 (unless previously renewed, varied or revoked by the Company prior to such date);

   (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and

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

By order of the Board
For and on behalf of
Schroder Investment Management Limited
Registered Number: 2894077
7 July 2016

Registered Office:
31 Gresham Street,
London EC2V 7QA

Explanatory Notes to the Notice of Meeting

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

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

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID 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 12.00 noon on 2 August 2016. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

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

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

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

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 2 August 2016, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 2 August 2016 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 (ID RA19) by the latest time for receipt of proxy appointments.

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

6. The biographies of the Directors offering themselves for re-election are set out on pages 18 and 19 of the Company's Annual Report and Accounts for the year ended 30 April 2016.

7. As at 7 July 2016, 160,233,184 ordinary shares of 25 pence each were in issue (excluding 684,000 shares held in Treasury). Therefore the total number of voting rights of the Company as at 7 July 2016 was 160,233,184.

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 from the Company's webpage, www.schroderukgrowthfund.com.

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

Shareholder Information

Webpage and share price information

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

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

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

A glossary of terms used in this Annual Report may be found on the Company's webpage at www.schroderukgrowthfund.com.

ISA status

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

Non-Mainstream Pooled Investments (NMPI) Status

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

Financial Calendar

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

Alternative Investment Fund Managers ("AIFM") Directive

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

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

Preferential Treatment of Investors

The Company's investors purchase shares on the open market and therefore the Company is not in a position to influence the treatment of investors. No investor receives preferential treatment.

Liquidity Risk Management

The Company's shares are traded on the London Stock Exchange through market intermediaries. There are no special rights to redemption.

Periodic and Regular Disclosure under the Directive

(a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;

(b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place. Shareholders will be notified immediately where the issue, cancellation, sale and redemption of shares is suspended, when redemptions are suspended or where other similar special arrangements are activated;

(c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Report; and

(d) the total amount of leverage employed by the Company may be found in the AIFM disclosures on the website www.schroders.co.uk/its.

Any changes to the following information will be provided through a regulatory news service without undue delay and in accordance with the Directive:

(a) the maximum level of leverage which the Manager may employ on behalf of the Company; and

(b) the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

Remuneration Disclosures

The information required under the AIFM Directive to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the website www.schroders.co.uk/its.

www.schroderukgrowthfund.com

www.schroders.co.uk/its

Advisers

Alternative Investment Fund Manager (the "Manager")
Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary
Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 3206

Registered Office
31 Gresham Street
London EC2V 7QA

Depositary and Custodian
HSBC Bank plc
8 Canada Square
London E14 5HQ

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

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk
*Calls to this number are free of charge from UK landlines

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

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

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

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

Dealing Codes

ISIN:	GB0007913485
SEDOL:	0791348
Ticker:	SDU

Global Intermediary Identification Number (GIIN)
A60BYK.99999.SL.826

Schroders