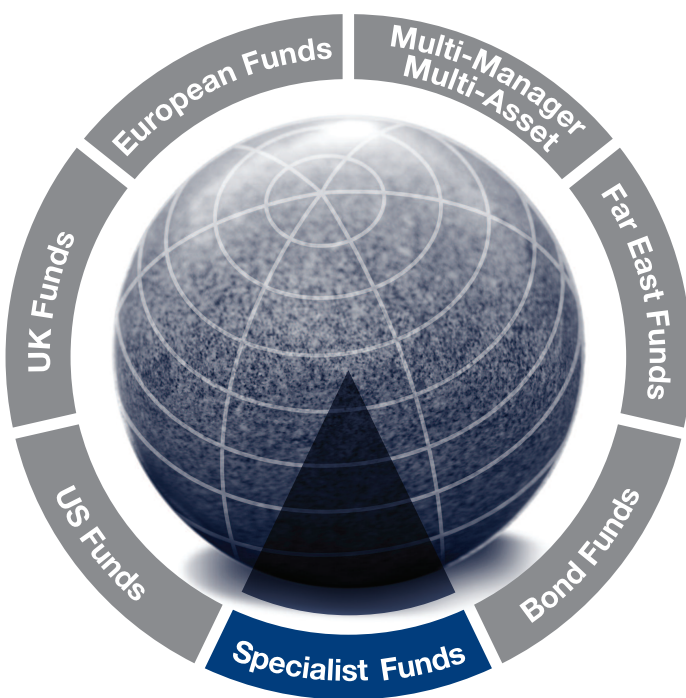


# Schroder Managed Balanced Fund

Final Report and Accounts  
February 2013



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	22.2.13	23.2.12	% change
A Accumulation units	135.00p	120.30p	12.22
H Income units	62.22p	55.80p	11.51
H Accumulation units	67.34p	59.61p	12.97
I Income units	449.10p	402.80p	11.49
I Accumulation units	709.80p	626.90p	13.22
	23.4.13	23.4.12	
Final distribution per I Income unit	6.7955p	6.1406p	

## 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

	Interim	Final
Accounting dates	23 August	23 February
Revenue allocation date		23 April

# Fund Information (continued)

## Ongoing charges figure

	For the year to 23.2.13	For the year to 23.2.12
A Accumulation units	1.72%	1.77%
H Income units	0.93%	0.92%
H Accumulation units	0.93%	0.92%
I Income units	0.63%	0.62%
I Accumulation units	0.63%	0.62%

To be consistent with the requirements of the UCITS IV Directive the Total expense ratio has been replaced with an Ongoing charges figure. The comparative figures have been restated in line with the new requirement.

# Review of Investment Activities

**From 23 February 2012 to 22 February 2013 the price of I Accumulation units on a dealing price to dealing price basis rose 13.22%. In comparison, the Investment Management Association Mixed Investment 40-85% Shares Sector Average generated a total return of 9.85%<sup>1</sup>.**

<sup>1</sup> Source: Lipper Investment Management.

Global economic growth remained low over the period, hampered by the slowdown in the eurozone and weak company and consumer spending. However, the global economy has 'muddled through' overall, with stronger activity in emerging markets. Investors have become more confident in the belief that central banks are committed to supporting growth. Indeed central banks in the US, Europe and Japan announced substantial measures and provided abundant liquidity. As a result, equities provided strong returns as investors started to take advantage of value in share prices, while 'safe haven' government bonds provided only modest returns.

The fund outperformed the sector average return, and remains ahead over the longer term. We had increased exposure to equities in the first half of the period, and this was positive. The best relative performance came from some of our UK equity underlying fund holdings. Over the period we have generally held a slight bias towards funds which focus on high quality or high yielding stocks, and more 'defensive' markets.

However looking forward, while an emphasis on quality and yield is still appropriate in this weak growth environment, central bank policy is encouraging us to seek risk at a reasonable price. For example in the summer we neutralised an underweight position in European equities. As we moved into the autumn, we increased our exposure to Japanese equities. Both moves reflected our strategy of starting to take advantage of valuation opportunities in markets perceived as being more risky, and both have contributed positively to recent performance.

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.



**Co-Fund Manager:**  
**Johanna Kyrklund**

Joined Schroders in March 2007

Responsible for investment on behalf of all UK, European and US Multi Asset clients, member of Global Asset Allocation Committee, fund manager of the Schroder Diversified Growth funds

Prior to joining Schroders, Johanna specialised in tactical asset allocation strategies. From 2005 she worked at Insight Investment where she managed an unconstrained global macro absolute return fund. From 1997 to 2005 she worked at Deutsche Asset Management where she was Head of Asset Allocation in the UK and fund manager of the Deutsche tactical asset allocation fund

CFA Charterholder

Degree in Philosophy, Politics & Economics from Oxford University



**Co-Fund Manager:**  
**Remi Ajewole**

Fund manager of the UK Multi Asset portfolios including the Schroder Dynamic Multi Asset Fund

Member of the Strategic Investment Group Multi-Asset (SIGMA) specialising in Equity and Volatility research

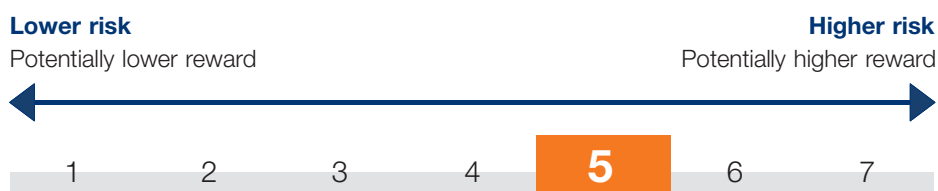
Investment career commenced in 2006 upon joining Schroders

Chartered Financial Analyst

Masters in Statistics, London School of Economics. Bachelors in Business Finance, Durham University

# Risk Profile

## Risk and reward indicator



The risk and reward indicator changed from 6 to 5 with effect from 29 August 2012.

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
2008	110.50	72.39	52.88	34.51
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 to 23 February	136.00	127.80	62.69	58.85

Year to 31 December	H Accumulation units		I Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2008	53.22	35.09	382.60	248.70
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 to 23 February	67.84	63.69	452.50	424.60

Year to 31 December	I Accumulation units	
	Highest dealing p	Lowest dealing p
2008	554.80	366.00
2009	556.40	364.20
2010	618.60	536.80
2011	637.80	550.20
2012	667.40	589.70
2013 to 23 February	715.10	671.20

# 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
2008	0.5600	0.5027
2009	0.6086	0.6291
2010	1.2082	0.9799
2011	0.9181	0.7639
2012	0.7826	0.7231
2013 to 23 February	0.9735	0.8081

Year to 31 December	H Accumulation units pence per unit	I Income units pence per unit
2008	0.7070	5.1532
2009	0.6325	5.2831
2010	0.9388	6.8056
2011	0.8241	6.8161
2012	0.7696	6.1406
2013 to 23 February	0.8747	6.7955

Year to 31 December	I Accumulation units pence per unit
2008	7.6392
2009	7.8076
2010	11.3216
2011	10.3812
2012	9.5580
2013 to 23 February	10.7425



# 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
<b>2011</b>			
A Accumulation units	7,527	119.72	6,287,364
H Income units	1,179	55.16	2,137,224
H Accumulation units	75,765	58.92	128,594,615
I Income units	11,946	397.17	3,007,890
I Accumulation units	451,288	618.18	73,002,014
<b>2012</b>			
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
<b>2013</b>			
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

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 23.2.13	Market Value £000's	% of net assets
<b>Asia Pacific ex Japan Equity Funds 5.75%</b>			
(2012 – 7.14%)			
Schroder Asian Alpha Plus Fund A Accumulation Units <sup>1</sup>	47,289,659	42,584	5.75
		<b>42,584</b>	<b>5.75</b>
<b>Emerging Markets Equity Funds 1.75%</b>			
(2012 – 2.22%)			
Schroder Global Emerging Markets Fund A Income Units <sup>1</sup>	9,208,679	12,961	1.75
		<b>12,961</b>	<b>1.75</b>
<b>European Equity Funds 11.52%</b>			
(2012 – 9.35%)			
Schroder European Alpha Plus Fund A Income Units <sup>1</sup>	67,458,428	85,268	11.52
		<b>85,268</b>	<b>11.52</b>
<b>Global Energy Equity Funds 0.00%</b>			
(2012 – 1.00%)			
<b>Global Equity Funds 12.41%</b>			
(2012 – 0.00%)			
Schroder International Selection Fund Global Multi-Asset Income C Accumulation USD <sup>1</sup>	220,042	15,899	2.15
Schroder International Selection Fund Global Tactical Asset Allocation I Accumulation USD <sup>1</sup>	305,769	21,335	2.89
Schroder International Selection Fund QEP Global Active Value I Accumulation USD <sup>1</sup>	240,636	27,222	3.68
Schroder International Selection Fund QEP Global Quality I Accumulation USD <sup>1</sup>	360,385	27,328	3.69
		<b>91,784</b>	<b>12.41</b>
<b>Japanese Equity Funds 3.39%</b>			
(2012 – 3.87%)			
Schroder Tokyo Fund A Accumulation Units <sup>1</sup>	12,857,863	25,137	3.39
		<b>25,137</b>	<b>3.39</b>

# Portfolio Statement (continued)

	Holding at 23.2.13	Market Value £000's	% of net assets
<b>UK Equity Funds 30.12%</b>			
(2012 – 30.21%)			
Schroder Income Fund A Income Units <sup>1</sup>	6,792,380	62,059	8.38
Schroder UK Alpha Plus Fund A Income Units <sup>1</sup>	52,386,933	72,242	9.75
Schroder UK Equity Fund A Income Units <sup>1</sup>	13,115,085	88,769	11.99
		<b>223,070</b>	<b>30.12</b>
<b>US Equity Funds 8.05%</b>			
(2012 – 9.09%)			
Schroder QEP US Core Fund I Accumulation Units <sup>1</sup>	7,853,855	59,602	8.05
		<b>59,602</b>	<b>8.05</b>
<b>Global Fixed Interest Funds 6.82%</b>			
(2012 – 7.25%)			
Schroder International Selection Fund Global High Yield I Accumulation USD <sup>1</sup>	1,949,031	50,507	6.82
		<b>50,507</b>	<b>6.82</b>
<b>UK Fixed Interest Funds 10.72%</b>			
(2012 – 11.28%)			
Schroder All Maturities Corporate Bond Fund I Accumulation Units <sup>1</sup>	36,658,452	76,051	10.27
Schroder Monthly High Income Fund A Income Units <sup>1</sup>	7,572,967	3,365	0.45
		<b>79,416</b>	<b>10.72</b>
<b>Euro Denominated Derivatives (0.02)%</b>			
(2012 – 0.18%)			
Forward to buy €29,585,000 for £25,534,222	€29,585,000	33	0.00
Euro Stoxx 50 Futures March 2013	320	(157)	(0.02)
		<b>(124)</b>	<b>(0.02)</b>
<b>Hong Kong Dollar Denominated Derivatives 0.00%</b>			
(2012 – (0.11)%)			

# Portfolio Statement (continued)

	Holding at 23.2.13	Market Value £000's	% of net assets
<b>US Dollar Denominated Derivatives (0.23)%</b>			
(2012 – 0.57%)			
Forward to sell US\$92,460,000 for £58,779,477	US\$(92,460,000)	(1,852)	(0.25)
S&P 500 E-Mini Index Futures March 2013	54	175	0.02
		<b>(1,677)</b>	<b>(0.23)</b>
Portfolio of investments <sup>2</sup>		<b>668,528</b>	<b>90.28</b>
Net other assets		71,974	9.72
<b>Net assets attributable to unitholders</b>		<b>740,502</b>	<b>100.00%</b>

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 2013	Cost £000's
Schroder International Selection Fund QEP Global Quality I Accumulation USD <sup>1</sup>	31,031
Schroder International Selection Fund QEP Global Active Value I Accumulation USD <sup>1</sup>	25,422
Schroder International Selection Fund Global Tactical Asset Allocation I Accumulation USD <sup>1</sup>	19,724
Schroder UK Equity Fund A Income Units <sup>1</sup>	16,894
Schroder European Alpha Plus Fund A Income Units <sup>1</sup>	16,017
Schroder International Selection Fund Global High Yield I Accumulation USD <sup>1</sup>	15,778
Schroder International Selection Fund Global Multi-Asset Income C Accumulation USD <sup>1</sup>	14,956
Schroder All Maturities Corporate Bond Fund I Accumulation Units <sup>1</sup>	14,609
Schroder UK Alpha Plus Fund A Income Units <sup>1</sup>	8,407
Schroder Global Emerging Markets Fund A Income Units <sup>1</sup>	6,691

## Largest sales

For the year ended 23 February 2013	Proceeds £000's
Schroder International Selection Fund Global High Yield I Accumulation USD <sup>1</sup>	13,125
Schroder International Selection Fund QEP Global Quality I Accumulation USD <sup>1</sup>	9,876
Schroder International Selection Fund Global Energy I Accumulation USD <sup>1</sup>	9,480
Schroder UK Alpha Plus Fund A Income Units <sup>1</sup>	9,014
Schroder Global Emerging Markets Fund A Income Units <sup>1</sup>	7,048
Schroder Asian Alpha Plus Fund A Accumulation Units <sup>1</sup>	5,388
Schroder Monthly High Income Fund A Income Units <sup>1</sup>	5,102
Schroder Income Fund A Income Units <sup>1</sup>	4,720
Schroder QEP US Core Fund I Accumulation Units <sup>1</sup>	3,677
Schroder Tokyo Fund A Accumulation Units <sup>1</sup>	3,532

<sup>1</sup> A related party to the fund (Note 12).

# Statement of the Manager's Responsibilities

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 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 2013 were signed on 11 April 2013 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 Services 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 2012 to 23 February 2013

### 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  
15 March 2013

# Report of the Independent Auditors

## **Independent Auditors' report to the unitholders of Schroder Managed Balanced Fund ("the fund")**

We have audited the financial statements of Schroder Managed Balanced Fund for the year ended 23 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 to the accounts 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) 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 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.

## **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 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 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.



# Report of the Independent Auditors (continued)

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the fund at 23 February 2013 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 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 period 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 fund have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

## PricewaterhouseCoopers LLP

Chartered Accountants & Statutory Auditors

Edinburgh

11 April 2013

- (a) The maintenance and integrity of the Schroders website is the responsibility of the Authorised Fund Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of Total Return

For the year ended 23 February 2013

		2013		2012	
	Notes	£000's	£000's	£000's	£000's
<b>Income</b>					
Net capital gains	2		74,278		328
Revenue	3	11,112		8,642	
Expenses	4	287		711	
Finance costs:					
Interest payable	6	(8)		(4)	
Net revenue before taxation		<b>11,391</b>		<b>9,349</b>	
Taxation	5	(1,386)		(1,182)	
Net revenue after taxation			<b>10,005</b>		<b>8,167</b>
<b>Total return before distributions</b>			<b>84,283</b>		<b>8,495</b>
Finance costs: Distributions	6		(10,219)		(8,430)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>74,064</b>		<b>65</b>

# Statement of Change in Net Assets Attributable to Unitholders

For the year ended 23 February 2013

		2013		2012	
		£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders			589,770		547,705
Amounts receivable on creation of units		107,438		74,404	
Amounts payable on cancellation of units		(41,043)		(40,608)	
			<b>66,395</b>		<b>33,796</b>
Stamp duty reserve tax			(163)		(198)
Change in net assets attributable to unitholders from investment activities			74,064		65
Retained distribution on Accumulation units			10,436		8,402
<b>Closing net assets attributable to unitholders</b>			<b>740,502</b>		<b>589,770</b>

# Balance Sheet

As at 23 February 2013

		2013		2012	
	Notes	£000's	£000's	£000's	£000's
<b>Assets</b>					
Investment assets			670,537		485,638
Debtors	7	3,027		1,410	
Cash and bank balances	8	73,571		108,085	
Total other assets			<b>76,598</b>		<b>109,495</b>
<b>Total assets</b>			<b>747,135</b>		<b>595,133</b>
<b>Liabilities</b>					
Investment liabilities			(2,009)		(1,704)
Creditors	9	(1,965)		(3,462)	
Bank overdrafts	10	(2,458)		0	
Distribution payable on Income units		(201)		(197)	
Total other liabilities			<b>(4,624)</b>		<b>(3,659)</b>
<b>Total liabilities</b>			<b>(6,633)</b>		<b>(5,363)</b>
<b>Net assets attributable to unitholders</b>					
			<b>740,502</b>		<b>589,770</b>

# Notes to the Accounts

## 1 Accounting policies

### Basis of accounting

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

### Revenue

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 losses are reflected in Net capital gains.

## Futures contracts

Open futures contracts are shown in the Portfolio Statement at market value and the net gains are reflected within Derivative contracts in Net capital gains.

## 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.

## 2 Net capital gains

The net capital gains during the year comprise:

	2013 £000's	2012 £000's
Non-derivative securities	75,851	(4,859)
Derivative contracts	25	6,420
Forward currency contracts	(2,526)	(2,627)
Currency (losses)/gains	(138)	77
Transaction charges	(5)	2
Annual management charge rebates <sup>1</sup>	1,071	1,315
<b>Net capital gains</b>	<b>74,278</b>	<b>328</b>

<sup>1</sup> Annual management charge rebates received in respect of Schroder funds.

## 3 Revenue

	2013 £000's	2012 £000's
Franked distributions	5,531	4,752
Interest distributions	5,274	3,434
Bank interest	307	456
<b>Total revenue</b>	<b>11,112</b>	<b>8,642</b>

# Notes to the Accounts (continued)

## 4 Expenses

	2013 £000's	2012 £000's
<b>Payable to the Manager, associates of the Manager and agents of either of them:</b>		
Annual management charge	3,774	3,156
Annual management charge rebates <sup>1</sup>	(4,152)	(3,952)
Administration charge	14	12
Administration charge rebates <sup>1</sup>	(6)	0
	<b>(370)</b>	<b>(784)</b>
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Trustee's fees	62	57
Safe custody fees	8	4
	<b>70</b>	<b>61</b>
<b>Other expenses:</b>		
Financial Services Authority fee	1	0
Audit fee	12	12
	<b>13</b>	<b>12</b>
<b>Total expenses</b>	<b>(287)</b>	<b>(711)</b>

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

# Notes to the Accounts (continued)

## 5 Taxation

### (a) Analysis of the tax charge for the year

	2013 £000's	2012 £000's
Corporation tax	1,386	1,182
<b>Total current tax (Note 5(b))</b>	<b>1,386</b>	<b>1,182</b>

Corporation tax has been provided for at a rate of 20% (2012 – 20%).

### (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% (2012 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2013 £000's	2012 £000's
<b>Net revenue before taxation</b>	<b>11,391</b>	<b>9,349</b>
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	2,278	1,870
<b>Effects of:</b>		
Revenue not subject to corporation tax	(1,106)	(951)
Tax taken to capital	214	263
<b>Current tax charge for the year (Note 5(a))</b>	<b>1,386</b>	<b>1,182</b>

## 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:

	2013 £000's	2012 £000's
Final Dividend distribution	10,637	8,599
Add: Revenue deducted on cancellation of units	312	389
Deduct: Revenue received on creation of units	(730)	(558)
<b>Finance costs: Distributions</b>	<b>10,219</b>	<b>8,430</b>
<b>Finance costs: Interest payable</b>	<b>8</b>	<b>4</b>
<b>Total finance costs</b>	<b>10,227</b>	<b>8,434</b>
Net revenue after taxation	10,005	8,167
Tax taken to capital	214	263
<b>Finance costs: Distributions</b>	<b>10,219</b>	<b>8,430</b>

Details of the distribution per unit are set out in the Distribution Table on page 31.

# Notes to the Accounts (continued)

## 7 Debtors

	2013 £000's	2012 £000's
Amounts receivable for creation of units	1,623	646
Accrued interest distributions	21	46
Accrued bank interest	11	32
Accrued annual management charge rebate	1,367	686
Accrued administration charge rebates	5	0
<b>Total debtors</b>	<b>3,027</b>	<b>1,410</b>

## 8 Cash and bank balances

	2013 £000's	2012 £000's
Cash and bank balances	70,309	107,274
Amounts held at futures clearing houses and brokers	3,262	811
<b>Total cash and bank balances</b>	<b>73,571</b>	<b>108,085</b>

## 9 Creditors

	2013		2012	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of units		388		650
Purchases awaiting settlement		0		1,772
<b>Accrued expenses</b>				
<b>Manager and Agents</b>				
Annual management charge	605		483	
Administration charge	2		2	
		<b>607</b>		<b>485</b>
<b>Trustee and Agents</b>				
Trustee's fees	4		3	
Safe custody fees	1		0	
Transaction charges	1		1	
		<b>6</b>		<b>4</b>
Other accrued expenses		12		12
Stamp duty reserve tax payable		11		5
Corporation tax payable		941		534
<b>Total creditors</b>		<b>1,965</b>		<b>3,462</b>



# Notes to the Accounts (continued)

## 10 Bank overdrafts

	2013 £000's	2012 £000's
Amounts overdrawn at futures clearing houses & brokers	2,458	0
<b>Total bank overdrafts</b>	<b>2,458</b>	<b>0</b>

## 11 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2012 – 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 £5,223,321 (2012 – £5,267,499) are disclosed under Net capital gains and Expenses in the Notes to the Accounts. Amounts due from the Manager at the balance sheet date of £1,367,245 (2012 – £686,289) are disclosed under Debtors in the Notes to the Accounts.

Administration charge rebates received or receivable from the Manager of £5,674 (2012 – Nil) are disclosed under Expenses in the Notes to the Accounts. Amounts due from the Manager at the balance sheet date of £5,072 (2012 – Nil) 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 to or from 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 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 £10,805,436 (2012 – £8,185,801) is disclosed under Revenue in the Notes to the Accounts. Amounts receivable at the balance sheet date of £21,299 (2012 – £46,278) are disclosed under Debtors in the Notes to the Accounts.

## 13 Unit classes

The fund currently has five unit classes: A Accumulation units, H Income units, H Accumulation units, I Income units, I 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%

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 31. 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.

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.

# Notes to the Accounts (continued)

## 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
<b>Euro</b>			
2013	25,229	0	25,229
2012	9,253	0	9,253
<b>Hong Kong dollar</b>			
2013	(2,277)	0	(2,277)
2012	(621)	0	(621)
<b>Sterling</b>			
2013	107,476	528,038	635,514
2012	102,066	431,537	533,603
<b>US dollar</b>			
2013	(60,255)	142,291	82,036
2012	(1,141)	48,676	47,535

## 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.

## 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.

# Notes to the Accounts (continued)

## Interest rate risk

Some underlying funds invests in debt securities. The revenue of the fund may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future.

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.

## 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
<b>Euro</b>			
2013	0	25,567	25,567
2012	743	33,534	34,277
<b>Hong Kong dollar</b>			
2013	0	0	0
2012	48	0	48
<b>Sterling</b>			
2013	73,370	589,844	663,214
2012	107,294	564,997	672,291
<b>US dollar</b>			
2013	201	142,466	142,667
2012	0	154,227	154,227

# Notes to the Accounts (continued)

Currency	Floating rate financial liabilities £000's	Financial liabilities not carrying interest £000's	Total £000's
<b>Euro</b>			
2013	181	157	338
2012	0	25,024	25,024
<b>Hong Kong dollar</b>			
2013	2,277	0	2,277
2012	0	669	669
<b>Sterling</b>			
2013	0	27,700	27,700
2012	0	138,688	138,688
<b>US dollar</b>			
2013	0	60,631	60,631
2012	0	106,692	106,692

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

# Notes to the Accounts (continued)

## 15 Portfolio transaction costs

	2013		2012	
	£000's	£000's	£000's	£000's
<b>Analysis of total purchase costs</b>				
Purchases in year before transaction costs		185,227		90,698
Commissions	0		0	
Total purchase costs		<b>0</b>		<b>0</b>
<b>Gross purchase total</b>		<b>185,227</b>		<b>90,698</b>
<b>Analysis of total sales costs</b>				
Gross sales in year before transaction costs		70,962		106,224
Commissions	0		0	
Total sales costs		<b>0</b>		<b>0</b>
<b>Total sales net of transaction costs</b>		<b>70,962</b>		<b>106,224</b>

# Distribution Table

Final distribution for  
the year ended  
23 February 2013

**Group 1** Units purchased prior to 24 February 2012

**Group 2** Units purchased on or after 24 February 2012

	<b>Net revenue 2013 p per unit</b>	<b>Equalisation 2013 p per unit</b>	<b>Distribution payable 23.4.13 p per unit</b>	<b>Distribution paid 23.4.12 p per unit</b>
<b>A Accumulation units</b>				
Group 1	0.9735	–	0.9735	0.7826
Group 2	0.5451	0.4284	0.9735	0.7826
<b>H Income units</b>				
Group 1	0.8081	–	0.8081	0.7231
Group 2	0.3853	0.4228	0.8081	0.7231
<b>H Accumulation units</b>				
Group 1	0.8747	–	0.8747	0.7696
Group 2	0.4301	0.4446	0.8747	0.7696
<b>I Income units</b>				
Group 1	6.7955	–	6.7955	6.1406
Group 2	3.0161	3.7794	6.7955	6.1406
<b>I Accumulation units</b>				
Group 1	10.7425	–	10.7425	9.5580
Group 2	6.5252	4.2173	10.7425	9.5580

## Corporate Unitholders

Corporate unitholders receive the dividend distribution payment as detailed below:

- 54.12% of the total distribution together with the tax credit is received as franked investment income.
- 45.88% 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.

# General Information

## Manager

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

## Investment Adviser

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

## Trustee

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

## Registrar<sup>1</sup>

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

## Administration details

Schroders  
FREEPOST  
RLTZ-CHSY-HBUT  
PO Box 1102  
Chelmsford  
Essex CM99 2XX  
Investor Services  
0800 718 777  
investorservices@schroders.com  
Dealing 0800 718 788  
Fax 0870 043 4080

## Independent Auditors

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

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

## Authorisation

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

## Initial management charge

There is no initial management charge on any unit class. Prior to 31 December 2012 the issue price of A Accumulation units, H Income units and H Accumulation units reflected an initial management charge of 3.25% of the dealing price. The issue price of I Income units and I Accumulation units reflected an initial management charge of 3.00% of the dealing price. These charges were retained by the Manager.

## Prospectus

The Prospectus and the Key Investor Information Document are available on request or can be downloaded from our website **[www.schroders.co.uk](http://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.





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