

# Schroder

# All Maturities Index Linked Bond Fund

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**Final Report and Accounts**  
January 2014



**Schroders**

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**Schroder**

## All Maturities Index Linked Bond Fund

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1 Collectively these comprise the Authorised Fund Manager's report.

# Fund Information

## Investment objective and policy

The fund's investment objective is to achieve capital growth and income primarily through investment in index linked gilt stocks.

The fund may also invest in a wide range of investments including transferable securities, derivatives, cash, deposits, collective investment schemes, warrants and money market instruments.

## Financial highlights

| Dealing price                        | 31.1.14 | 31.1.13 | % change |
|--------------------------------------|---------|---------|----------|
| I Income units                       | 206.00p | 212.00p | (2.83)   |
| I Accumulation units                 | 257.00p | 262.10p | (1.95)   |
| I Income (Gross) units               | 65.28p  | 67.63p  | (3.47)   |
| I Accumulation (Gross) units         | 70.38p  | 71.63p  | (1.75)   |
|                                      | 31.3.14 | 31.3.13 |          |
| Final distribution per I Income unit | 0.8965p | 0.9857p |          |

## Fund information

|              |  |
|--------------|--|
| Launch date  | 21 April 1998                          |
| Launch price | 100.00p per I Income unit              |
|              | 100.00p per I Accumulation unit        |
| Launch date  | 30 June 2008                           |
| Launch price | 50.00p per I Income (Gross) unit       |
|              | 50.00p per I Accumulation (Gross) unit |

|                          | Interim      | Final      |
|--------------------------|--------------|------------|
| Accounting dates         | 31 July      | 31 January |
| Revenue allocation dates | 30 September | 31 March   |

## Ongoing charges figure

|                              | For the year to 31.1.14 | For the year to 31.1.13 |
|------------------------------|-------------------------|-------------------------|
| I Income units               | 0.29%                   | 0.29%                   |
| I Accumulation units         | 0.29%                   | 0.29%                   |
| I Income (Gross) units       | 0.29%                   | 0.29%                   |
| I Accumulation (Gross) units | 0.29%                   | 0.29%                   |

# Review of Investment Activities

**From 31 January 2013 to 31 January 2014, the price of I Accumulation units on a dealing price to dealing price basis fell 1.95%. In comparison, the FTSE British Government Index Linked All Maturities Index generated a negative total return of 1.68%<sup>1</sup>.**

<sup>1</sup> Source: Thomson Reuters Datastream.

In February 2013, ratings agency Moody's downgraded the UK government bond rating from Aaa to Aa1, anticipating "a period of sluggish growth which will extend into the second half of the decade"<sup>2</sup>. The reality was starkly different. There were strong data releases in the second and third quarters of the year, and the final quarter Gross Domestic Product figure showed growth on an annualised basis of 2.8%. The ten year UK gilt yield ended December at over 3%, though fell back to 2.71% in January due to external pressures.

Index linked bonds lost ground over 2013, as inflation moved from 2.7% down to 2% by the end of December. The fund endured a difficult start to the year, though made up much of this lost ground via tactical changes to the portfolio's level of interest rate sensitivity (duration). The portfolio also benefitted from the effect of bonds creeping upward in value as they approach maturity (so called 'carry and roll').

Inflation at the end of the 2013 was at its lowest point since 2009, largely due to downward pressures such as low wage increases. Looking forward however, we anticipate that the accommodative stance of the Bank of England poses upside risk to inflation data over the longer term. As unemployment gradually improves, we believe wage inflation will be one of several contributing factors to the upward trend in prices, perhaps by the middle of the 2014.

<sup>2</sup> Source: Moody's Investors Service, February 2013.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.



**Fund Manager:**  
**Thomas Sartain**

UK & European Rates Portfolio  
Manager, Multi-sector team based in  
London

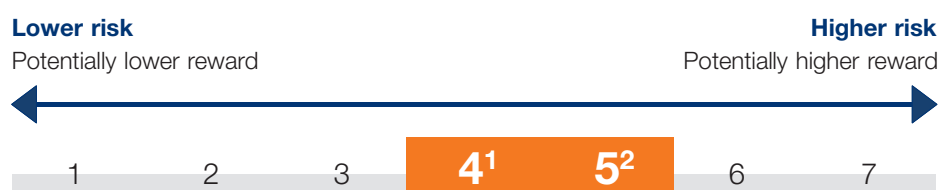
Joined Schroders in 2005 as fund  
manager's assistant on the Global  
Fixed Income desk

Financial Markets career commenced  
in 2003 upon joining Royal Bank of  
Scotland

BA (Hons) degree in Management and  
Business Administration, University of  
Reading

# Risk Profile

## Risk and reward indicator



1 | Accumulation units, I Income (Gross) units and I Accumulation (Gross) units.

2 | Income units.

There is a difference between unit classes caused by the technical nature of the calculation of the risk and reward indicator.

The risk category was calculated using historical performance data and may not be a reliable indicator of the fund's future risk profile.

The fund is in this category because it can take higher risks in search of higher rewards and its price may rise and fall accordingly.

The fund's risk category is not guaranteed to remain fixed and may change over time.

A fund in the lowest category does not mean a risk free investment.

## Specific risks

The fund invests predominantly in the securities of a particular country. There may be a greater risk than investing in funds that hold securities in a range of countries.

More than 35% of the property of the fund may be invested in Government securities.

The fund uses derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the unit prices of the fund. The Manager employs a risk management process to allow the Manager to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process, the Manager conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

As a result of the annual management charge being charged wholly to capital, the distributable revenue of the fund may be higher, but the capital value of the fund may be eroded which may affect future performance.

For these reasons, the purchase of units should not normally be regarded as a short term investment.

# Net Asset Value and Comparative Tables

## Unit price range

| Year to 31 December | I Income units    |                  | I Accumulation units |                  |
|---------------------|-------------------|------------------|----------------------|------------------|
|                     | Highest dealing p | Lowest dealing p | Highest dealing p    | Lowest dealing p |
| 2009                | 169.70            | 146.40           | 202.70               | 176.60           |
| 2010                | 175.70            | 160.10           | 212.40               | 192.10           |
| 2011                | 207.10            | 169.90           | 253.40               | 205.90           |
| 2012                | 209.20            | 194.10           | 256.00               | 240.00           |
| 2013                | 224.20            | 198.10           | 278.50               | 245.70           |
| 2014 to 31 January  | 206.00            | 201.10           | 257.00               | 250.90           |

| Year to 31 December | I Income (Gross) units |                  | I Accumulation (Gross) units |                  |
|---------------------|------------------------|------------------|------------------------------|------------------|
|                     | Highest dealing p      | Lowest dealing p | Highest dealing p            | Lowest dealing p |
| 2009                | 53.77                  | 47.23            | 54.94                        | 47.79            |
| 2010                | 55.67                  | 50.73            | 57.79                        | 52.13            |
| 2011                | 65.67                  | 53.81            | 69.13                        | 55.98            |
| 2012                | 66.34                  | 61.91            | 69.84                        | 65.56            |
| 2013                | 71.05                  | 62.74            | 76.13                        | 67.13            |
| 2014 to 31 January  | 65.28                  | 63.73            | 70.38                        | 68.71            |

## Net revenue

| Year to 31 December | I Income units pence per unit | I Accumulation units pence per unit |
|---------------------|-------------------------------|-------------------------------------|
|                     |                               |                                     |
| 2009                | 2.6901                        | 3.2794                              |
| 2010                | 2.0090                        | 2.5241                              |
| 2011                | 2.1716                        | 2.6568                              |
| 2012                | 2.0387                        | 2.5014                              |
| 2013                | 1.9408                        | 2.4049                              |
| 2014 to 31 January  | 0.8965                        | 1.1185                              |

| Year to 31 December | I Income (Gross) units pence per unit | I Accumulation (Gross) units pence per unit |
|---------------------|---------------------------------------|---|
|                     |                                       |   |
| 2009                | 0.8198                                | 0.8925                                      |
| 2010                | 0.8275                                | 0.9409                                      |
| 2011                | 0.8431                                | 0.9536                                      |
| 2012                | 0.3810                                | 0.4342                                      |
| 2013                | 1.1675                                | 1.2269                                      |
| 2014 to 31 January  | 0.3635                                | 0.3765                                      |

# Net Asset Value and Comparative Tables (continued)

Net asset value

| As at 31 January             | Net asset value<br>£000's | Net asset<br>value per unit<br>p | Number of<br>units in issue |
|------------------------------|---------------------------|----------------------------------|-----------------------------|
| <b>2012</b>                  |                           |                                  |                             |
| I Income units               | 9,658                     | 205.59                           | 4,697,834                   |
| I Accumulation units         | 76,267                    | 252.88                           | 30,158,720                  |
| I Income (Gross) units       | 1                         | 65.13                            | 2,000                       |
| I Accumulation (Gross) units | 99                        | 69.01                            | 143,552                     |
| <b>2013</b>                  |                           |                                  |                             |
| I Income units               | 11,052                    | 211.02                           | 5,237,501                   |
| I Accumulation units         | 69,240                    | 262.09                           | 26,418,421                  |
| I Income (Gross) units       | 1                         | 66.84                            | 2,000                       |
| I Accumulation (Gross) units | 3                         | 71.63                            | 3,906                       |
| <b>2014</b>                  |                           |                                  |                             |
| I Income units               | 11,646                    | 205.07                           | 5,678,776                   |
| I Accumulation units         | 46,267                    | 257.00                           | 18,002,998                  |
| I Income (Gross) units       | 1                         | 64.91                            | 2,000                       |
| I Accumulation (Gross) units | 1                         | 70.38                            | 2,000                       |

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

# Portfolio Statement

|   | Holding at<br>31.1.14 | Market Value<br>£000's | % of net<br>assets |
|---|-----------------------|------------------------|--------------------|
| <b>Australian Dollar Denominated Derivatives 0.00%</b>    |                       |                        |                    |
| (2013 – (0.01)%)  |                       |                        |                    |
| <b>Euro Denominated Derivatives 0.07%</b>                 |                       |                        |                    |
| (2013 – 0.02%)  |                       |                        |                    |
| Euro BOBL Futures March 2014                              | 30                    | 47                     | 0.08               |
| European Swaption 2.7%<br>Put Option 17.9.15 <sup>1</sup> | €(10,090,000)         | (8)                    | (0.01)             |
|   |                       | <b>39</b>              | <b>0.07</b>        |
| <b>New Zealand Dollar Denominated Derivatives 0.00%</b>   |                       |                        |                    |
| (2013 – 0.02%)  |                       |                        |                    |
| <b>Norwegian Krone Denominated Derivatives 0.00%</b>      |                       |                        |                    |
| (2013 – 0.01%)  |                       |                        |                    |
| <b>Sterling Denominated Short Term Bonds 8.27%</b>        |                       |                        |                    |
| (2013 – 16.75%)   |                       |                        |                    |
| Treasury 2.5% Index<br>Linked Stock 2016                  | £427,300              | 1,449                  | 2.50               |
| Treasury 1.25% Index<br>Linked Stock 2017                 | £2,315,000            | 3,340                  | 5.77               |
|   |                       | <b>4,789</b>           | <b>8.27</b>        |
| <b>Sterling Denominated Medium Term Bonds 30.41%</b>      |                       |                        |                    |
| (2013 – 23.79%)   |                       |                        |                    |
| Treasury 2.5% Index<br>Linked Stock 2020                  | £1,263,300            | 4,587                  | 7.92               |
| Treasury 1.875% Index<br>Linked Stock 2022                | £3,114,000            | 4,613                  | 7.97               |
| Treasury 2.5% Index<br>Linked Stock 2024                  | £1,149,600            | 3,767                  | 6.50               |
| Treasury 1.25% Index<br>Linked Stock 2027                 | £2,042,000            | 3,136                  | 5.42               |
| Treasury 0.125% Index<br>Linked Stock 2029                | £1,400,000            | 1,507                  | 2.60               |
|   |                       | <b>17,610</b>          | <b>30.41</b>       |
| <b>Sterling Denominated Long Term Bonds 61.22%</b>        |                       |                        |                    |
| (2013 – 56.98%)   |                       |                        |                    |
| Treasury 4.125% Index<br>Linked Stock 2030                | £940,700              | 2,911                  | 5.03               |



# Portfolio Statement (continued)

|  | Holding at<br>31.1.14 | Market Value<br>£000's | % of net<br>assets |
|--|-----------------------|------------------------|--------------------|
| <b>Sterling Denominated Long Term Bonds (continued)</b>                                |                       |                        |                    |
| Treasury 1.25% Index<br>Linked Stock 2032  | £2,198,000            | 3,144                  | 5.43               |
| Treasury 0.75% Index<br>Linked Stock 2034  | £2,240,000            | 2,770                  | 4.78               |
| Treasury 2% Index<br>Linked Stock 2035   | £1,601,000            | 3,234                  | 5.58               |
| Treasury 1.125% Index<br>Linked Stock 2037   | £1,707,000            | 2,679                  | 4.63               |
| Treasury 0.625% Index<br>Linked Stock 2040   | £1,824,000            | 2,440                  | 4.21               |
| Treasury 0.625% Index<br>Linked Stock 2042   | £1,786,000            | 2,484                  | 4.29               |
| Treasury 0.125% Index<br>Linked Stock 2044   | £1,903,000            | 2,016                  | 3.48               |
| Treasury 3.25% Index<br>Linked Stock 2044  | £833,000              | 794                    | 1.37               |
| Treasury 0.75% Index<br>Linked Stock 2047  | £1,842,000            | 2,775                  | 4.79               |
| Treasury 0.5% Index<br>Linked Stock 2050   | £1,875,000            | 2,592                  | 4.48               |
| Treasury 0.25% Index<br>Linked Stock 2052  | £1,300,350            | 1,463                  | 2.53               |
| Treasury 1.25% Index<br>Linked Stock 2055  | £1,488,000            | 2,961                  | 5.11               |
| Treasury 0.125% Index<br>Linked Stock 2068   | £2,976,000            | 3,193                  | 5.51               |
|  |                       | <b>35,456</b>          | <b>61.22</b>       |
| <b>Sterling Denominated Derivatives (0.08)%</b>  |                       |                        |                    |
| (2013 – 0.00%)   |                       |                        |                    |
| Long Gilt Futures March 2014   | (30)                  | (54)                   | (0.10)             |
| Credit Suisse Interest<br>Rate Swap 7.1.16 Receive<br>0.61563% pay 0.965% <sup>1</sup> | £3,646,000            | (1)                    | 0.00               |
| Credit Suisse Interest Rate<br>Swap 7.1.16 Receive 2.51%<br>pay 0.61563% <sup>1</sup>  | £1,106,000            | 11                     | 0.02               |
|  |                       | <b>(44)</b>            | <b>(0.08)</b>      |
| <b>Swedish Krona Denominated Derivatives 0.00%</b>                                     |                       |                        |                    |
| (2013 – (0.05)%)   |                       |                        |                    |

# Portfolio Statement (continued)

|   | Holding at<br>31.1.14 | Market Value<br>£000's | % of net<br>assets |
|---|-----------------------|------------------------|--------------------|
| <b>Swiss Franc Denominated Derivatives 0.00%</b>                                    |                       |                        |                    |
| (2013 – 0.01%)  |                       |                        |                    |
| <b>US Dollar Denominated Derivatives (0.02)%</b>                                    |                       |                        |                    |
| (2013 – 0.00%)  |                       |                        |                    |
| US 5 Year Treasury Note<br>Futures March 2014                                       | (47)                  | (26)                   | (0.04)             |
| Barclays Interest Rate<br>Swap 8.1.16 Receive<br>0.23935% pay 0.5% <sup>1</sup>     | US\$6,000,000         | (5)                    | (0.01)             |
| Barclays Interest Rate<br>Swap 8.1.21 Receive<br>2.43125% pay 0.23935% <sup>1</sup> | US\$2,000,000         | 19                     | 0.03               |
|   |                       | <b>(12)</b>            | <b>(0.02)</b>      |
| Portfolio of investments <sup>2</sup>   |                       | <b>57,838</b>          | <b>99.87</b>       |
| Net other assets  |                       | 77                     | 0.13               |
| <b>Net assets attributable to unitholders</b>                                       |                       | <b>57,915</b>          | <b>100.00%</b>     |
| Investment grade securities   |                       | 57,855                 | 99.90              |
| <b>Total of debt securities</b>   |                       | <b>57,855</b>          | <b>99.90%</b>      |

Unless otherwise stated the above securities are admitted to official stock exchange listings or traded on a regulated market.

<sup>1</sup> Over the counter derivative instruments not listed on recognised exchanges.

<sup>2</sup> Including derivative liabilities.

# Summary of Portfolio Transactions

## Largest purchases

| For the year ended 31 January 2014      | Cost<br>£000's |
|---|----------------|
| Treasury 0.125% Index Linked Stock 2029 | 10,513         |
| Treasury 1.25% Index Linked Stock 2017  | 7,448          |
| Treasury 1.25% Index Linked Stock 2027  | 6,210          |
| Treasury 0.125% Index Linked Stock 2068 | 4,755          |
| Treasury 1.25% Index Linked Stock 2055  | 4,752          |
| Treasury 1.25% Index Linked Stock 2032  | 4,641          |
| Germany 0.75% Index Linked Stock 2018   | 3,713          |
| Treasury 4.25% Index Linked Stock 2055  | 3,693          |
| Treasury 1.875% Index Linked Stock 2022 | 3,541          |
| Treasury 3.25% Index Linked Stock 2044  | 2,032          |

## Largest sales

| For the year ended 31 January 2014      | Proceeds<br>£000's |
|---|--------------------|
| Treasury 0.125% Index Linked Stock 2029 | 10,688             |
| Treasury 1.25% Index Linked Stock 2017  | 8,769              |
| Treasury 1.25% Index Linked Stock 2027  | 8,157              |
| Treasury 1.25% Index Linked Stock 2055  | 6,353              |
| Treasury 1.25% Index Linked Stock 2032  | 5,671              |
| Treasury 2.5% Index Linked Stock 2016   | 5,197              |
| Treasury 2.5% Index Linked Stock 2013   | 3,885              |
| Treasury 4.25% Index Linked Stock 2055  | 3,724              |
| Germany 0.75% Index Linked Stock 2018   | 3,721              |
| Treasury 0.375% Index Linked Stock 2062 | 3,151              |

# Statement of the Manager's Responsibilities

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Manager to prepare accounts for each annual and half yearly accounting period, in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the financial position of the fund and of its net revenue and the net capital losses on the property of the fund for the year. In preparing the accounts the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the fund will continue in operation unless it is inappropriate to do so;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements.

The Manager is responsible for the management of the fund in accordance with its Trust Deed, the Prospectus and the COLL and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The Manager's report and accounts for the year ended 31 January 2014 were signed on 19 March 2014 on behalf of the Manager by:

**C.E. Helmstetter**  
Directors

**J.M. Cardew**

# Report of the Trustee

## Statement of the Trustee's responsibilities in relation to the accounts of the Scheme

The Trustee is responsible for the safekeeping of all of the property of the Scheme (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Scheme is managed by the Authorised Fund Manager in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) and the Scheme's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

## Report of the Trustee for the accounting period from 1 February 2013 to 31 January 2014

Schroder All Maturities Index Linked Bond Fund ("the Scheme")

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Fund Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the COLL as appropriate, and, where applicable, the Scheme's Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

## J.P. Morgan Trustee and Depositary Company Limited

Trustee  
Bournemouth  
4 March 2014

# Independent Auditors' Report to the Unitholders of Schroder All Maturities Index Linked Bond Fund

## Report on the financial statements

### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the financial position of the fund as at 31 January 2014 and of the net revenue and the net capital losses of the scheme property of the fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

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

### What we have audited

The financial statements of the Schroder All Maturities Index Linked Bond Fund (the “fund”), which are prepared by Schroder Unit Trusts Limited (the “Authorised Fund Manager”), comprise:

- the balance sheet of the fund as at 31 January 2014;
- the statement of total return of the fund for the year then ended;
- the statement of change in net assets attributable to unitholders of the fund for the year then ended;
- the notes to the funds financial statements, which include a summary of significant accounting policies and other explanatory information; and
- the distribution table.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice ‘Financial Statements of Authorised Funds’ issued by the Investment Management Association (the “Statement of Recommended Practice for Authorised Funds”), the Collective Investment Schemes sourcebook and the Trust Deed.

In applying the financial reporting framework, the Authorised Fund Manager has made judgements where appropriate, for example in respect of substantive accounting estimates. In preparing such estimates, they have considered future events and related assumptions.

# Independent Auditors' Report to the Unitholders of Schroder All Maturities Index Linked Bond Fund (continued)

## What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Fund Manager; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Final Report and Accounts (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinions on matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Collective Investment Schemes sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# Independent Auditors' Report to the Unitholders of Schroder All Maturities Index Linked Bond Fund (continued)

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Authorised Fund Manager

As explained more fully in the Authorised Fund Manager's Responsibilities Statement set out on page 12, the Authorised Fund Manager is 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 funds unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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.

### PricewaterhouseCoopers LLP

Chartered Accountants & Statutory Auditors  
Edinburgh  
19 March 2014

- (a) The maintenance and integrity of the Schroders website is the responsibility of the Authorised Fund 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Statement of Total Return

For the year ended 31 January 2014

|  |       | 2014           | 2013         |
|--|-------|----------------|--------------|
|  | Notes | £000's         | £000's       |
| <b>Income</b>  |       |                |              |
| Net capital losses   | 2     | (3,845)        | (501)        |
| Revenue  | 3     | 2,598          | 3,469        |
| Expenses   | 4     | (199)          | (216)        |
| Net revenue before taxation  |       | <b>2,399</b>   | <b>3,253</b> |
| Taxation   | 5     | 0              | 0            |
| Net revenue after taxation   |       | <b>2,399</b>   | <b>3,253</b> |
| <b>Total return before distributions</b>   |       | <b>(1,446)</b> | <b>2,752</b> |
| Finance costs: Distributions   | 6     | (786)          | (957)        |
| <b>Change in net assets attributable to unitholders from investment activities</b> |       | <b>(2,232)</b> | <b>1,795</b> |

# Statement of Change in Net Assets Attributable to Unitholders

For the year ended 31 January 2014

|   | 2014            | 2013           |
|---|-----------------|----------------|
|   | £000's          | £000's         |
| Opening net assets attributable to unitholders                              | 80,296          | 86,025         |
| Amounts receivable on creation of units                                     | 2,809           | 15,267         |
| Amounts payable on cancellation of units                                    | (23,446)        | (23,436)       |
|   | <b>(20,637)</b> | <b>(8,169)</b> |
| Change in net assets attributable to unitholders from investment activities | (2,232)         | 1,795          |
| Retained distribution on Accumulation units                                 | 488             | 645            |
| <b>Closing net assets attributable to unitholders</b>                       | <b>57,915</b>   | <b>80,296</b>  |

# Balance Sheet

As at 31 January 2014

|   |       | 2014    |                | 2013   |                |
|---|-------|---------|----------------|--------|----------------|
|   | Notes | £000's  | £000's         | £000's | £000's         |
| <b>Assets</b>                                 |       |         |                |        |                |
| Investment assets                             |       |         | 57,932         |        | 78,474         |
| Debtors                                       | 7     | 2,850   |                | 1,041  |                |
| Cash and bank balances                        | 8     | 495     |                | 1,826  |                |
| Total other assets                            |       |         | <b>3,345</b>   |        | <b>2,867</b>   |
| <b>Total assets</b>                           |       |         | <b>61,277</b>  |        | <b>81,341</b>  |
| <b>Liabilities</b>                            |       |         |                |        |                |
| Investment liabilities                        |       |         | (94)           |        | (173)          |
| Creditors                                     | 9     | (3,107) |                | (811)  |                |
| Bank overdrafts                               | 10    | (110)   |                | (9)    |                |
| Distribution payable on Income units          |       | (51)    |                | (52)   |                |
| Total other liabilities                       |       |         | <b>(3,268)</b> |        | <b>(872)</b>   |
| <b>Total liabilities</b>                      |       |         | <b>(3,362)</b> |        | <b>(1,045)</b> |
| <b>Net assets attributable to unitholders</b> |       |         |                |        |                |
|   |       |         | <b>57,915</b>  |        | <b>80,296</b>  |

# Notes to the Accounts

## 1 Accounting policies

### Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the IMA in October 2010.

### Revenue

Interest receivable from bank balances and futures clearing houses and brokers is accounted for on an accruals basis. Interest receivable from debt securities is accounted for on an effective yield basis.

### Interest on debt securities bought or sold

Interest on debt securities bought or sold is excluded from the capital cost of securities, and is dealt with as part of the revenue of the fund.

### Expenses

Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.

### Taxation

The fund satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions made are therefore made as interest distributions.

Deferred taxation is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred taxation is provided for at the average rate of taxation expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

# Notes to the Accounts (continued)

## Distributions

The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. For the purpose of calculating the distribution, revenue on debt securities is calculated on a coupon basis where this exceeds the amount determined on an effective yield basis. As a consequence, the capital value of the fund may be eroded. Revenue is reduced by the movement in the change in the Retail Price Index in the net assets of the fund over the year. This revenue is distributed annually on 31 March to Income unitholders. An interim distribution based on available revenue at the half year is distributed on 30 September to Income unitholders. For Accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

## Valuation

Listed investments of the fund have been valued at market value 18:00 on the balance sheet date, net of any accrued interest which is included in the balance sheet as a revenue related item. Market value is defined by the SORP as fair value which generally is the bid value of each security and the offer value for short positions.

## Forward currency contracts

Net gains/(losses) are reflected under Net capital losses in the Notes to the Accounts.

## Futures contracts

Open futures contracts are shown in the Portfolio Statement at market value and the net gains are reflected within Derivative contracts under Net capital losses in the Notes to the Accounts. Revenue returns are included within Net revenue return from derivative contracts under Revenue.

## Interest rate swaps

Open interest rate swaps are shown in the Portfolio Statement and are priced at fair value using valuation models and data sourced from market data providers. Net gains are reflected within Derivative contracts under Net capital losses in the Notes to the Accounts. Interest receivable or payable on interest rate swaps is accounted for on an accruals basis and is included within Net revenue return from derivative contracts under Revenue.

## Options contracts

Over the counter option contracts are shown in the Portfolio Statement and are priced at fair value using valuation models and data sourced from market data providers. Net gains are reflected within Derivative contracts under Net capital losses in the Notes to the Accounts.

# Notes to the Accounts (continued)

## Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate prevailing on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at the exchange rates prevailing at the balance sheet date and the net losses are reflected under Net capital losses in the Notes to the Accounts.

## 2 Net capital losses

The net capital losses during the year comprise:

|                            | 2014<br>£000's | 2013<br>£000's |
|----------------------------|----------------|----------------|
| Non-derivative securities  | (3,973)        | (539)          |
| Derivative contracts       | 133            | 59             |
| Forward currency contracts | 14             | (12)           |
| Currency losses            | (12)           | (1)            |
| Transaction charges        | (7)            | (8)            |
| <b>Net capital losses</b>  | <b>(3,845)</b> | <b>(501)</b>   |

## 3 Revenue

|  | 2014<br>£000's | 2013<br>£000's |
|--|----------------|----------------|
| Interest on debt securities                  | 2,598          | 3,470          |
| Bank interest                                | 3              | 3              |
| Net revenue return from derivative contracts | (3)            | (4)            |
| <b>Total revenue</b>                         | <b>2,598</b>   | <b>3,469</b>   |

## 4 Expenses

|  | 2014<br>£000's | 2013<br>£000's |
|--|----------------|----------------|
| <b>Payable to the Manager, associates of the Manager and agents of either of them:</b> |                |                |
| Annual management charge   | 177            | 195            |
|  | <b>177</b>     | <b>195</b>     |
| <b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b> |                |                |
| Trustee's fees   | 8              | 9              |
|  | <b>8</b>       | <b>9</b>       |
| <b>Other expenses:</b>   |                |                |
| Financial Services Authority fee   | 0              | 1              |
| Audit fee  | 14             | 11             |
|  | <b>14</b>      | <b>12</b>      |
| <b>Total expenses</b>  | <b>199</b>     | <b>216</b>     |

# Notes to the Accounts (continued)

## 5 Taxation

Corporation tax has not been provided for as expenses payable by the fund exceed the revenue liable to corporation tax.

### (a) Factors affecting the current tax charge for the year

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for authorised unit trusts of 20% (2013 – 20%) is applied to the net revenue before taxation. The differences are explained below.

|   | 2014<br>£000's | 2013<br>£000's |
|---|----------------|----------------|
| <b>Net revenue before taxation</b>  | <b>2,399</b>   | <b>3,253</b>   |
| Net revenue for the year before taxation multiplied by the standard rate of corporation tax | 480            | 651            |
| <b>Effects of:</b>  |                |                |
| Movement in excess management expenses and loan relationship debits                         | (66)           | 72             |
| Tax deductible on interest distributions  | 0              | (191)          |
| Relief from Retail Price Index allowance against indexation                                 | (414)          | (532)          |
| <b>Current tax charge for the year</b>  | <b>0</b>       | <b>0</b>       |

### (b) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £909,878 (2013 – £975,779) in respect of unutilised management expenses and loan relationship debits. No deferred tax asset has been recognised in the year or prior year because the excess management expenses will not reduce any future tax liability.

# Notes to the Accounts (continued)

## 6 Finance costs

### Distributions

The distributions, which are on a coupon basis, take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

|  | 2014<br>£000's | 2013<br>£000's |
|--|----------------|----------------|
| Interim Interest distribution                  | 340            | 377            |
| Income tax withheld                            | 88             | 90             |
| Final Interest distribution                    | 252            | 373            |
| Income tax withheld                            | 69             | 86             |
|  | <b>749</b>     | <b>926</b>     |
| Add: Revenue deducted on cancellation of units | 43             | 74             |
| Deduct: Revenue received on creation of units  | (6)            | (43)           |
| <b>Finance costs: Distributions</b>            | <b>786</b>     | <b>957</b>     |
| Net revenue after taxation                     | 2,399          | 3,253          |
| Annual management charge taken to capital      | 177            | 195            |
| Adjustment for capital indexation              | (2,069)        | (2,656)        |
| Adjustment for coupon distributions            | 279            | 165            |
| <b>Finance costs: Distributions</b>            | <b>786</b>     | <b>957</b>     |

Income tax at 20% will be accounted for on unitholders' behalf to HM Revenue & Customs in respect of all unitholders who are not entitled to receive their distributions gross.

Details of the distributions per unit are set out in the Distribution Table on page 32.

## 7 Debtors

|  | 2014<br>£000's | 2013<br>£000's |
|--|----------------|----------------|
| Amounts receivable for creation of units | 2,745          | 899            |
| Accrued interest on debt securities      | 105            | 142            |
| <b>Total debtors</b>                     | <b>2,850</b>   | <b>1,041</b>   |

## 8 Cash and bank balances

|   | 2014<br>£000's | 2013<br>£000's |
|---|----------------|----------------|
| Cash and bank balances                              | 352            | 1,717          |
| Amounts held at futures clearing houses and brokers | 143            | 109            |
| <b>Total cash and bank balances</b>                 | <b>495</b>     | <b>1,826</b>   |

# Notes to the Accounts (continued)

## 9 Creditors

|   | 2014   |              | 2013   |            |
|---|--------|--------------|--------|------------|
|   | £000's | £000's       | £000's | £000's     |
| Amounts payable for cancellation of units |        | 254          |        | 180        |
| Purchases awaiting settlement             |        | 2,750        |        | 515        |
| <b>Accrued expenses</b>                   |        |              |        |            |
| <b>Manager and Agents</b>                 |        |              |        |            |
| Annual management charge                  |        | 24           |        | 14         |
| <b>Trustee and Agents</b>                 |        |              |        |            |
| Trustee's fees                            | 1      |              | 1      |            |
| Transaction charges                       | 1      |              | 1      |            |
|   |        | <b>2</b>     |        | <b>2</b>   |
| Other accrued expenses                    |        | 13           |        | 11         |
| Income tax payable                        |        | 64           |        | 89         |
| <b>Total creditors</b>                    |        | <b>3,107</b> |        | <b>811</b> |

## 10 Bank overdrafts

|  | 2014<br>£000's | 2013<br>£000's |
|--|----------------|----------------|
| Bank overdrafts  | 110            | 0              |
| Amounts overdrawn at futures clearing houses and brokers | 0              | 9              |
| <b>Total bank overdrafts</b>                             | <b>110</b>     | <b>9</b>       |

## 11 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2013 – Nil).

## 12 Related party transactions

The Manager and the Trustee actively co-operate to exercise control over the fund and are therefore related parties by virtue of their controlling influence.

Amounts paid during the year or due to the Manager or the Trustee at the balance sheet date are disclosed under Expenses and Creditors in the Notes to the Accounts. Transaction charges which are paid to the Trustee are disclosed separately under Net capital losses in the Notes to the Accounts.

Cash and bank balances and bank overdrafts with the Trustee are disclosed under Cash and bank balances and Bank overdrafts respectively in the Notes to the Accounts. Bank interest paid or payable to the fund by the Trustee is disclosed under Revenue in the Notes to the Accounts.



# Notes to the Accounts (continued)

The Manager acts as principal on all transactions of units in the fund. The aggregate monies received through the creation and cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Finance costs in the Notes to the Accounts. Amounts due from or to the Manager in respect of unit transactions at the balance sheet date are disclosed under Debtors and Creditors in the Notes to the Accounts.

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's net asset value at the balance sheet date were 18.86% (2013 – 19.52%).

The revenue earned from related party investments of £195 (2013 – £27) is included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts.

## 13 Unit classes

The fund currently has four unit classes: I Income units, I Accumulation units, I Income (Gross) units and I Accumulation (Gross) units. The annual management charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the Manager, the Investment Adviser and their overhead expenses and for each unit class is as follows:

|                              |       |
|------------------------------|-------|
| I Income units               | 0.25% |
| I Accumulation units         | 0.25% |
| I Income (Gross) units       | 0.25% |
| I Accumulation (Gross) units | 0.25% |

The net asset value of each unit class, the net asset value per unit and the number of units in issue in each class are given in the Net Asset Value and Comparative Tables on page 7. The distributions per unit class are given in the Distribution Table on page 32. All classes have the same rights on winding up.

## 14 Derivative and other financial instruments

In accordance with the investment objective, the fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short term debtors and creditors arising directly from operations.

# Notes to the Accounts (continued)

Under normal circumstances, the Manager would expect substantially all of the assets of the fund to be invested in securities appropriate to the fund's investment objective. The fund may invest in deposits without limitation only with an approved bank and which are repayable on demand or has the right to withdraw and maturing in no more than twelve months. Cash and near cash may only be held to assist in the redemption of units, the efficient management of the fund or purposes regarded as ancillary to the fund.

The main risks arising from the fund's financial instruments are market price, foreign currency, liquidity, credit and interest rate risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year and the prior year.

## Market price risk

The fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Prospectus and in the COLL mitigates the risk of excessive exposure to any particular type of security or issuer.

## Foreign currency risk

The fund invests in overseas securities and the balance sheet can be significantly affected by movements in foreign exchange rates. The Manager seeks to manage exposure to currency movements by using foreign currency contracts.

Revenue received in other currencies is translated to sterling on or near the date of receipt.

## Currency risk profile

The currency risk profile of the fund's net assets and liabilities at the balance sheet date was as follows:

| Currency                 | Monetary exposure<br>£000's | Non-monetary exposure<br>£000's | Total<br>£000's |
|--------------------------|-----------------------------|---------------------------------|-----------------|
| <b>Australian dollar</b> |                             |                                 |                 |
| 2014                     | 0                           | 0                               | 0               |
| 2013                     | (395)                       | 0                               | (395)           |
| <b>Canadian dollar</b>   |                             |                                 |                 |
| 2014                     | 0                           | 0                               | 0               |
| 2013                     | (67)                        | (2)                             | (69)            |
| <b>Euro</b>              |                             |                                 |                 |
| 2014                     | 124                         | (8)                             | 116             |
| 2013                     | (274)                       | 23                              | (251)           |

# Notes to the Accounts (continued)

| Currency                  | Monetary<br>exposure<br>£000's | Non-monetary<br>exposure<br>£000's | Total<br>£000's |
|---------------------------|--------------------------------|------------------------------------|-----------------|
| <b>Japanese yen</b>       |                                |                                    |                 |
| 2014                      | 0                              | 0                                  | 0               |
| 2013                      | 52                             | (5)                                | 47              |
| <b>New Zealand dollar</b> |                                |                                    |                 |
| 2014                      | 0                              | 0                                  | 0               |
| 2013                      | 443                            | 0                                  | 443             |
| <b>Norwegian krone</b>    |                                |                                    |                 |
| 2014                      | 0                              | 0                                  | 0               |
| 2013                      | 345                            | 0                                  | 345             |
| <b>Sterling</b>           |                                |                                    |                 |
| 2014                      | (56)                           | 57,865                             | 57,809          |
| 2013                      | 1,894                          | 78,302                             | 80,196          |
| <b>Swedish krona</b>      |                                |                                    |                 |
| 2014                      | 0                              | 0                                  | 0               |
| 2013                      | (95)                           | (30)                               | (125)           |
| <b>Swiss franc</b>        |                                |                                    |                 |
| 2014                      | 0                              | 0                                  | 0               |
| 2013                      | 187                            | 1                                  | 188             |
| <b>US dollar</b>          |                                |                                    |                 |
| 2014                      | (24)                           | 14                                 | (10)            |
| 2013                      | (86)                           | 3                                  | (83)            |

## Liquidity risk

The primary source of this risk to the fund is the liability to unitholders for any cancellation of units. This risk is minimised by holding cash, readily realisable securities and access to overdraft facilities up to the amount prescribed by COLL.

## Credit risk

The debt securities are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The debt securities in which the fund invests are investment grade listed bonds or government securities which are lower risk.

# Notes to the Accounts (continued)

## Interest rate risk

The fund invests in debt securities. The revenue of the fund may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future. The Manager monitors and controls the sensitivity of the portfolio to fluctuations of interest rates (Duration) to best match the return of revenue gains/losses with potential losses/gains of capital value.

The fund invests in interest rate swaps to adjust the interest rate risk profile of the fund across the entire yield curve quickly and efficiently. The price of interest rate swaps are largely determined by investors' views of future interest rate and yield levels, and the Manager aims to profit when these market views differ from Schroders' own expectations. All interest rate swaps are disclosed separately in the Portfolio Statement.

Interest receivable on bank balances or payable on bank overdraft positions and amounts held at futures clearing houses and brokers be affected by fluctuations in interest rates.

## Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows:

| Currency                  | Floating rate<br>financial assets<br>£000's | Fixed rate<br>financial assets<br>£000's | Financial assets<br>not carrying<br>interest<br>£000's | Total<br>£000's |
|---------------------------|---|--|--|-----------------|
| <b>Australian dollar</b>  |   |  |  |                 |
| 2014                      | 0   | 0  | 0  | 0               |
| 2013                      | 2   | 0  | 378  | 380             |
| <b>Canadian dollar</b>    |   |  |  |                 |
| 2014                      | 0   | 0  | 0  | 0               |
| 2013                      | 0   | 0  | 381  | 381             |
| <b>Euro</b>               |   |  |  |                 |
| 2014                      | 77  | 0  | 47   | 124             |
| 2013                      | 43  | 0  | 507  | 550             |
| <b>Japanese yen</b>       |   |  |  |                 |
| 2014                      | 0   | 0  | 0  | 0               |
| 2013                      | 6   | 0  | 294  | 300             |
| <b>New Zealand dollar</b> |   |  |  |                 |
| 2014                      | 0   | 0  | 0  | 0               |
| 2013                      | 0   | 0  | 588  | 588             |

# Notes to the Accounts (continued)

| Currency               | Floating rate<br>financial assets<br>£000's | Fixed rate<br>financial assets<br>£000's | Financial assets<br>not carrying<br>interest<br>£000's | Total<br>£000's |
|------------------------|---|--|--|-----------------|
| <b>Norwegian krone</b> |   |  |  |                 |
| 2014                   | 0   | 0  | 0  | 0               |
| 2013                   | 0   | 0  | 456  | 456             |
| <b>Sterling</b>        |   |  |  |                 |
| 2014                   | 440   | 57,855                                   | 2,859  | 61,154          |
| 2013                   | 1,800                                       | 78,302                                   | 4,546  | 84,648          |
| <b>Swedish krona</b>   |   |  |  |                 |
| 2014                   | 0   | 0  | 0  | 0               |
| 2013                   | 8   | 0  | 268  | 276             |
| <b>Swiss franc</b>     |   |  |  |                 |
| 2014                   | 0   | 0  | 0  | 0               |
| 2013                   | 11  | 0  | 475  | 486             |
| <b>US dollar</b>       |   |  |  |                 |
| 2014                   | 2   | 0  | 21   | 23              |
| 2013                   | 7   | 0  | 332  | 339             |

| Currency                  | Floating rate<br>financial<br>liabilities<br>£000's | Financial<br>liabilities not<br>carrying interest<br>£000's | Total<br>£000's |
|---------------------------|---|---|-----------------|
| <b>Australian dollar</b>  |   |   |                 |
| 2014                      | 0   | 0   | 0               |
| 2013                      | 0   | 775   | 775             |
| <b>Canadian dollar</b>    |   |   |                 |
| 2014                      | 0   | 0   | 0               |
| 2013                      | 2   | 448   | 450             |
| <b>Euro</b>               |   |   |                 |
| 2014                      | 0   | 8   | 8               |
| 2013                      | 24  | 777   | 801             |
| <b>Japanese yen</b>       |   |   |                 |
| 2014                      | 0   | 0   | 0               |
| 2013                      | 5   | 248   | 253             |
| <b>New Zealand dollar</b> |   |   |                 |
| 2014                      | 0   | 0   | 0               |
| 2013                      | 0   | 145   | 145             |
| <b>Norwegian krone</b>    |   |   |                 |
| 2014                      | 0   | 0   | 0               |
| 2013                      | 0   | 111   | 111             |

# Notes to the Accounts (continued)

| Currency             | Floating rate financial liabilities<br>£000's | Financial liabilities not carrying interest<br>£000's | Total<br>£000's |
|----------------------|---|---|-----------------|
| <b>Sterling</b>      |   |   |                 |
| 2014                 | 133   | 3,212   | 3,345           |
| 2013                 | 1   | 4,451   | 4,452           |
| <b>Swedish krona</b> |   |   |                 |
| 2014                 | 0   | 0   | 0               |
| 2013                 | 35  | 366   | 401             |
| <b>Swiss franc</b>   |   |   |                 |
| 2014                 | 0   | 0   | 0               |
| 2013                 | 2   | 296   | 298             |
| <b>US Dollar</b>     |   |   |                 |
| 2014                 | 7   | 26  | 33              |
| 2013                 | 1   | 421   | 422             |

## Fixed rate financial assets

| Currency        | Weighted average interest rate | Weighted average period for which rate is fixed |
|-----------------|--------------------------------|---|
| <b>Sterling</b> |                                |   |
| 2014            | 0.66%                          | 21.54 years                                     |
| 2013            | 1.17%                          | 20.32 years                                     |

There are no material amounts of non-interest bearing financial assets which do not have a maturity date.

## Floating rate financial assets and financial liabilities

Sterling denominated bank balances and bank overdrafts bear interest at rates based on SONIA. Amounts held at futures clearing houses and brokers bear interest at rates based on LIBOR or its international equivalent.

## Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

## Derivatives

During the year the fund entered into derivative contracts for specific investment purposes in addition to being used for efficient management. The aim of any derivative or forward used for specific investment purposes is not to materially alter the risk profile of the fund, rather their use is to assist the Manager in meeting the investment objective of the fund.

# Notes to the Accounts (continued)

## Value at risk

The Manager assesses the market risk of the fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances.

The value at risk is calculated on a 99% confidence interval with a one month holding period. As at the balance sheet date, the fund's value at risk is 6.84% (2013 – 6.43%).

## 15 Portfolio transaction costs

|  | 2014   |               | 2013   |               |
|--|--------|---------------|--------|---------------|
|  | £000's | £000's        | £000's | £000's        |
| <b>Analysis of total purchase costs</b>      |        |               |        |               |
| Purchases in year before transaction costs   |        | 59,795        |        | 18,344        |
| Commissions                                  | 0      |               | 0      |               |
| Total purchase costs                         |        | <b>0</b>      |        | <b>0</b>      |
| <b>Gross purchase total</b>                  |        | <b>59,795</b> |        | <b>18,344</b> |
| <b>Analysis of total sales costs</b>         |        |               |        |               |
| Gross sales in year before transaction costs |        | 78,059        |        | 26,482        |
| Commissions                                  | 0      |               | 0      |               |
| Total sales costs                            |        | <b>0</b>      |        | <b>0</b>      |
| <b>Total sales net of transaction costs</b>  |        | <b>78,059</b> |        | <b>26,482</b> |

# Distribution Table

Interim distribution  
for the six months  
ended 31 July 2013

**Group 1** Units purchased prior to 1 February 2013

**Group 2** Units purchased on or after 1 February 2013

|   | Gross<br>revenue<br>2013<br>p per unit | Income<br>tax<br>2013<br>p per unit | Net<br>revenue<br>2013<br>p per unit | Equalisation<br>2013<br>p per unit | Distribution<br>paid<br>30.9.13<br>p per unit | Distribution<br>paid<br>30.9.12<br>p per unit |
|---|--|-------------------------------------|--------------------------------------|------------------------------------|---|---|
| <b>I Income units</b>                           |  |                                     |                                      |                                    |   |   |
| Group 1   | 1.1939                                 | 0.2388                              | 0.9551                               | –                                  | 0.9551  | 0.9987  |
| Group 2   | 0.2063                                 | 0.0413                              | 0.1650                               | 0.7901                             | 0.9551  | 0.9987  |
| <b>I Accumulation units</b>                     |  |                                     |                                      |                                    |   |   |
| Group 1   | 1.4828                                 | 0.2966                              | 1.1862                               | –                                  | 1.1862  | 1.2286  |
| Group 2   | 0.9960                                 | 0.1992                              | 0.7968                               | 0.3894                             | 1.1862  | 1.2286  |
| <b>I Income (Gross) units<sup>1</sup></b>       |  |                                     |                                      |                                    |   |   |
| Group 1   | 0.3735                                 | 0.0000                              | 0.3735                               | –                                  | 0.3735  | 0.0000  |
| Group 2   | 0.3735                                 | 0.0000                              | 0.3735                               | 0.0000                             | 0.3735  | 0.0000  |
| <b>I Accumulation (Gross) units<sup>1</sup></b> |  |                                     |                                      |                                    |   |   |
| Group 1   | 0.4110                                 | 0.0000                              | 0.4110                               | –                                  | 0.4110  | 0.0000  |
| Group 2   | 0.4110                                 | 0.0000                              | 0.4110                               | 0.0000                             | 0.4110  | 0.0000  |

1 As the distribution is accounted for gross to unitholders, no income tax is deducted.

Final distribution  
for the six  
months ended  
31 January 2014

**Group 1** Units purchased prior to 1 August 2013

**Group 2** Units purchased on or after 1 August 2013

|   | Gross<br>revenue<br>2014<br>p per unit | Income<br>tax<br>2014<br>p per unit | Net<br>revenue<br>2014<br>p per unit | Equalisation<br>2014<br>p per unit | Distribution<br>payable<br>31.3.14<br>p per unit | Distribution<br>paid<br>31.3.13<br>p per unit |
|---|--|-------------------------------------|--------------------------------------|------------------------------------|--|---|
| <b>I Income units</b>                           |  |                                     |                                      |                                    |  |   |
| Group 1   | 1.1206                                 | 0.2241                              | 0.8965                               | –                                  | 0.8965   | 0.9857  |
| Group 2   | 0.2563                                 | 0.0513                              | 0.2050                               | 0.6915                             | 0.8965   | 0.9857  |
| <b>I Accumulation units</b>                     |  |                                     |                                      |                                    |  |   |
| Group 1   | 1.3981                                 | 0.2796                              | 1.1185                               | –                                  | 1.1185   | 1.2187  |
| Group 2   | 0.7078                                 | 0.1416                              | 0.5662                               | 0.5523                             | 1.1185   | 1.2187  |
| <b>I Income (Gross) units<sup>1</sup></b>       |  |                                     |                                      |                                    |  |   |
| Group 1   | 0.3635                                 | 0.0000                              | 0.3635                               | –                                  | 0.3635   | 0.7940  |
| Group 2   | 0.3635                                 | 0.0000                              | 0.3635                               | 0.0000                             | 0.3635   | 0.7940  |
| <b>I Accumulation (Gross) units<sup>1</sup></b> |  |                                     |                                      |                                    |  |   |
| Group 1   | 0.3765                                 | 0.0000                              | 0.3765                               | –                                  | 0.3765   | 0.8159  |
| Group 2   | 0.3765                                 | 0.0000                              | 0.3765                               | 0.0000                             | 0.3765   | 0.8159  |

1 As the distribution is accounted for gross to unitholders, no income tax is deducted.



# Distribution Table (continued)

## Equalisation

Equalisation applies to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of Group 2 units and is refunded to the holders of these units as a return of capital.

Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

# Counterparty Exposure

The types of derivatives held at the balance sheet date were futures contracts, interest rate swaps and options contracts. Details of individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

| Counterparty         | Futures contracts<br>£000's | Interest rate swaps<br>£000's | Options contracts<br>£000's | Total<br>£000's |
|----------------------|-----------------------------|-------------------------------|-----------------------------|-----------------|
| <b>Barclays</b>      |                             |                               |                             |                 |
| 2014                 | 0                           | 4,860                         | 0                           | 4,860           |
| <b>Deutsche Bank</b> |                             |                               |                             |                 |
| 2014                 | 0                           | 0                             | (8,306)                     | (8,306)         |
| <b>Credit Suisse</b> |                             |                               |                             |                 |
| 2014                 | 0                           | 4,752                         | 0                           | 4,752           |
| <b>UBS</b>           |                             |                               |                             |                 |
| 2014                 | (3,626)                     | 0                             | 0                           | (3,626)         |

At the balance sheet date no collateral was held by the fund or on behalf of the counterparties in respect of the above.

# General Information

## Manager

Schroder Unit Trusts Limited  
31 Gresham Street  
London EC2V 7QA  
Authorised and regulated by  
the Financial Conduct Authority

## Registrar<sup>1</sup>

International Financial Data Services Limited  
IFDS House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS

## Investment Adviser

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
Authorised and regulated by  
the Financial Conduct Authority

## Administration details

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Investor Services  
0800 718 777  
investorservices@schroders.com  
Dealing 0800 718 788  
Fax 0870 043 4080

## Trustee

J.P. Morgan Trustee and  
Depositary Company Limited  
Chaseside  
Bournemouth BH7 7DA  
Authorised and regulated by  
the Financial Conduct Authority

## Independent Auditors

PricewaterhouseCoopers LLP  
Erskine House  
68-73 Queen Street  
Edinburgh EH2 4NH

<sup>1</sup> The Manager has delegated the function of Registrar to International Financial Data Services Limited.

## Authorisation

The fund is an authorised unit trust and is constituted pursuant to the COLL and is structured as a trust. The fund is a UCITS scheme for the purpose of the categorisation of the COLL.

## European Union Savings Directive

Schroders is required by the European Union Savings Directive to report payments to HM Revenue & Customs that are made by the fund to investors living in other European Union member states.



For further literature please contact Schroder Investor Services on 0800 718 777 or at [investorservices@schroders.com](mailto:investorservices@schroders.com), or visit our website at [www.schroders.co.uk](http://www.schroders.co.uk).



# Schroders

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