



Threadneedle Managed Income Fund

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Introduction

The Manager, Threadneedle Investment Services Limited, has pleasure in presenting the Annual Report and Accounts for the Threadneedle Managed Income Fund for the 12 months to 25 February 2013.

We hope that you find the report informative. Should you require any further information regarding any aspect of your investment, or about other Threadneedle products, we would be pleased to help. Alternatively, you may find it helpful to visit threadneedle.com for further information about Threadneedle.

Thank you for your continued support.

Manager's Report

Investment Objective and Policy

The trust's investment objective and investment policy is to provide a growing income with capital growth prospects from investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The trust may invest internationally and will invest primarily in collective investment schemes that invest in equities, fixed interest securities, cash or near cash. The trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the trust may also invest directly in cash, near cash and/or money market instruments.

Performance

Over the twelve months to 25 February 2013, the offer price of Class A units for the Threadneedle Managed Income Fund has risen from 63.02p to 69.28p.

Over the same period, the offer price of Class B units has risen from 61.97p to 68.37p.

Looking at performance within its peer group, the total return on the trust* for the period ending 28 February 2013, including net reinvested income, is +15.34% as compared to a median return of +12.79% over the same period. (For information the FTSE All-Share Total Return Index returned +14.06% over the same period.)

In view of the nature of the trust and its investment remit, there is no directly comparable market index.

The requirement to maintain a good level of income for investors means that a significant proportion of the portfolio continues to be held in funds with exposure to bonds.

**Refers to the Retail Class A units*

Fund Manager's Report

The period saw strong gains from the majority of risk assets as investors responded positively to signs of economic stabilisation in the US and China and the ECB's pledge to do 'whatever it takes' to save the euro. Investment grade and high yield bonds also performed robustly as near-zero interest rates in the developed world propelled the search for income. By contrast, government bonds such as Gilts lagged other assets as investors continued to question the sustainability of AAA credit ratings.

At the end of the period, around 35% of the fund was invested in monthly income sub-funds (Threadneedle UK Monthly Income and Threadneedle Monthly Extra Income) and c.25% was invested in the two main UK income sub-funds

(Threadneedle UK Equity Income and Threadneedle UK Equity Alpha Income). Elsewhere, the portfolio was invested in two international income sub-funds (Threadneedle Global Equity Income and Threadneedle Pan European Equity Dividend) and in two bond funds (Threadneedle UK Corporate Bond and Threadneedle High Yield Bond).

Activity over the year included reducing the fund's weighting in the Threadneedle Global Equity Income and the Threadneedle UK Equity Alpha Income Funds, while increasing exposure to the Threadneedle UK Equity Income Fund. This was mainly done to smooth the monthly distribution following the switch to quarterly payments, but also to provide a better balance in the portfolio. More recently, we have been reducing high yield exposure at the margin, as we took profits following a strong run for the asset class and also because of some warning signs over the quality of new issuers.

Within the equity sub-funds, our focus was on stock selection and in particular sustainable dividend growth that is not already reflected by the valuation. In the fixed-income sub-funds, we followed a flexible, multi-disciplined approach to allocate risk. We will maintain both of these approaches.

Pages 11 to 13 at the back of this Annual Report and Accounts form part of the Manager's Report.

Directors' Statement

In accordance with the requirements of the Financial Services Authority's Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Annual Report & Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

3 April 2013

P J W Reed
T N Gillbanks

STATEMENT OF TOTAL RETURN

for the accounting period 26 February 2012 to 25 February 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	9,922	1,144
Revenue	3	4,299	4,782
Expenses	4	(235)	(239)
Finance costs: Interest	6	(1)	(5)
Net revenue before taxation		4,063	4,538
Taxation	5	(145)	(241)
Net revenue after taxation		3,918	4,297
Total return before distributions		13,840	5,441
Finance costs: Distributions	6	(4,076)	(4,457)
Change in net assets attributable to unitholders from investment activities		9,764	984

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 26 February 2012 to 25 February 2013

	2013 £000	2012 £000
Opening net assets attributable to unitholders	94,796	96,519
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	7,869	6,032
Amounts payable on the cancellation of units	(9,361)	(8,699)
	(1,492)	(2,667)
Stamp duty reserve tax	(17)	(26)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	9,764	984
Unclaimed distributions	19	(14)
Closing net assets attributable to unitholders	103,070	94,796

BALANCE SHEET

as at 25 February 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		102,311	95,289
Other assets			
Debtors	7	747	1,558
Cash and bank balances		1,781	-
Total other assets		2,528	1,558
Total assets		104,839	96,847
Other liabilities			
Creditors	8	(621)	(450)
Bank overdrafts		-	(199)
Distribution payable on income units		(1,148)	(1,402)
Total other liabilities		(1,769)	(2,051)
Total liabilities		(1,769)	(2,051)
Net assets attributable to unitholders		103,070	94,796

DISTRIBUTION TABLE

for the accounting period 26 February 2012 to 25 February 2013

Dividend distribution in pence per unit

Class A Units							
Net income							
Distribution Period	Gross Revenue	Tax Credit	Net Revenue	Equalisation	Distribution Paid/Payable 2012/2013	Distribution Paid 2011/2012	
Group 1							
26/02/12 to 25/03/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/03/12 to 25/04/12	0.1627	0.0163	0.1464	-	0.1464	0.1700	
26/04/12 to 25/05/12	0.2151	0.0215	0.1936	-	0.1936	0.1700	
26/05/12 to 25/06/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/06/12 to 25/07/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/07/12 to 25/08/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/08/12 to 25/09/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/09/12 to 25/10/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/10/12 to 25/11/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/11/12 to 25/12/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/12/12 to 25/01/13	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/01/13 to 25/02/13	0.8083	0.0808	0.7275	-	0.7275	0.8777	
Group 2							
26/02/12 to 25/03/12	-	-	-	0.1700	0.1700	0.1700	
26/03/12 to 25/04/12	0.0126	0.0013	0.0113	0.1351	0.1464	0.1700	
26/04/12 to 25/05/12	-	-	-	0.1936	0.1936	0.1700	
26/05/12 to 25/06/12	-	-	-	0.1700	0.1700	0.1700	
26/06/12 to 25/07/12	-	-	-	0.1700	0.1700	0.1700	
26/07/12 to 25/08/12	-	-	-	0.1700	0.1700	0.1700	
26/08/12 to 25/09/12	-	-	-	0.1700	0.1700	0.1700	
26/09/12 to 25/10/12	-	-	-	0.1700	0.1700	0.1700	
26/10/12 to 25/11/12	-	-	-	0.1700	0.1700	0.1700	
26/11/12 to 25/12/12	-	-	-	0.1700	0.1700	0.1700	
26/12/12 to 25/01/13	-	-	-	0.1700	0.1700	0.1700	
26/01/13 to 25/02/13	0.0828	0.0083	0.0745	0.6530	0.7275	0.8777	
Total distributions in the period					2.5975	2.7477	
Class B Units							
Net income							
Distribution Period	Gross Revenue	Tax Credit	Net Revenue	Equalisation	Distribution Paid/Payable 2012/2013	Distribution Paid 2011/2012	
Group 1							
26/02/12 to 25/03/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/03/12 to 25/04/12	0.1709	0.0171	0.1538	-	0.1538	0.1700	
26/04/12 to 25/05/12	0.2069	0.0207	0.1862	-	0.1862	0.1700	
26/05/12 to 25/06/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/06/12 to 25/07/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/07/12 to 25/08/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/08/12 to 25/09/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/09/12 to 25/10/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/10/12 to 25/11/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/11/12 to 25/12/12	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/12/12 to 25/01/13	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/01/13 to 25/02/13	0.8770	0.0877	0.7893	-	0.7893	0.9388	
Group 2							
26/02/12 to 25/03/12	0.1666	0.0167	0.1499	0.0201	0.1700	0.1700	
26/03/12 to 25/04/12	0.0124	0.0012	0.0112	0.1426	0.1538	0.1700	
26/04/12 to 25/05/12	-	-	-	0.1862	0.1862	0.1700	
26/05/12 to 25/06/12	-	-	-	0.1700	0.1700	0.1700	
26/06/12 to 25/07/12	-	-	-	0.1700	0.1700	0.1700	
26/07/12 to 25/08/12	-	-	-	0.1700	0.1700	0.1700	
26/08/12 to 25/09/12	-	-	-	0.1700	0.1700	0.1700	
26/09/12 to 25/10/12	-	-	-	0.1700	0.1700	0.1700	
26/10/12 to 25/11/12	-	-	-	0.1700	0.1700	0.1700	
26/11/12 to 25/12/12	-	-	-	0.1700	0.1700	0.1700	
26/12/12 to 25/01/13	-	-	-	0.1700	0.1700	0.1700	
26/01/13 to 25/02/13	0.0850	0.0085	0.0765	0.7128	0.7893	0.9388	
Total distributions in the period					2.6593	2.8088	

Group 2: units purchased during a distribution period

Notes to the financial statements

for the accounting period 26 February 2012 to 25 February 2013

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with UK Generally Accepted Accounting Practice ("UKGAAP") and in accordance with the Statement of Recommended Practice (the "SORP") for Financial Statements of Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases:

Dividends and distributions from collective investment schemes are recognised when the security is quoted ex-dividend.

(c) Treatment of expenses

All expenses, other than those relating to the purchase and sale of investments, are included in expenses in the Statement of Total Return. Expenses are recognised on an accrual basis and include irrecoverable VAT where appropriate.

Registration fee rebates

In addition to any direct charge for registration fees within the trust, there would occur, in the absence of a rebate mechanism, an indirect charge for registration fees in respect of investments in other Threadneedle funds. Any such target funds themselves bear a registration fee, which reduces the values of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the trust bear only the registration fee validly applicable to them. The registration fee rebates of £11,567 (2012: £12,129) are netted off against the registration fee expenses within the accounts.

(d) Allocation of revenue and expenses to multiple unit classes

The allocation of revenue and expenses to each unit class is based upon the proportion of the trust's capital net assets attributable to each unit class, on the day the revenue is earned or the expense is suffered. Annual management charge and registration expenses are specific to each unit class.

(e) Distribution policy

Where the revenue from investments exceeds the expenses for any unit class, a distribution will be made to that unit class. Should expenses exceed revenue for any unit class, there will be no distribution for that unit class and the shortfall will be transferred to capital.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment.

Annual management charges are transferred to the capital of the trust and therefore disregarded in determining the revenue available for distribution.

The trust distributes on a monthly basis and uses a fixed rate distribution for the first 11 months as set by the Fund Manager at the beginning of the accounting year.

Where distributions are unclaimed for a period of six years these are brought back into the trust as capital.

(f) Basis of valuation of investments

The investments of the trust are valued using the single price at 12 noon (UK time), being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

(g) Exchange rates

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into sterling at the exchange rates ruling at the date of the transaction.

(h) Deferred tax

Deferred tax liabilities are provided in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

2 NET CAPITAL GAINS

Net capital gains during the period comprise:

	2013 £000	2012 £000
Non-derivative securities	9,926	1,147
Transaction costs	(4)	(3)
Net capital gains	9,922	1,144

3 REVENUE

	2013 £000	2012 £000
Franked dividend distributions	3,336	3,336
Unfranked dividend distributions	11	432
Interest distributions	949	1,009
Bank interest	3	5
Total revenue	4,299	4,782

The prior year figures have been restated for presentation purposes. These alterations have not changed either the total return or net assets attributable to shareholders in either the current or preceding year.

4 EXPENSES

	2013 £000	2012 £000
Payable to the Manager or associate of the Manager and the agents of either of them:		
Annual management charge	(198)	(200)
Registration fees	(14)	(16)
	(212)	(216)
Payable to the trustee or associate of the trustee and the agents of either of them:		
Trustee's fees	(14)	(14)
	(14)	(14)
Other expenses:		
Audit fee	(8)	(8)
Miscellaneous expenses	(1)	(1)
	(9)	(9)
*Total expenses	(235)	(239)

*Including irrecoverable VAT where applicable.

5 TAXATION

	2013 £000	2012 £000
a) Analysis of charge in period		
Corporation tax	(154)	(239)
Total current tax (note 5b)	(154)	(239)
Deferred tax – origination and reversal of timing difference (note 5c)	9	(2)
Total tax charge for the period	(145)	(241)
b) Factors affecting taxation charge for period		
Net revenue before taxation	4,063	4,538
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(813)	(908)
Effects of:		
Revenue not subject to taxation	667	667
*Revenue taxable in other periods	(8)	2
Current tax charge for period (note 5a)	(154)	(239)
c) Deferred tax		
Provision at start of period	(9)	(7)
Deferred tax charge in statement of total return for period (note 5a)	9	(2)
Provision at end of period	–	(9)

*Authorised trusts are not subject to taxation or tax relief on these items.

Notes to the financial statements

(continued)

6 FINANCE COSTS

Distributions and Interest

The distribution takes account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprises:

	2013 £000	2012 £000
Interim	2,917	3,025
Final	1,148	1,402
	4,065	4,427
Add: Revenue deducted on cancellation of units	78	83
Deduct: Revenue received on creation of units	(67)	(53)
Net distribution for the period	4,076	4,457
Interest	1	5
Total finance costs	4,077	4,462
Net revenue after taxation	3,918	4,297
Annual management charge to capital	198	200
Tax thereon	(40)	(40)
Net distribution for the period	4,076	4,457

Details of the distribution per unit are set out in the table on page 4.

7 DEBTORS

	2013 £000	2012 £000
Amounts receivable for the issue of units	14	11
Sales awaiting settlement	–	1,000
Accrued revenue	246	261
United Kingdom income tax recoverable	487	286
Total debtors	747	1,558

8 CREDITORS

	2013 £000	2012 £000
Amounts payable for the cancellation of units	(201)	(180)
Accrued expenses	(10)	(5)
Amounts payable to the Manager	(18)	(17)
Deferred taxation	–	(9)
Taxation payable	(392)	(239)
Total creditors	(621)	(450)

9 UNITHOLDER FUNDS

The underlying funds suffer a management fee in the range of 0.5%-1.5%.

Managed Income Fund currently has two unit classes; Class A and Class B units. The charges on each unit class are as follows:

Annual management charge

Class A units	0.25%
Class B units	–

Registration fees

Class A units	£7.50 per unitholder
Class B units	0.020%

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative table on page 11. The distribution per unit class is given in the distribution table on page 4. Both classes have the same rights on winding up.

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the trust.

The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Any amounts due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts payable to Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Note 4. A balance of £17,512 (2012: £16,353), in respect of annual management service charge and £372 (2012: £631) in respect of registration fees are due at the end of the accounting period.

Amounts payable to J.P. Morgan Trustee and Depositary Company Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 4. A balance of £1,200 (2012: £1,140), in respect of trustee services and £72 (2012: £68) in respect of safe custody are due at the end of the accounting period.

The trust receives and pays interest on deposits held with J.P. Morgan Trustee and Depositary Company as disclosed in Notes 3 and 6. A balance of £444 (2012: £46) is receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The trust invests in a number of funds managed by Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement. Details of revenue received from the sub-funds are shown in Note 3 and amounts receivable at the end of the accounting period in Note 7.

The Manager, or associate of the Manager acted as principal in all investment transactions.

11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing its investment objectives set out on page 3, the Threadneedle Managed Income Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC and the Threadneedle Specialist Investment Funds ICVC of which a maximum of 20% of the value of the property of the trust may be invested in any one fund within this range of investment funds;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity; and
- Derivative transactions to manage the currency and market risks arising from the trust's investment activities.

Throughout the period under review, it has been the policy of the trust to buy and sell financial instruments for the purpose of investment rather than trading.

The main risks arising from the trust's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the trust and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate and are consistently applied throughout the period under review.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the trust might suffer through holding market positions in the face of price movements. The value of the investment can fall as well as rise and investors might not get back the sum originally invested, especially if investments are not held for the long term.

The trust is exposed to market risk by virtue of their investments in Collective Investment Schemes.

The Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset

Notes to the financial statements

(continued)

allocation parameters and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The investment guidelines and investment and borrowing powers are set out in the instrument of incorporation and the prospectus.

Liquidity risk

Liquidity risk is the risk that the trust cannot raise sufficient cash to meet its liabilities when due. The main liability of the trust is the redemption of shares that the investors wish to sell. The trust's assets comprise mainly realisable securities which can readily be sold.

Under normal circumstances, the trust will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the trust, the trust may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of units. The Manager manages the trust's cash to ensure it can meet its liabilities. The Manager receives daily reports of subscriptions and redemptions enabling the Manager to raise cash from the trust's portfolio in order to meet redemption requests. In addition the Manager monitors market liquidity of the investment portfolio to ensure the trust maintains sufficient liquidity to meet known and potential redemption activity. Trust cash balances are monitored daily by the Manager and Administrator. Where investments cannot be realised in time to meet any potential liability, the trust may borrow up to 10% of its value to ensure settlement. All of the trust's financial liabilities are payable on demand or in less than one year. In exceptional circumstances the Manager, with the prior agreement of the Trustee, may suspend dealing for a period of 28 days which may be extended further with FSA approval. The Manager may also, in certain circumstances, require a redeeming unitholder, in lieu of payment, to be transferred property of the trust.

Credit risk

Credit risk is the risk that the counterparty in a financial transaction will fail to fulfil their obligation or commitment.

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments (including FRNs) there is the possibility of default of the issuer and default in the underlying assets meaning that the trust may not receive back the full principal originally invested.

Thirdly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the trust has fulfilled its responsibilities, which could result in the trust suffering a loss.

In order to manage credit risk the trust and underlying investments are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the underlying funds only buy and sell investments through brokers which have been approved by the Manager as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in broker's financial ratings are periodically reviewed.

Interest rate risk

Interest rate risk is the risk that the value of the trusts' investments will fluctuate as a result of changes in interest rates.

The trust has holdings in other funds with significant interest rate exposure.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the revenue potential of the trust also rises but the value of fixed rate securities will decline.

A decline in interest rates will in general have the opposite effect.

Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

The interest risk profile for the relevant funds is shown in their notes to the financial statements.

Foreign currency risk

Foreign currency risk is the risk that the value of the trusts' investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the trust's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the trust's principal currency.

Two principal areas where foreign currency risk could impact the trust are:

- Where movements in rates affect the value of the underlying investments; the trust may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the trust does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.
- There is no direct foreign currency exposure within the trust at the balance sheet date. However, a proportion of the trust's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee trust's significant exposure to non-sterling currencies, based on their most recent published financial statements are as follows:
- Threadneedle Global Equity Income Fund's principal exposures are to the Australian Dollar and US Dollar.
- Threadneedle Pan European Equity Dividend Fund's principal exposures are to the Euro and Swiss Franc.

Fair value of financial assets and financial liabilities

All of the financial assets of the trust are valued using the single price, which is deemed to be fair value. The primary financial liability is the trust's liability to redeem units issued to finance its operations. These are held at book value and the difference from fair value is deemed to be immaterial.

There are no material amounts of non interest-bearing financial assets.

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2012: Nil).

13 PORTFOLIO TRANSACTION COSTS

The total cost of purchases during the period was £5,362,594 (2012: £7,125,786) and proceeds received from sales were £8,223,945 (2012: £10,397,000).

The purchases and sales are not subject to portfolio transaction costs.

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Financial Services Authority's Collective Investment Schemes Sourcebook as amended ("the Regulations") requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Scheme and of its net revenue and the net capital gains on the property of the Scheme for the period. In preparing the financial statements 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 relating to Authorised Funds issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records, which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation for the foreseeable future.

The Manager is required to keep proper accounting records and to manage the Scheme in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Prospectus. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Trustee to the Unitholders of the Threadneedle Managed Income Fund ("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 Services Authority's Collective Investment Schemes Sourcebook ("the COLL Sourcebook") and the Scheme's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, shares in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of 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 Sourcebook 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
Bournemouth
3 April 2013

The Independent Auditors Report to the Unitholders of Threadneedle Managed Income Fund

We have audited the financial statements of “Threadneedle Managed Income Fund” (the “Trust”) for the year ended 25 February 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. 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) and the Statement of Recommended Practice ‘Financial Statements of Authorised Funds’ issued by the Investment Management Association (the “Statement of Recommended Practice for Authorised Funds”).

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Authorised Fund Manager’s Responsibilities Statement 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 International Standards on Auditing (UK and 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 Trust’s 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust’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 annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust at 25 February 2013 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

Opinion on other 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

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

London
3 April 2013

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at threadneedle.com, which is a website maintained by Threadneedle Investment Services Limited. The maintenance and integrity of the Threadneedle Investment Services Limited’s website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Portfolio Statement

as at 25 February 2013

Holding	Investment	Value £000	% of Net Asset Value
COLLECTIVE INVESTMENT SCHEMES			
99.26% (100.52%)			
UK equity 59.58% (59.66%)			
30,272,346	Threadneedle Monthly Extra Income Fund	19,638	19.05
28,040,008	Threadneedle UK Equity Alpha Income Fund	15,394	14.93
13,582,082	Threadneedle UK Equity Income Fund	10,183	9.88
25,156,504	Threadneedle UK Monthly Income Fund	16,198	15.72
Total UK equity		61,413	59.58
UK bond 17.42% (18.07%)			
13,830,845	Threadneedle High Yield Bond Fund	6,081	5.90
20,964,186	Threadneedle UK Corporate Bond Fund	11,872	11.52
Total UK bond		17,953	17.42
Overseas equity 22.26% (22.79%)			
9,078,064	Threadneedle Global Equity Income Fund	10,060	9.76
16,589,457	Threadneedle Pan European Equity Dividend Fund	12,885	12.50
Total overseas equity		22,945	22.26
Total collective investment schemes		102,311	99.26
Total value of investments		102,311	99.26
Net other assets/(liabilities) (-0.52%)		759	0.74
Net assets		103,070	100.00

The calculation of the % Net Asset Value may not sum to 100% due to rounding.

February 2012 comparatives in brackets.

Comparative Tables

Fund Size				Income and Price History			
For the year ended	Net Asset Value of Unit Class £	Net Asset Value per Unit	Units in issue	Calendar Year	Net income per unit p	Highest offer price p	Lowest bid price p
25 February 2011				2008			
Class A – Net income units	82,101,317	59.13p	138,848,364	Class A – Net income units	2.4421	69.16	44.13
Class B – Net income units	14,418,076	60.24p	23,932,788	Class B – Net income units	2.4633	67.39	44.75
25 February 2012				2009			
Class A – Net income units	79,898,568	59.78p	133,661,722	Class A – Net income units	3.0876	57.19	41.87
Class B – Net income units	14,897,796	61.03p	24,410,330	Class B – Net income units	3.1332	55.96	42.47
25 February 2013				2010			
Class A – Net income units	83,820,223	66.05p	126,903,568	Class A – Net income units	2.5094	62.49	51.52
Class B – Net income units	19,249,634	67.57p	28,487,450	Class B – Net income units	2.5577	61.29	52.41
				2011			
				Class A – Net income units	2.6209	64.48	53.08
				Class B – Net income units	2.6736	63.30	54.17
				2012			
				Class A – Net income units	2.7477	65.33	56.09
				Class B – Net income units	2.8088	64.43	57.31
				2013			
				†Class A – Net income units	0.8975	69.28	63.16
				†Class B – Net income units	0.9593	68.37	64.64

†To 25 February 2013

Ongoing Charges Figure Summary

for the accounting period 26 February 2012 to 25 February 2013

Trust	Unit Class	2013
Threadneedle Managed Income Fund	Class A – Net income units	1.80%
	Class B – Net income units	1.54%

Where the trust invests in other group funds, the calculation includes the trust's share of the expenses of the underlying funds. The share of the costs of the underlying funds may fluctuate due to changes in investment decisions, which may be required as a result of changes in market conditions.

Risk and Reward Profiles

Trust	SRRI*
Threadneedle Managed Income Fund	5

*As at 25 February the synthetic risk and reward indicator (SRRI) is explained in the table below:

SRRI	
1	The trust is in this specific category because historically it has shown a low level of volatility (how much the value of the trust went up and down compared to other categories).
2	The trust is in this specific category because historically it has shown a relatively low level of volatility (how much the value of the trust went up and down compared to other categories).
3	The trust is in this specific category because historically it has shown a medium to low level of volatility (how much the value of the trust went up and down compared to other categories).
4	The trust is in this specific category because historically it has shown a medium level of volatility (how much the value of the trust went up and down compared to other categories).
5	The trust is in this specific category because historically it has shown a medium to high level of volatility (how much the value of the trust went up and down compared to other categories).
6	The trust is in this specific category because historically it has shown a high level of volatility (how much the value of the trust went up and down compared to other categories).
7	The trust is in this specific category because historically it has shown a very high level of volatility (how much the value of the trust went up and down compared to other categories).

The Risk and Reward Profile is based on past performance data in pounds sterling.

Further Information

The Threadneedle Managed Income Fund (the “trust”) is an authorised unit trust scheme that has been set up in accordance with the rules contained in the Financial Services Authority’s Collective Investment Scheme Sourcebook (“COLL”) and operate under Chapter 5 of the COLL Rules. The trust has been certified by the Financial Services Authority (“FSA”) as eligible to enjoy the rights conferred by the Undertakings for Collective Investment in Transferable Securities Directive 2009/65/EC.

The prospectus, which describes the trust in detail, is available on request from the Authorised Unit Trust Manager (“Manager”).

Key Investor Information Document (KIID) – Subscription requirements

Since 1 July 2012, the KIID is a pre contractual document and investors have to confirm that they have read the latest KIID before making a subscription. Threadneedle has the right to reject a subscription if the investor does not confirm that they have read the latest KIID at the time of application. Investors can get the latest KIID from threadneedle.com.

Changes to the Prospectus

During the period from 26 February 2012 to 25 February 2013 there were no changes to the prospectus of the trust.

The Retail Distribution Review (“RDR”)

RDR is an initiative that is being driven by the Financial Services Authority to change how investors get financial advice. The RDR came into effect 31 December 2012. For more information on RDR please visit fsa.gov.uk/rdr.

Charges and Prices

For the trust, two unit prices are quoted, the ‘offer’ price at which you buy units and the ‘bid’ price at which you sell them back to us. The difference between these two prices includes the initial charge and is called the bid/offer spread. The spread for the trust is 3.75% of the offer price.

The fees and expenses of the Trustee, Registrar’s fees, Auditor’s fees and FSA authorisation fees are payable by the trust.

SDRT Provision

Stamp Duty Reserve Tax (SDRT) is chargeable on the surrender (i.e. the redemption or switching of units), and on certain transfers of units in the trust. The current rate of SDRT is 0.5%.

The liability for SDRT is calculated weekly by reference to unit sales and repurchases in that and the following week but is reduced proportionately to the extent that the investments held by the trust are exempt investments, which essentially are any assets other than United Kingdom equities and other collective investment schemes that are not exempt from SDRT. Any trust which only invests in exempt investments, i.e. holds no United Kingdom equities, will therefore be wholly exempt from SDRT.

How it affects unitholders and potential unitholders:

The Manager meets the SDRT liability from the property of the trust. It is not the Manager’s intention to require the payment of a further provision for SDRT (as set out in the Prospectus).

Income Equalisation

When the first income distribution is received it may include an amount known as equalisation. The amount representing the income equalisation in the unit’s price is a return of capital and is not taxable in the hands of unitholders. This amount should be deducted from the cost of income units in computing capital gains realised on their disposal.

Individual Savings Accounts

Throughout the accounting period the trust has satisfied the requirements of the Individual Savings Account Regulations 1998 (as amended).

It is the Manager’s intention that the trust will be managed in such a way as to continue to meet this requirement.

Directory

Manager and Registrar

Threadneedle Investment Services Limited

Registered Office

60 St Mary Axe,
London, EC3A 8JQ

Client Services

P.O. Box 1331, Swindon, SN38 7TA
Telephone: 0800 068 3000*

Chairman and Chief Executive

C D Fleming (Appointed 1 March 2013)
C J Henderson (Resigned from the Board and as
Chief Executive 1 March 2013)

Other Directors

T N Gillbanks
P J W Reed
N J Ring

Trustee

J.P. Morgan Trustee and Depositary Company Limited
(Authorised and regulated by the FSA)
Chaseside
Bournemouth
Dorset, BH7 7DA

Legal Advisers

Eversheds LLP
One Wood Street
London, EC2V 7WS

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London, SE1 2RT

Investment Adviser

Threadneedle Asset Management Limited
(Authorised and regulated by the FSA)
60 St Mary Axe
London, EC3A 8JQ

Important Information

Market Risk

The value of investments can fall as well as rise and investors might not get back the sum originally invested, especially if investments are not held for the long term.

Investing in Funds Risk

Where trusts invest into other funds, investors should consider the underlying assets when assessing their portfolio exposure.

Currency Risk

Where investments are made in assets that are denominated in foreign currency, changes in exchange rates may affect the value of the investments.

Issuer Risk

The trust invests in securities whose value would be significantly affected if the issuer either refused to pay or was unable to pay.

Inflation Risk

Most bond funds offer limited capital growth potential and an income that is not linked to inflation. Therefore, inflation can affect the value of capital and income over time.

Interest Rate Risk

Changes in interest rates are likely to affect the trust's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Volatility Risk

The trust may exhibit significant price volatility.

