

Schroder **Prime UK Equity Fund**

Final Report & Accounts
February 2010



Schroders

The fund's investment objective is to achieve capital growth primarily through investment in UK equities.

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	1.3.10	2.3.09	% change
I Accumulation units	136.10p	89.65p	51.81
X Accumulation units	71.38p	46.75p	52.68
	28.2.10	28.2.09	
Final distribution per I Accumulation unit	3.5769p	4.7193p	

Fund information

Launch date	27 March 2006	
Launch price	128.50p per I Accumulation unit 66.16p per X Accumulation unit	
Accounting dates	Interim	Final
	31 August	28 February
Revenue allocation date		Final
		30 April

As at 5 March 2010 Schroder Prime UK Equity Fund was merged into Schroder Institutional UK Equity Fund which then changed its name to Schroder Prime UK Equity Fund on the same date.

Total expense ratio

	For the year to 28.2.10	For the year to 28.2.09
I Accumulation units	0.52%	0.52%
X Accumulation units *	0.02%	0.01%

* The Manager's periodic charge for X Accumulation units is invoiced directly to unitholders and is therefore not included in the Total expense ratio for that unit class.

Portfolio turnover ratio

	For the year to 28.2.10	For the year to 28.2.09
	31.04%	22.90%

From 2 March 2009 to 1 March 2010, the price of I Accumulation units on a dealing price to dealing price basis rose 51.81%. In comparison, the FTSE All Share Index generated a total return of 56.74% (Source: Thomson Financial Datastream). This price return reflects the modest underperformance of the portfolio, which is exaggerated due to a timing difference between the valuation of the fund and the benchmark, and a change in the pricing basis.

UK equities had an unprecedented year, with fading fears about a global depression prompting a major market level rotation from defensives into cyclical stocks. We had begun moving the portfolio into economically sensitive stocks in the early part of 2009, focusing on companies that had been unfairly hit in the downturn or were becoming more attractive in light of balance sheet repair. These included HSBC Holdings, Wolseley, British Land and Rio Tinto.

This shift had a favourable impact on performance over the period, with an underweight in consumer goods, and good stock selection in support services, travel & leisure and life insurance contributing most. However, this was offset by our underweight in mining – a sector that recovered strongly after a torrid end to 2008. This underweight remains in place as we continue to see better value in other cyclical sectors.

All in all, we remain cautious on the UK economy (as reflected in profit taking in names like Wetherspoon (J.D.) and Marks & Spencer Group), but believe the UK equity market can make progress nevertheless. Valuations appear undemanding, operational gearing is still having a favourable impact, and the UK market remains extremely international in its nature. Indeed, many of the portfolio's largest positions are exposed to overseas growth trends - markets where the scale and speed of the recovery looks set to surpass that of the UK.

23 March 2010

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.

Unit price range

Year to 31 Dec	I Accumulation units		X Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2006	137.50	117.70	71.03	60.61
2007	151.20	133.80	78.35	69.21
2008	144.50	88.49	74.96	46.08
2009	136.80	86.54	71.66	45.12
2010 to 28 Feb	139.90	128.60	73.27	67.43

Net revenue

Year to 31 Dec	I Accumulation units pence per unit	X Accumulation units pence per unit
2006	Nil	Nil
2007	3.0038	1.8352
2008	3.7321	2.3594
2009	4.7193	3.1232
2010 to 28 Feb	3.5769	2.1617

Net asset value

As at 28 Feb	Net asset value £000's	Net asset value per unit p	Number of units in issue
2008			
I Accumulation units	201,985	134.16	150,556,435
X Accumulation units	178,461	69.83	255,550,597
2009			
I Accumulation units	95,979	92.39	103,890,181
X Accumulation units	52,130	48.23	108,075,406
2010			
I Accumulation units	95,336	135.94	70,130,043
X Accumulation units	71,797	71.28	100,723,809

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Schroder Prime UK Equity Fund

The fund is index unconstrained and has the potential for greater volatility.

The fund invests solely in the securities of a particular country; there may be a greater risk than investing in funds which hold securities in a range of countries.

The fund invests in a smaller number of stocks; this carries more risk than funds spread across a larger number of companies.

The fund may make use of derivatives for specific investment purposes which involves a higher degree of risk and can be more volatile.

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

The Financial Services 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 gains 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 November 2008;
- 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 28 February 2010 were signed on 15 April 2010 on behalf of the Manager by:

C.E. Helmstetter
J.M. Cardew
Directors

Statement of the Trustee's responsibilities in relation to the accounts of the fund

The trustee is responsible for the safekeeping of all of the property of the fund (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 fund is managed by the authorised fund manager in accordance with the Financial Services Authority's Collective Investment Schemes sourcebook (COLL) and the fund's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, units in the fund; the application of revenue of the fund; and the investment and borrowing powers of the fund.

Trustee's Report for the accounting period from 1 March 2009 to 28 February 2010

Schroder Prime UK Equity Fund ("the fund")

Having carried out such procedures as we consider necessary to discharge our responsibilities as trustee of the fund, 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 fund's units and the application of the fund's revenue in accordance with the COLL as appropriate, and, where applicable, the fund's Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the fund.

Bournemouth
16 March 2010

J.P. Morgan Trustee and Depositary
Company Limited
Trustee

Independent Auditors' report to the unitholders of Schroder Prime UK Equity Fund ("the fund")

We have audited the accounts of Schroder Prime UK Equity Fund for the year ended 28 February 2010 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 table. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of the Manager and Auditors

The Manager's responsibilities for preparing the annual report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Manager's Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, International Standards on Auditing (UK and Ireland) and the requirements of the Collective Investment Schemes sourcebook. This report, including the opinion, has been prepared for and only for the unitholders of the fund 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 this opinion, 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.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008, the Collective Investment Schemes sourcebook and the Trust Deed. We also report to you whether, in our opinion, proper accounting records for the fund have not been kept or whether the accounts are not in agreement with those records, and whether the information given in the Manager's Report (which comprises the Review of Investment Activities and the other items set out on pages 1 to 4, 9 to 11 and 25) is consistent with the accounts. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Manager in the preparation of the accounts, and of whether the accounting policies are appropriate to the fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the fund at 28 February 2010 and of the net revenue and the net capital gains on the property of the fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008, the Collective Investment Schemes sourcebook and the Trust Deed.

We have obtained all the information and explanations we consider necessary for the purposes of the audit.

In our opinion the information given in the Manager's Report is consistent with the accounts.

London
15 April 2010

PricewaterhouseCoopers LLP
Chartered Accountants
& Statutory Auditors

The accounts are published at www.schroders.co.uk, which is a website maintained by the Manager. The maintenance and integrity of the Schroders website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters, and accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

	Holding at 28.2.10	Market value £000's	% of total net assets
Oil & Gas 15.10% (2009 - 20.99%)			
BG Group	755,074	8,642	5.17
BP	632,024	3,657	2.19
Cairn Energy	571,320	1,910	1.14
Dana Petroleum	86,971	950	0.57
Royal Dutch Shell 'B'	540,505	9,275	5.55
Wood Group (John)	221,685	796	0.48
		25,230	15.10

Basic Materials 9.24% (2009 - 4.82%)			
Anglo American	329,887	7,879	4.71
Johnson Matthey	121,339	1,925	1.15
Rio Tinto	167,752	5,642	3.38
		15,446	9.24

Industrials 12.53% (2009 - 8.97%)			
BAE Systems	479,177	1,793	1.07
Carillion	1,025,909	2,906	1.74
QinetiQ Group	813,787	1,023	0.61
Rentokil Initial	3,355,994	4,322	2.59
Rolls-Royce Group	642,420	3,585	2.15
Smiths Group	308,224	3,199	1.91
Spirax-Sarco Engineering	324,913	4,117	2.46
		20,945	12.53

Consumer Goods 5.34% (2009 - 5.72%)			
Bovis Homes Group	193,998	708	0.42
Unilever	427,119	8,218	4.92
		8,926	5.34

Health Care 9.19% (2009 - 10.38%)			
AstraZeneca	244,021	7,037	4.21
GlaxoSmithKline	686,244	8,331	4.98
		15,368	9.19

	Holding at 28.2.10	Market value £000's	% of total net assets
Consumer Services 14.38%			
(2009 - 16.10%)			
Arriva	258,926	1,325	0.79
Burberry Group	268,138	1,677	1.00
Carnival	180,988	4,490	2.69
Daily Mail & General Trust 'A' Non-Voting	817,540	3,632	2.17
easyJet	119,115	492	0.29
Forth Ports	108,303	1,154	0.69
Home Retail Group	119,736	306	0.18
Inchcape	2,074,861	528	0.32
Millennium & Copthorne Hotels	391,145	1,634	0.98
Pearson	430,208	3,924	2.35
Tesco	385,333	1,617	0.97
Whitbread	229,603	3,260	1.95
		24,039	14.38

Telecommunications 5.51%

(2009 - 8.15%)

Vodafone Group	6,507,069	9,204	5.51
		9,204	5.51

Utilities 2.21%

(2009 - 1.88%)

Centrica	1,318,281	3,687	2.21
		3,687	2.21

Financials 22.21%

(2009 - 15.37%)

3i Group	488,011	1,284	0.77
Barclays	923,216	2,882	1.72
HSBC Holdings	1,150,289	8,278	4.95
ICAP	586,076	1,909	1.14
Legal & General Group	5,419,789	4,181	2.50
Lloyds Banking Group	6,246,807	3,280	1.96
Prudential	842,643	5,077	3.04
Resolution	674,790	486	0.29
Royal Bank of Scotland Group	4,517,868	1,702	1.02
RSA Insurance Group	1,694,376	2,194	1.31
Standard Chartered	221,691	3,463	2.07

	Holding at 28.2.10	Market value £000's	% of total net assets
Financials (continued)			
SVG Capital	739,559	996	0.60
SVG Capital 8.25% Bonds 2016	£1,850,000	1,396	0.84
		37,128	22.21

UK Equity Funds 3.73%

(2009 - 1.88%)

Schroder Institutional UK Smaller Companies Fund I Income Units * † ‡	728,080	2,021	1.21
Schroder Recovery Fund A Income Units * † ‡	71,787	4,210	2.52
		6,231	3.73

Technology 0.02%

(2009 - 1.30%)

Blinkx	217,804	30	0.02
		30	0.02

Portfolio of investments	166,234	99.46
Net other assets	899	0.54
Net assets attributable to unitholders	167,133	100.00%

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

* Collective Investment Schemes permitted under the COLL, not listed on any exchange.

† Securities that are not approved within the meaning of the COLL.

‡ A related party to the fund (Note 10).

For the year ended 28 February 2010

		2010		Restated 2009	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital gains/(losses)	2		63,169		(88,402)
Revenue	3	6,626		11,802	
Expenses	4	(514)		(716)	
Finance costs:					
Interest payable	6	(1)		0	
Net revenue before taxation		6,111		11,086	
Taxation	5	(3)		(1)	
Net revenue after taxation			6,108		11,085
Total return before distributions			69,277		(77,317)
Finance costs:					
Distributions	6		(5,774)		(10,890)
Change in net assets attributable to unitholders from investment activities			63,503		(88,207)

Statement of Change in Net Assets Attributable to Unitholders
For the year ended 28 February 2010

	2010		2009	
	£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders		148,109		380,446
Amounts receivable on issue of units	7,442		22,730	
Amounts payable on cancellation of units	(56,652)		(175,171)	
		(49,210)		(152,441)
Dilution adjustments		59		49
Stamp duty reserve tax		(14)		(16)
Change in net assets attributable to unitholders from investment activities		63,503		(88,207)
Retained distribution on Accumulation units		4,686		8,278
Closing net assets attributable to unitholders		167,133		148,109

As at 28 February 2010

		2010		2009	
	Notes	£000's	£000's	£000's	£000's
Assets					
Investment assets			166,234		141,539
Debtors	7	1,118		883	
Cash and bank balances		3,906		7,491	
Total other assets			5,024		8,374
Total assets			171,258		149,913
Liabilities					
Creditors	8	(612)		(104)	
Bank overdrafts		(3,513)		(1,700)	
Total other liabilities			(4,125)		(1,804)
Total liabilities			(4,125)		(1,804)
Net assets attributable to unitholders			167,133		148,109

1. Accounting policies

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 November 2008, which supersedes the SORP issued by the IMA in December 2005.

As a result of this change certain items have been re-analysed in the Statement of Total Return and the Notes to the Accounts as set out below. These restatements did not change either the Total return before distributions or Net assets attributable to unitholders as represented in the preceding period.

Other losses were previously included as a separate line in the Statement of Total Return. Transaction charges were previously included within expenses. The impact of these changes are reflected within Net capital gains/(losses).

Revenue

Dividends receivable from equity investments and distributions receivable from authorised unit trusts are credited to revenue when they are first quoted ex-dividend. Interest receivable from debt securities is accounted for on an effective yield basis, and interest receivable from bank deposits is accounted for on an accruals basis. Underwriting commissions are included in revenue except where the fund is required to take up shares. In these cases commission is deducted from the capital cost of those shares on a proportional basis.

Special dividends

Special dividends are treated as revenue or capital depending on the facts of each particular case.

Equalisation

Equalisation on the distributions received by the fund is deducted from the cost of investments.

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 Stamp duty reserve tax and costs associated with the purchase and sale of investments which are allocated to the capital of the fund.

The Manager's periodic charge in respect of the Schroder funds in which the fund invests is rebated to the fund so that no

double charging occurs. These rebates are treated as revenue or capital based on the underlying fund's treatment.

The Manager's periodic charge is invoiced directly to the holders of X Accumulation units.

Taxation

Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

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.

Distributions

The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on 30 April. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution. The distribution is in accordance with the COLL.

Valuation

Listed investments of the fund have been valued at market value, dual priced authorised unit trusts have been valued at cancellation price and single priced authorised unit trusts have been valued at the dealing price at 18:00 on the balance sheet date. Market value is defined by the SORP as fair value which generally is the bid value of each security.

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.

Dilution adjustments

As detailed in the Prospectus, the Manager may need to make a dilution adjustment on the sale or repurchase of units, which is dealt with as part of the capital of the fund. The adjustments are intended to cover certain dealing charges not included in the mid-market value used in calculating the dealing price of the fund which could have a diluting effect on the fund. Without such adjustments there could be an adverse effect on the current unitholders' interest in the fund.

2. Net capital gains/(losses)

The net capital gains/(losses) during the year comprise:

	2010 £000's	Restated 2009 £000's
Non-derivative securities	63,183	(88,399)
Currency losses	(9)	(2)
Transaction charges	(5)	(1)
Net capital gains/(losses)	63,169	(88,402)

3. Revenue

	2010 £000's	2009 £000's
UK dividends	5,929	11,163
Overseas dividends	0	8
Franked distributions	113	9
Unfranked distributions	14	1
Property income distributions	0	14
Scrip dividends	334	195
Interest on debt securities	160	121
Bank interest	17	283
Underwriting commission	59	8
Total revenue	6,626	11,802

4. Expenses

	2010 £000's	Restated 2009 £000's
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	555	698
Manager's periodic charge rebate §	(72)	(19)
	483	679
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	18	27
Safe custody fees	1	2
	19	29
Other expenses:		
Audit fee *	12	8
	12	8
Total expenses	514	716

§ Manager's periodic charge rebate received in respect of Schroder funds.

* The audit fee for the current year includes fees for additional work carried out due to the change in provider of fund accounting services from State Street Bank & Trust Company to J.P. Morgan Europe Limited.

5. Taxation

(a) Analysis of the tax charge for the year

	2010 £000's	2009 £000's
Overseas withholding tax	0	1
Irrecoverable income tax	3	0
Total current tax (Note 5(b))	3	1

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

(b) 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% (2009 - 20%) is applied to the net revenue before taxation. The differences are explained below.

	2010 £000's	Restated 2009 £000's
Net revenue before taxation	6,111	11,086
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	1,222	2,217
Effects of:		
Revenue not subject to corporation tax	(1,275)	(2,273)
Movement in excess management expenses	53	56
Irrecoverable overseas withholding tax	0	1
Irrecoverable income tax	3	0
Current tax charge for the year (Note 5(a))	3	1

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £314,157 (2009 - £261,121) in respect of unutilised management expense. It is unlikely the fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year or prior year. As a result of changes in the Finance Act 2009, Eligible Unrelieved Foreign Tax ('EUFT') was abolished with effect from 1 July 2009 and as such no unrecognised Deferred Tax asset in relation to EUFT exists at the year end. As at 28 February 2009 there was an unrecognised Deferred Tax asset of £107,183 in relation to EUFT. No Deferred Tax asset was recognised in the prior year as it was considered unlikely the Fund would generate sufficient taxable profits in the future to utilise this asset.

6. Finance costs

Distributions and interest payable

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

	2010	Restated
	£000's	2009
		£000's
Final Dividend distribution	4,686	8,278
Add: Revenue deducted on cancellation of units	1,156	3,217
Deduct: Revenue received on creation of units	(68)	(605)
Finance costs: Distributions	5,774	10,890
Finance costs: Interest payable	1	0
Total finance costs	5,775	10,890

Net revenue after taxation	6,108	11,085
Scrip dividends	(334)	(195)
Finance costs: Distributions	5,774	10,890

Details of the distribution per unit are set out in the table on page 24.

7. Debtors

	2010	2009
	£000's	£000's
Sales awaiting settlement	303	0
Accrued UK dividends	768	813
Accrued property income distributions	0	14
Accrued interest on debt securities	35	41
Accrued bank interest	0	8
Accrued Manager's periodic charge rebate	12	6
Overseas withholding tax recoverable	0	1
Total debtors	1,118	883

8. Creditors

	2010		2009	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of units		150		8
Purchases awaiting settlement		414		0
Accrued expenses				
Manager and Agents				
Manager's periodic charge	36		83	
		36		83
Trustee and Agents				
Trustee's fees	1		3	
Transaction charges	1		1	
		2		4
Other accrued expenses		10		8
Stamp duty reserve tax payable		0		1
Total creditors		612		104

9. Contingent liabilities

The aggregate contingent liabilities not provided for at the balance sheet date are:

	2010 £000's	2009 £000's
Underwriting commitments	0	279
Total contingent liabilities	0	279

10. 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 Net capital gains/(losses), Expenses, Finance costs and Creditors in the Notes to the Accounts. Bank interest paid or payable to the fund by the Trustee is disclosed in Revenue and Debtors in the Notes to the Accounts.

Transactions relating to the creation and cancellation of units and the purchases and sales of investments which pass through, but are not for the benefit of, any related party are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Finance costs in the Notes to the Accounts. Amounts due to or from the fund at the balance sheet date in relation to these transactions are disclosed under Debtors and Creditors in the Notes to the Accounts. Cash and bank balances and bank overdrafts with the Trustee are disclosed in the Balance Sheet.

Related party holdings are disclosed in the Portfolio Statement.

11. Unit classes

The fund currently has two unit classes: I Accumulation units and X Accumulation 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 Accumulation units	0.50%
X Accumulation units	0.00%

The expense is invoiced directly to X Accumulation unitholders.

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 3. The distribution per unit class is given in the Distribution Table on page 24. Both classes have the same rights on winding up.

12. 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.

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 for purposes regarded as ancillary to the fund.

The fund has little exposure to credit risk. The main risks arising from the fund's financial instruments are market price, foreign currency, liquidity 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

Revenue received in other currencies is converted to sterling on or near the date of receipt. The fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Currency risk profile

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

Currency	Monetary exposure £000's	Non- monetary exposure £000's	Total £000's
Sterling			
2010	629	166,234	166,863
2009	6,311	141,539	147,850
US dollar			
2010	270	0	270
2009	259	0	259

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.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will 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 financial assets £000's	Fixed rate financial assets £000's	Financial assets not carrying interest £000's	Total £000's
Sterling				
2010	3,906	1,396	165,686	170,988
2009	7,491	1,104	141,059	149,654
US dollar				
2010	0	0	270	270
2009	0	0	259	259

Currency	Floating rate financial liabilities £000's	Financial liabilities not carrying interest £000's	Total £000's
Sterling			
2010	3,513	612	4,125
2009	1,700	104	1,804

Fixed rate financial assets

Currency	Weighted average interest rate	Weighted average period for which rate is fixed
Sterling		
2010	8.25%	6.30 years
2009	30.37%	6.29 years

There are no material amounts of non-interest bearing financial assets, other than equities and collective investment schemes, 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.

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.

13. Portfolio transaction costs

	2010		2009	
	£000's	£000's	£000's	£000's
Analysis of total purchase costs				
Purchases in period before transaction costs		40,156		57,088
Commissions	42		51	
Taxes	164		199	
Total purchase costs		206		250
Gross purchase total		40,362		57,338
Analysis of total sales costs				
Gross sales in period before transaction costs		78,941		196,360
Commissions	(91)		(61)	
Total sales costs		(91)		(61)
Total sales net of transaction costs		78,850		196,299

Final distribution for the year ended 28 February 2010

Group 1 Units purchased prior to 1 March 2009

Group 2 Units purchased on or after 1 March 2009

	Net revenue 2010 p per unit	Equalisation 2010 p per unit	Distribution payable 30.4.10 p per unit	Distribution paid 30.4.09 p per unit
I Accumulation Units				
Group 1	3.5769	–	3.5769	4.7193
Group 2	2.7990	0.7779	3.5769	4.7193
X Accumulation Units				
Group 1	2.1617	–	2.1617	3.1232
Group 2	1.3373	0.8244	2.1617	3.1232

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.

Corporate Unitholders

Corporate unitholders receive the dividend distribution payment as detailed below:

- 96.02% of the total distribution together with the tax credit is received as franked investment income.
- 3.98% of the distribution is deemed to be an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

Manager

Schroder Unit Trusts Limited
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Authority

Registrar *

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Investment Adviser

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Authority

Independent Auditors

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Hay's Galleria
1 Hay's Lane
London SE1 2RD

* 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.

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

