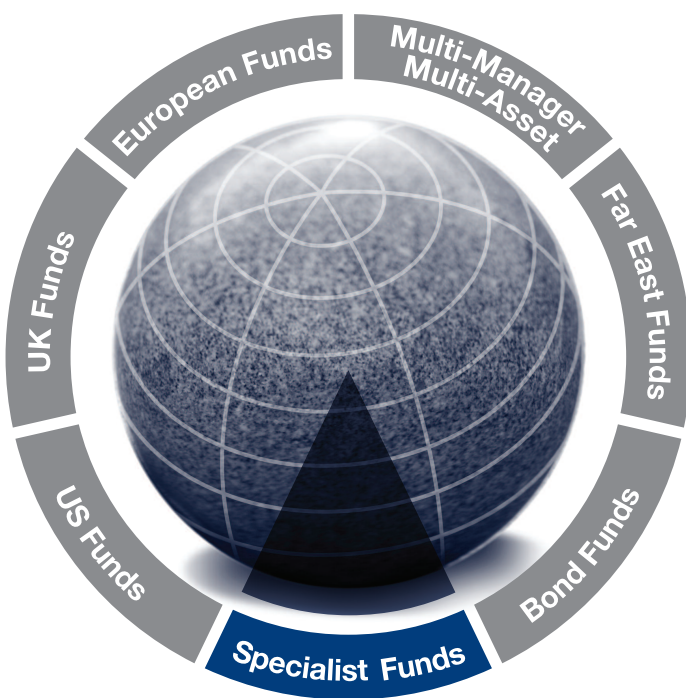


Schroder Managed Balanced Fund

Final Report and Accounts

February 2014



Schroders

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Schroder

Managed Balanced 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 give a balanced exposure to UK and overseas equities and fixed income securities through a range of underlying authorised unit trusts, recognised schemes and collective investment schemes.

The proportionate percentage to be invested in each underlying scheme will be decided by the investment adviser in light of current economic and other circumstances and may include a proportion in cash. Efficient portfolio management techniques will be utilised when considered appropriate.

Financial highlights

Dealing price	21.2.14	22.2.13	% change
A Accumulation units	145.70p	135.00p	7.93
H Income units	66.68p	62.22p	7.17
H Accumulation units	73.11p	67.34p	8.57
I Income units	481.40p	449.10p	7.19
I Accumulation units	772.60p	709.80p	8.85
Z Income units	50.87p	–	–
Z Accumulation units	50.86p	–	–
	23.4.14	23.4.13	
Final distribution per I Income unit	7.2319p	6.7955p	

Fund information

Launch date	17 July 1998	
Launch price	281.24p per I Income unit	
	346.22p per I Accumulation unit	
Launch date	13 November 2006	
Launch price	100.00p per A Accumulation unit	
Launch date	2 January 2007	
Launch price	50.00p per H Income unit	
	50.00p per H Accumulation unit	
Launch date	25 October 2013	
Launch price	50.00p per Z Income unit	
	50.00p per Z Accumulation unit	
	Interim	Final
Accounting dates	23 August	23 February
Revenue allocation date		23 April

Fund Information (continued)

Ongoing charges figure

	For the year to 23.2.14	For the year to 23.2.13
A Accumulation units	1.69%	1.72%
H Income units	0.92%	0.93%
H Accumulation units	0.92%	0.93%
I Income units	0.62%	0.63%
I Accumulation units	0.62%	0.63%
Z Income units	0.94% ¹	–
Z Accumulation units	0.94% ¹	–

1 The Ongoing charges figure is annualised based on the fees incurred during the accounting period.

Review of Investment Activities

From 22 February 2013 to 21 February 2014 the price of I Accumulation units on a dealing price to dealing price basis rose 8.85%. In comparison, the Investment Management Association Mixed Investment 40-85% Shares Sector Average generated a total return of 7.91%¹.

¹ Source: Lipper Investment Management.

Global equity markets continued their strong run until 22 May 2013 when the US Federal Reserve (Fed) chairman Ben Bernanke's comments indicated plans to begin the tapering of its bond purchasing programme, which resulted in a sharp reversal. The belief that the tapering would be announced in September dampened risk appetite throughout the summer, having a particularly acute impact on emerging market assets. The Fed's surprise decision to delay tapering triggered a rally in quarter four and global equities made strong gains despite new political risks appearing such as the US government's sixteen day shutdown and instability in the Italian government. US economic growth was strong for most of the period which convinced the Fed to finally begin tapering its bond purchase programme in January 2014. European growth began to recover with positive but weak gross domestic produce growth recorded in quarters three and four.

The fund outperformed the sector average return, and remains ahead over the longer term. We were overweight in equities and underweight in bonds over this period, which was accretive to overall performance. The strong performance of our UK fund managers added significantly to overall performance. Looking ahead, while equity valuations are not as attractive as they were twelve months ago we remain confident that the US recovery should continue and that opportunities exist in developed equities. We continue to be wary of emerging market risk due to increasing evidence of a China slowdown, generally higher interest rates from central banks fighting off currency weakness and political instability.

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:
Johanna Kyrklund

Joined Schroders in March 2007

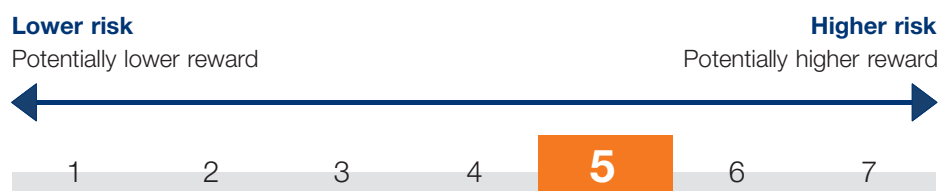
Johanna Kyrklund is Head of Multi-Asset Investments and is responsible for investments on behalf of all UK, European and US multi-asset clients. She is a member of the Global Asset Allocation Committee and fund manager of the Schroder Diversified Growth funds

Prior to joining Schroders, Johanna worked at Insight Investment as the fund manager of the Absolute Insight Tactical Asset Allocation Fund, a global macro absolute return fund. From 1997 to 2005 Johanna worked at Deutsche Asset Management, where she specialised in asset allocation. At Deutsche she was Head of Asset Allocation in the UK and fund manager of the Deutsche Tactical Asset Allocation Fund

Johanna has a BA (Hons) in Philosophy, Politics & Economics from Oxford University and has been a CFA Charterholder since 2001

Risk Profile

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 is authorised as a non-UCITS retail scheme. The investment and borrowing powers of these types of scheme are wider than those for UCITS funds whilst still aiming to provide a prudent spread of risk.

The fund invests in assets which are exposed to currencies other than sterling. Exchange rates may cause the value of overseas investments and the revenue from them to rise or fall.

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	A Accumulation units		H Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2009	108.80	71.81	51.48	33.74
2010	120.00	104.70	55.98	48.71
2011	123.10	106.00	57.04	49.00
2012	127.10	113.30	58.53	52.08
2013	145.40	127.80	66.48	58.85
2014 to 23 February	147.30	141.50	67.38	64.72

Year to 31 December	H Accumulation units		I Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2009	53.23	34.89	370.40	243.00
2010	58.99	51.34	404.20	351.30
2011	60.72	52.35	412.00	353.50
2012	63.34	56.09	422.20	375.30
2013	72.90	63.69	479.80	424.60
2014 to 23 February	73.88	70.97	486.30	467.20

Year to 31 December	I Accumulation units		Z Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2009	556.40	364.20	–	–
2010	618.60	536.80	–	–
2011	637.80	550.20	–	–
2012	667.40	589.70	–	–
2013	770.10	671.20	50.72	49.36
2014 to 23 February	780.60	749.90	51.41	49.38

Year to 31 December	Z Accumulation units	
	Highest dealing p	Lowest dealing p
2009	–	–
2010	–	–
2011	–	–
2012	–	–
2013	50.72	49.36
2014 to 23 February	51.40	49.37

Net Asset Value and Comparative Tables (continued)

Net revenue

Year to 31 December	A Accumulation units pence per unit	H Income units pence per unit
2009	0.6086	0.6291
2010	1.2082	0.9799
2011	0.9181	0.7639
2012	0.7826	0.7231
2013	0.9735	0.8081
2014 to 23 February	0.9960	0.8490

Year to 31 December	H Accumulation units pence per unit	I Income units pence per unit
2009	0.6325	5.2831
2010	0.9388	6.8056
2011	0.8241	6.8161
2012	0.7696	6.1406
2013	0.8747	6.7955
2014 to 23 February	0.9307	7.2319

Year to 31 December	I Accumulation units pence per unit	Z Income units pence per unit
2009	7.8076	–
2010	11.3216	–
2011	10.3812	–
2012	9.5580	–
2013	10.7425	–
2014 to 23 February	11.6066	0.7277

Year to 31 December	Z Accumulation units pence per unit
2009	–
2010	–
2011	–
2012	–
2013	–
2014 to 23 February	0.7277

Net Asset Value and Comparative Tables (continued)

Net asset value

As at 23 February	Net asset value £000's	Net asset value per unit p	Number of units in issue
2012			
A Accumulation units	8,258	120.36	6,861,207
H Income units	1,357	55.11	2,462,112
H Accumulation units	135,816	59.64	227,731,103
I Income units	11,577	396.80	2,917,543
I Accumulation units	432,762	627.17	69,002,761
2013			
A Accumulation units	11,783	135.01	8,727,492
H Income units	1,815	61.40	2,955,668
H Accumulation units	222,328	67.33	330,201,821
I Income units	11,525	442.25	2,605,954
I Accumulation units	493,051	709.76	69,467,659
2014			
A Accumulation units	16,678	145.69	11,448,034
H Income units	3,549	65.82	5,392,084
H Accumulation units	346,346	73.11	473,748,388
I Income units	14,131	474.12	2,980,330
I Accumulation units	615,730	772.58	79,697,482
Z Income units	124	50.14	247,547
Z Accumulation units	943	50.86	1,854,051

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 23.2.14	Market Value £000's	% of net assets
Asia Pacific ex Japan Equity Funds 4.48%			
(2013 – 5.75%)			
Schroder Asian Alpha Plus Fund A Accumulation Units ¹	57,442,134	44,678	4.48
		44,678	4.48
Emerging Markets Equity Funds 1.75%			
(2013 – 1.75%)			
Schroder Global Emerging Markets Fund A Income Units ¹	14,371,585	17,411	1.75
		17,411	1.75
European Equity Funds 10.93%			
(2013 – 11.52%)			
Schroder European Alpha Plus Fund A Income Units ¹	80,152,388	109,047	10.93
		109,047	10.93
Global Energy Equity Funds 1.05%			
(2013 – 0.00%)			
Schroder International Selection Fund Global Energy I Accumulation USD ¹	487,553	10,506	1.05
		10,506	1.05
Global Equity Funds 8.05%			
(2013 – 12.41%)			
Schroder International Selection Fund Global Multi-Asset Income C Accumulation USD ¹	220,042	15,241	1.53
Schroder International Selection Fund Global Tactical Asset Allocation I Accumulation USD ¹	431,999	26,994	2.71
Schroder International Selection Fund QEP Global Active Value I Accumulation USD ¹	161,723	20,176	2.02
Schroder International Selection Fund QEP Global Quality I Accumulation USD ¹	214,950	17,835	1.79
		80,246	8.05

Portfolio Statement (continued)

	Holding at 23.2.14	Market Value £000's	% of net assets
Japanese Equity Funds 3.51%			
(2013 – 3.39%)			
Schroder Tokyo Fund A Accumulation Units ¹	16,566,900	34,989	3.51
		34,989	3.51
UK Equity Funds 28.22%			
(2013 – 30.12%)			
Schroder Income Fund A Income Units ¹	8,082,055	89,953	9.02
Schroder UK Alpha Plus Fund A Income Units ¹	52,386,933	85,470	8.57
Schroder UK Equity Fund A Income Units ¹	13,115,085	106,101	10.63
		281,524	28.22
US Equity Funds 0.00%			
(2013 – 8.05%)			
Emerging Markets Fixed Interest Funds 4.84%			
(2013 – 0.00%)			
Schroder International Selection Fund Emerging Markets Debt I Accumulation USD ¹	2,365,859	48,318	4.84
		48,318	4.84
Global Fixed Interest Funds 5.05%			
(2013 – 6.82%)			
Schroder International Selection Fund Global High Yield I Accumulation USD ¹	1,951,816	50,354	5.05
		50,354	5.05
UK Fixed Interest Funds 21.25%			
(2013 – 10.72%)			
Schroder All Maturities Corporate Bond Fund I Accumulation Units ¹	20,483,714	44,998	4.51
Schroder Special Situations Fund Sterling Liquidity Plus I Accumulation ¹	1,428,693	167,000	16.74
		211,998	21.25

Portfolio Statement (continued)

	Holding at 23.2.14	Market Value £000's	% of net assets
Euro Denominated Derivatives 0.08%			
(2013 – (0.02)%)			
Euro Stoxx 50 Futures March 2014	455	759	0.08
		759	0.08
Japanese Yen Denominated Derivatives (0.01)%			
(2013 – 0.00%)			
Forward to buy ¥4,568,440,000 for US\$44,741,901	¥4,568,440,000	(80)	(0.01)
		(80)	(0.01)
Sterling Denominated Derivatives (0.01)%			
(2013 – 0.00%)			
Long Gilt Futures March 2014	176	(121)	(0.01)
		(121)	(0.01)
US Dollar Denominated Derivatives 0.56%			
(2013 – (0.23)%)			
Forward to buy US\$59,872,000 for £36,337,684	US\$59,872,000	(393)	(0.04)
Forward to buy US\$29,108,000 for C\$32,224,681	US\$29,108,000	167	0.02
Forward to sell US\$125,875,000 for £76,639,958	US\$(125,875,000)	1,069	0.11
S&P 500 E-Mini Index Futures March 2014	2,723	4,343	0.43
US 10 Year Note Futures March 2014	500	396	0.04
		5,582	0.56
Portfolio of investments ²		895,211	89.75
Net other assets		102,290	10.25
Net assets attributable to unitholders		997,501	100.00

Unless otherwise stated the above securities are collective investment schemes permitted under the COLL.

1 A related party to the fund (Note 12).

2 Including derivative liabilities.

Summary of Portfolio Transactions

Largest purchases

For the year ended 23 February 2014	Cost £000's
Schroder Special Situations Fund Sterling Liquidity Plus I Accumulation ¹	167,000
Schroder International Selection Fund Emerging Markets Debt I Accumulation USD ¹	49,510
Schroder Institutional Sterling Bond Fund I Accumulation (Gross) Units ¹	22,964
Schroder European Alpha Plus Fund A Income Units ¹	16,632
Schroder International Selection Fund Global High Yield I Accumulation USD ¹	13,897
Schroder QEP US Core Fund I Accumulation Units ¹	13,565
Schroder Income Fund A Income Units ¹	12,279
Schroder Tokyo Fund A Accumulation Units ¹	11,900
Schroder International Selection Fund Global Energy I Accumulation USD ¹	11,528
Schroder Global Emerging Markets Fund A Income Units ¹	9,601

Largest sales

For the year ended 23 February 2014	Proceeds £000's
Schroder QEP US Core Fund I Accumulation Units ¹	79,993
Schroder All Maturities Corporate Bond Fund I Accumulation Units ¹	38,499
Schroder Institutional Sterling Bond Fund I Accumulation (Gross) Units ¹	22,357
Schroder International Selection Fund QEP Global Active Value I Accumulation USD ¹	18,466
Schroder International Selection Fund QEP Global Quality I Accumulation USD ¹	11,484
Schroder International Selection Fund Global High Yield I Accumulation USD ¹	10,891
Schroder All Maturities Corporate Bond Fund X Accumulation Units ¹	4,213
Schroder Tokyo Fund A Accumulation Units ¹	3,534
Schroder Monthly High Income Fund A Income Units ¹	3,428
Schroder Global Emerging Markets Fund A Income Units ¹	2,797

¹ A related party to the fund (Note 12).

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 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 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 23 February 2014 were signed on 8 April 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 24 February 2013 to 23 February 2014

Schroder Managed Balanced 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
20 March 2014

Independent Auditors' Report to the Unitholders of Schroder Managed Balanced 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 23 February 2014 and of the net revenue and the net capital gains 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 Managed Balanced Fund (the “fund”), which are prepared by Schroder Unit Trusts Limited (the “Authorised Fund Manager”), comprise:

- the balance sheet of the fund as at 23 February 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 fund's 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 directors have 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 Managed Balanced 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 Managed Balanced 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 14, 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 fund'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.

PricewaterhouseCoopers LLP

Chartered Accountants & Statutory Auditors

Edinburgh

9 April 2014

- (a) The maintenance and integrity of the Schroders website is the responsibility of the 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 23 February 2014

		2014		2013	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital gains	2		57,201		74,278
Revenue	3	18,583		15,270	
Expenses	4	(5,301)		(3,871)	
Finance costs:					
Interest payable	6	(10)		(8)	
Net revenue before taxation		13,272		11,391	
Taxation	5	(1,599)		(1,386)	
Net revenue after taxation			11,673		10,005
Total return before distributions			68,874		84,283
Finance costs: Distributions	6		(11,940)		(10,219)
Change in net assets attributable to unitholders from investment activities			56,934		74,064

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 23 February 2014

		2014		2013	
		£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders			740,502		589,770
Amounts receivable on creation of units		252,219		107,438	
Amounts payable on cancellation of units		(65,703)		(41,043)	
			186,516		66,395
Stamp duty reserve tax			(238)		(163)
Change in net assets attributable to unitholders from investment activities			56,934		74,064
Retained distribution on Accumulation units			13,787		10,436
Closing net assets attributable to unitholders			997,501		740,502

Balance Sheet

As at 23 February 2014

		2014		2013	
	Notes	£000's	£000's	£000's	£000's
Assets					
Investment assets			895,805		670,537
Debtors	7	4,117		3,027	
Cash and bank balances	8	101,748		73,571	
Total other assets			105,865		76,598
Total assets			1,001,670		747,135
Liabilities					
Investment liabilities			(594)		(2,009)
Creditors	9	(2,554)		(1,965)	
Bank overdrafts	10	(758)		(2,458)	
Distribution payable on Income units		(263)		(201)	
Total other liabilities			(3,575)		(4,624)
Total liabilities			(4,169)		(6,633)
Net assets attributable to unitholders					
			997,501		740,502

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

Distributions receivable from authorised unit trusts and other collective investment schemes are recognised net of attributable tax credits and are credited to revenue when they are first quoted ex dividend. Interest receivable from bank balances and futures clearing houses and brokers is accounted for on an accruals basis.

Equalisation

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

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 annual management charge and administration charge in respect of the Schroder funds in which the fund invests are rebated to the fund so that no double charging occurs. All rebates are treated as revenue or capital based on the underlying fund's treatment.

Taxation

Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses. The tax effect of different items of revenue or expenses is allocated between revenue and capital using the marginal basis. This includes any gains made on non-reporting offshore funds.

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 23 April 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.

Notes to the Accounts (continued)

Valuation

Dual priced authorised unit trusts have been valued at cancellation price, single priced authorised unit trusts have been valued at the dealing price and open ended investment companies have been valued at the latest available bid price at 18:00 on the balance sheet date.

Forward currency contracts

Open forward currency contracts are shown in the Portfolio Statement at market value and the net gains/(losses) are reflected under Net capital gains 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 gains in the Notes to the Accounts. Revenue returns are included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts. The revenue return element in respect of futures contracts is calculated by reference to the quoted yield of the index upon which the futures contract is based compared to LIBOR.

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 gains in the Notes to the Accounts.

2 Net capital gains

The net capital gains during the year comprise:

	2014 £000's	2013 £000's
Non-derivative securities	47,447	75,851
Derivative contracts	3,537	25
Forward currency contracts	5,833	(2,526)
Currency losses	(951)	(138)
Transaction charges	(5)	(5)
Annual management charge rebates ¹	1,340	1,071
Net capital gains	57,201	74,278

¹ Annual management charge rebates received in respect of Schroder funds.

Notes to the Accounts (continued)

3 Revenue

	2014 £000's	2013 £000's
Franked distributions	6,617	5,531
Interest distributions	5,957	5,274
Annual management charge rebates ¹	5,701	4,152
Administration charge rebates ¹	12	6
Bank interest	296	307
Total revenue	18,583	15,270

1 Annual management charge and Administration charge rebates received in respect of Schroder funds.

4 Expenses

	2014 £000's	2013 £000's
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	5,180	3,774
Administration charge	22	14
	5,202	3,788
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	74	62
Safe custody fees	13	8
	87	70
Other expenses:		
Financial Services Authority fee	0	1
Audit fee	12	12
	12	13
Total expenses	5,301	3,871

5 Taxation

(a) Analysis of the tax charge for the year

	2014 £000's	2013 £000's
Corporation tax	1,599	1,386
Total current tax (Note 5(b))	1,599	1,386

Corporation tax has been provided for at a rate of 20% (2013 – 20%).

Notes to the Accounts (continued)

(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% (2013 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2014 £000's	2013 £000's
Net revenue before taxation	13,272	11,391
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	2,654	2,278
Effects of:		
Revenue not subject to corporation tax	(1,323)	(1,106)
Tax taken to capital	268	214
Current tax charge for the year (Note 5(a))	1,599	1,386

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:

	2014 £000's	2013 £000's
Final Dividend distribution	14,050	10,637
Add: Revenue deducted on cancellation of units	382	312
Deduct: Revenue received on creation of units	(2,492)	(730)
Finance costs: Distributions	11,940	10,219
Finance costs: Interest payable	10	8
Total finance costs	11,950	10,227
Net revenue after taxation	11,673	10,005
Tax taken to capital	268	214
Equalisation on conversions	(1)	0
Finance costs: Distributions	11,940	10,219

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

Notes to the Accounts (continued)

7 Debtors

	2014 £000's	2013 £000's
Amounts receivable for creation of units	2,978	1,623
Accrued interest distributions	0	21
Accrued bank interest	27	11
Accrued annual management charge rebates	1,110	1,367
Accrued administration charge rebates	2	5
Total debtors	4,117	3,027

8 Cash and bank balances

	2014 £000's	2013 £000's
Cash and bank balances	97,612	70,309
Amounts held at futures clearing houses and brokers	4,136	3,262
Total cash and bank balances	101,748	73,571

9 Creditors

	2014		2013	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of units		1,465		388
Accrued expenses				
Manager and Agents				
Annual management charge	368		605	
Administration charge	2		2	
		370		607
Trustee and Agents				
Trustee's fees	4		4	
Safe custody fees	2		1	
Transaction charges	1		1	
		7		6
Other accrued expenses		12		12
Stamp duty reserve tax payable		12		11
Corporation tax payable		688		941
Total creditors		2,554		1,965

Notes to the Accounts (continued)

10 Bank overdrafts

	2014 £000's	2013 £000's
Amounts overdrawn at futures clearing houses and brokers	758	2,458
Total bank overdrafts	758	2,458

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 and bank interest payable by the fund, which are paid to the Trustee, are disclosed separately under Net capital gains and Finance costs respectively in the Notes to the Accounts.

Annual management charge rebates received or receivable from the Manager of £7,041,669 (2013 – £5,223,321) are disclosed under Net capital gains and Revenue in the Notes to the Accounts. Amounts due from the Manager at the balance sheet date of £1,110,394 (2013 – £1,367,245) are disclosed under Debtors in the Notes to the Accounts.

Administration charge rebates received or receivable from the Manager of £11,935 (2013 – £5,674) are disclosed under Revenue in the Notes to the Accounts. Amounts due from the Manager at the balance sheet date of £1,919 (2013 – £5,072) are disclosed under Debtors in the Notes to the Accounts.

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

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 0.36% (2013 – 3.26%).

Notes to the Accounts (continued)

Related party holdings are disclosed in the Portfolio Statement, with any significant purchases and sales disclosed in Summary of Portfolio Transactions. The revenue earned from these investments of £12,573,577 (2013 – £10,805,436) is disclosed under Revenue in the Notes to the Accounts. Amounts receivable at the balance sheet date of Nil (2013 – £21,299) are disclosed under Debtors in the Notes to the Accounts.

13 Unit classes

The fund currently has seven unit classes: A Accumulation units, H Income units, H Accumulation units, I Income units, I Accumulation units, Z Income units, and Z 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:

A Accumulation units	1.50%
H Income units	0.80%
H Accumulation units	0.80%
I Income units	0.50%
I Accumulation units	0.50%
Z Income units	0.75%
Z Accumulation units	0.75%

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 9. The distribution per unit class is 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. Cash and near cash may be held in order to enable the pursuit of the fund's investment objective or 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

Collective investment schemes valued in foreign currencies and underlying funds investing in overseas securities may cause the balance sheet to be significantly affected by movements in foreign exchange rates. The Manager seeks to manage exposure to currency movements by using forward currency contracts.

Revenue received in other currencies is translated 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 and liabilities at the balance sheet date was as follows:

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Australian dollar			
2014	(2)	0	(2)
2013	0	0	0
Canadian dollar			
2014	(17,309)	0	(17,309)
2013	0	0	0

Notes to the Accounts (continued)

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Euro			
2014	(450)	759	309
2013	25,386	(157)	25,229
Hong Kong dollar			
2014	0	0	0
2013	(2,277)	0	(2,277)
Japanese yen			
2014	26,477	0	26,477
2013	0	0	0
Sterling			
2014	141,623	699,526	841,149
2013	107,476	528,038	635,514
US dollar			
2014	(47,286)	194,163	146,877
2013	(60,430)	142,466	82,036

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

Some underlying funds invest in debt securities. The debt securities are exposed to credit risk which reflects the ability of the issuer to meet its obligations.

Interest rate risk

Some underlying funds invest 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.

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

Notes to the Accounts (continued)

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	Financial assets not carrying interest £000's	Total £000's
Euro			
2014	0	760	760
2013	0	25,567	25,567
Japanese yen			
2014	0	26,782	26,782
2013	0	0	0
Sterling			
2014	100,021	780,404	880,425
2013	73,370	589,844	663,214
US dollar			
2014	1,727	247,583	249,310
2013	201	142,466	142,667

Currency	Floating rate financial liabilities £000's	Financial liabilities not carrying interest £000's	Total £000's
Australian dollar			
2014	2	0	2
2013	0	0	0
Canadian dollar			
2014	0	17,309	17,309
2013	0	0	0
Euro			
2014	451	0	451
2013	181	157	338
Hong Kong dollar			
2014	0	0	0
2013	2,277	0	2,277
Japanese yen			
2014	305	0	305
2013	0	0	0
Sterling			
2014	0	39,276	39,276
2013	0	27,700	27,700

Notes to the Accounts (continued)

Currency	Floating rate financial liabilities £000's	Financial liabilities not carrying interest £000's	Total £000's
US dollar			
2014	0	102,433	102,433
2013	0	60,631	60,631

There are no material amounts of non-interest bearing financial assets, other than collective investment schemes, which do not have a maturity date.

Floating rate financial assets and financial liabilities

Sterling denominated bank balances bear interest at rates based on SONIA. Foreign currency bank balances and amounts held or overdrawn 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 efficient management. The aim of any derivative or forward used for such reason 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.

15 Portfolio transaction costs

	2014		2013	
	£000's	£000's	£000's	£000's
Analysis of total purchase costs				
Purchases in year before transaction costs		367,055		185,227
Commissions	0		0	
Total purchase costs		0		0
Gross purchase total		367,055		185,227
Analysis of total sales costs				
Gross sales in year before transaction costs		195,661		70,962
Commissions	0		0	
Total sales costs		0		0
Total sales net of transaction costs		195,661		70,962

Distribution Table

Final distribution for
the year ended
23 February 2014

Group 1 Units purchased prior to 24 February 2013

Group 2 Units purchased on or after 24 February 2013

	Net revenue 2014 p per unit	Equalisation 2014 p per unit	Distribution payable 23.4.14 p per unit	Distribution paid 23.4.13 p per unit
A Accumulation units				
Group 1	0.9960	–	0.9960	0.9735
Group 2	0.4266	0.5694	0.9960	0.9735
H Income units				
Group 1	0.8490	–	0.8490	0.8081
Group 2	0.1432	0.7058	0.8490	0.8081
H Accumulation units				
Group 1	0.9307	–	0.9307	0.8747
Group 2	0.4181	0.5126	0.9307	0.8747
I Income units				
Group 1	7.2319	–	7.2319	6.7955
Group 2	5.1904	2.0415	7.2319	6.7955
I Accumulation units				
Group 1	11.6066	–	11.6066	10.7425
Group 2	2.8974	8.7092	11.6066	10.7425

Group 1 Units purchased prior to 26 October 2013

Group 2 Units purchased on or after 26 October 2013

	Net revenue 2014 p per unit	Equalisation 2014 p per unit	Distribution payable 23.4.14 p per unit	Distribution paid 23.4.13 p per unit
Z Income units				
Group 1	0.7277	–	0.7277	–
Group 2	0.0000	0.7277	0.7277	–
Z Accumulation units				
Group 1	0.7277	–	0.7277	–
Group 2	0.4257	0.3020	0.7277	–

Distribution Table (continued)

Corporate unitholders (unaudited)

Corporate unitholders receive the dividend distribution payments as detailed below:

- 55.41% of the total distribution together with the tax credit is received as franked investment income.
- 44.59% of the distribution is deemed to be an annual payment (non-foreign element) received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

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. 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 £000's	Total £000's
UBS		
2014	218,573	218,573

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

Registrar¹

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Investment Adviser

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the Financial Conduct Authority

Independent Auditors

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Atria One
144 Morrison Street
Edinburgh EH3 8EX

¹ 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 non-UCITS retail scheme for the purpose of the categorisation of the COLL.

Other information

With effect from 1 October 2013 the minimum initial investment for Z Income units and Z Accumulation units decreased from £3 million to £1 million.

The Prospectus, the Key Investor Information Document and details of investment charges and costs are available on request or can be downloaded from our website **www.schroders.co.uk**.

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, or visit our website at www.schroders.co.uk.



Schroders

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