

Schroder Prime UK Equity Fund

September 2019

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1 Collectively these comprise the Manager's report.

Fund Information

Investment objective and policy

The Schroder Prime UK Equity Fund (the 'fund') aims to provide capital growth in excess of the FTSE All Share (Gross Total Return) index (after fees have been deducted) over a three to five year period by investing in equity and equity related securities of UK companies.

The Fund is actively managed and invests at least 80% of its assets in equity and equity related securities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK.

The Fund may also invest directly or indirectly in other securities (including in other asset classes), countries, regions, industries or currencies, collective investment schemes (including Schroder funds), warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

With effect from 8 August 2019 the fund's investment objective and policy changed, previously it was:

The Fund aims to provide capital growth by investing in equity and equity related securities of UK companies.

The Fund invests at least 80% of its assets in equity and equity related securities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK.

The Fund may also invest in other equity and equity related securities, collective investment schemes, fixed income securities, warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

Financial highlights

Dealing price	13.9.19	14.9.18	% change
I Income units	217.20p	212.80p	2.07
I Accumulation units	390.10p	369.10p	5.69
S Income units	56.50p	53.28p	6.04
X Accumulation units	114.90p	108.20p	6.19
	15.11.19	15.11.18	
Final distribution per I Income unit	7.8522p	7.2164p	

Fund Information (continued)

Fund information

Launch date	6 May 1997	
Launch price	100.00p per I Income unit	
	100.00p per I Accumulation unit	
Launch date	26 February 2010	
Launch price	50.00p per X Accumulation unit	
Launch date	7 April 2017	
Launch price	50.00p per S Income unit	
	Interim	Final
Accounting dates	15 March	15 September
Revenue allocation date		15 November

Ongoing charges figure

	For the year to 15.9.19	For the year to 15.9.18
I Income units	0.51%	0.52%
I Accumulation units	0.51%	0.52%
S Income units	0.54%	0.55%
X Accumulation units¹	0.02%	0.01%

1 The Annual management charge for X Accumulation units is invoiced directly to unitholders and is therefore not included in the Ongoing charges figure for that unit class.

Review of Investment Activities

From 14 September 2018 to 13 September 2019, the price of I Accumulation units on a dealing price to dealing price basis rose 5.69%. In the same period, the FTSE¹ All Share Index generated a total return of 4.75%².

The fund outperformed the index over the period. UK equities fell sharply at the beginning of the period along with global equities amid fears over the outlook for the world economy, tighter global monetary conditions, US-China trade tensions and European political uncertainty. However, equity markets subsequently bounced back as global central banks loosened monetary policy, led by the US Federal Reserve, which cut base rates twice. The European Central Bank cut once and announced it was restarting quantitative easing.

Performance benefited from positive stock selection in mid-sized companies such as Pets at Home Group, Firstgroup and BTG, the latter on its takeover by Boston Scientific Group at a generous premium. Intermediate Capital Group was a strong performer as the market afforded the stock a rerating in recognition of its strong franchise within the alternatives investment management sector. Stock selection in the mining sector was another positive. On the debit side of the ledger, our zero exposures in Diageo and the London Stock Exchange were unhelpful. The position in William Hill was also a negative, albeit a change of management and an improving US outlook have led to some recovery in the stock's performance more recently.

As we have often noted, the global nature of UK equities has led to international developments setting the tone for the market, and this continues to be the case. We expect the events that dominated recent months to continue to drive market sentiment over the course of the year. These include US monetary policy, US-China trade tensions and downside risks to global economic activity. While these global trends will remain crucial to the performance of UK assets, Brexit also looms large. This is creating considerable uncertainty for the UK economy and political environment, influencing the sentiment of international investors towards UK assets, but presenting patient, long-term investors such as ourselves with the opportunity to buy some very cheap stocks particularly amongst lowly-valued domestic-exposed companies.

Co-Fund Manager:

Andy Simpson



UK Equity fund manager with 29 years investment experience at Schroders

Member of Schroders' UK Corporate Governance Committee

Chartered Accountant

Degree in Mathematics, Durham University

Co-Fund Manager:

Sue Noffke



UK Equity fund manager with 29 years investment experience at Schroders

Associate with the Institute of Investment Management Research (IIMR)

Degree in Business Administration and Biochemistry, Aston University

Co-Fund Manager:

Matt Bennison



Co-manager of the Schroder Core UK Equity Fund since September 2018 and fund manager for Prime UK equity portfolios since 2017

Research responsibility focuses on UK companies, for the Prime UK Equity team since 2015 and the Core UK Equity Fund from September 2018

Investment career commenced in 2012 at Schroders Private Bank (that subsequently became Cazenove Capital), where he worked for the Chief Investment Officer

CFA charterholder

Degree in Natural Sciences, Cambridge University and one year Management Studies, Judge Business School, Cambridge

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² Source: Thomson Reuters Datastream.

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.

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'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.

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.

Specific risks

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.

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

The fund may invest in a wide range of derivatives in order to meet its investment objectives and for leverage. The use of leverage can increase gains as well as losses and expose the fund to increased risk.

The fund may use derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the unit prices of the fund.

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

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 (SORP) for UK Authorised Funds issued by the Investment Management Association (IMA (now the Investment Association (IA))) in May 2014;
- 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;
- make judgements and estimates that are prudent and reasonable.

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 15 September 2019 were signed on 5 November 2019 on behalf of the Manager by:

J. Barker
Directors

P. Middleton

Report of the Trustee

Statement of the Trustee's responsibilities in respect of the Scheme and report of the Trustee to the unitholders of the Schroder Prime UK Equity Fund ('the fund') for the year ended 15 September 2019

The Trustee of the Schroder Prime UK Equity Fund must ensure that the fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the regulations'), the Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the fund and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the fund in accordance with the regulations.

The Trustee must ensure that:

- the fund's cash flows are properly monitored and that cash of the fund is booked in cash accounts in accordance with the regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the regulations;
- the value of units of the fund are calculated in accordance with the regulations;
- any consideration relating to transactions in the fund's assets is remitted to the fund within the usual time limits;
- the fund's income is applied in accordance with the regulations; and
- the instructions of the Authorised Fund Manager ('the Manager'), which is the UCITS Management Company, are carried out (unless they conflict with the regulations).

The Trustee also has a duty to take reasonable care to ensure that the fund is managed in accordance with the regulations and the Scheme documents of the fund in relation to the investment and borrowing powers applicable to the fund.

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the fund's units and the application of the fund's income in accordance with the regulations and the Scheme documents of the fund; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the fund in accordance with the regulations and the Scheme documents of the fund.

J.P. Morgan Europe Limited
Trustee
Bournemouth
8 October 2019

Independent Auditors' Report to the Unitholders of Schroder Prime UK Equity Fund

Report on the audit of the financial statements

Opinion

In our opinion, Schroder Prime UK Equity Fund's financial statements:

- give a true and fair view of the financial position of the fund as at 15 September 2019 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Final Report and Accounts (the 'Annual Report'), which comprise: the balance sheet as at 15 September 2019; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the notes to the financial statements, which include a description of the significant accounting policies, and the distribution tables.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the fund's business and the wider economy.

Independent Auditors' Report to the Unitholders of Schroder Prime UK Equity Fund (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Manager's Report

In our opinion, the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 7, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Independent Auditors' Report to the Unitholders of Schroder Prime UK Equity Fund (continued)

Use of this report

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.

Other required reporting

Opinion on matter required 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.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also 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.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh
5 November 2019

Comparative Tables

I Income units

Financial year to 15 September	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	205.47	199.34	183.06
Return before operating charges	12.76	14.44	23.44
Operating charges	(1.05)	(1.09)	(1.04)
Return after operating charges*	11.71	13.35	22.40
Distributions ¹	(7.85)	(7.22)	(6.12)
Closing net asset value	209.33	205.47	199.34
*after direct transaction costs of	(0.02)	(0.19)	(0.08)
Performance			
Return after charges (%)	5.70	6.70	12.24
Other information			
Closing net asset value (£000's)	231,488	245,147	281,126
Closing number of units	110,583,128	119,307,884	141,025,372
Operating charges (%)	0.51	0.52	0.52
Direct transaction costs (%)**	0.01	0.09	0.04
Prices			
Highest dealing price (p)	220.30	227.30	214.00
Lowest dealing price (p)	183.20	197.40	182.30

Comparative Tables (continued)

I Accumulation units

Financial year to 15 September	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	368.96	345.86	308.11
Return before operating charges	22.94	24.99	39.49
Operating charges	(1.88)	(1.89)	(1.74)
Return after operating charges*	21.06	23.10	37.75
Distributions ¹	(14.10)	(12.52)	(10.30)
Retained distributions ¹	14.10	12.52	10.30
Closing net asset value	390.02	368.96	345.86
*after direct transaction costs of	(0.04)	(0.33)	(0.14)
Performance			
Return after charges (%)	5.71	6.68	12.25
Other information			
Closing net asset value (£000's)	169,459	110,133	109,497
Closing number of units	43,448,868	29,849,127	31,658,938
Operating charges (%)	0.51	0.52	0.51
Direct transaction costs (%)**	0.01	0.09	0.04
Prices			
Highest dealing price (p)	395.70	394.30	360.20
Lowest dealing price (p)	329.00	342.50	306.80

Comparative Tables (continued)

S Income units			
Financial year to 15 September	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	53.26	49.95	50.00
Return before operating charges	3.43	3.60	0.03
Operating charges	(0.19)	(0.29)	(0.08)
Return after operating charges*	3.24	3.31	(0.05)
Distributions ¹	(4.90)	Nil ²	Nil ²
Closing net asset value	51.60	53.26	49.95
*after direct transaction costs of	(0.01)	(0.05)	(0.02)
Performance			
Return after charges (%)	6.08	6.63	(0.10)
Other information			
Closing net asset value (£000's)	1	1	1
Closing number of units	2,000	2,000	2,000
Operating charges (%)	0.54	0.55	0.17
Direct transaction costs (%)**	0.01	0.09	0.04
Prices			
Highest dealing price (p)	57.20	56.93	52.00
Lowest dealing price (p)	47.52	49.43	48.73

The unit class was launched on 7 April 2017.

2 There was no distribution as the total amount distributable was below de minimis.

Comparative Tables (continued)

Financial year to 15 September	X Accumulation units		
	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	108.17	100.90	89.43
Return before operating charges	6.76	7.29	11.48
Operating charges	(0.02)	(0.02)	(0.01)
Return after operating charges*	6.74	7.27	11.47
Distributions ¹	(4.68)	(4.19)	(3.49)
Retained distributions ¹	4.68	4.19	3.49
Closing net asset value	114.91	108.17	100.90
*after direct transaction costs of	(0.01)	(0.10)	(0.04)
Performance			
Return after charges (%)	6.23	7.21	12.83
Other information			
Closing net asset value (£000's)	79,022	76,916	80,647
Closing number of units	68,769,838	71,108,355	79,931,378
Operating charges (%)	0.02	0.01	0.01
Direct transaction costs (%)**	0.01	0.09	0.04
Prices			
Highest dealing price (p)	116.50	115.40	105.00
Lowest dealing price (p)	96.60	100.20	89.13

1 These figures have been rounded to 2 decimal places.

** Direct transaction costs have been stated after deducting the proportion of the amounts collected from dilution adjustments.

The Operating charges are calculated on an ex-post basis and as such may differ from the Ongoing charges figure where the Ongoing charges figure has been annualised for a unit class that has not been in existence for a full year.

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 15.9.19	Market Value £000's	% of net assets
Collective Investment Schemes 3.69% (3.34%)			
Private Equity Funds 0.49% (0.42%)			
HarbourVest Global Private Equity [§]	138,455	2,379	0.49
		2,379	0.49
UK Equity Funds 3.20% (2.92%)			
Schroder Institutional UK Smaller Companies Fund I Income ^{^†}	1,700,886	15,343	3.20
		15,343	3.20
Collective Investment Schemes total		17,722	3.69
Equities 95.85% (95.64%)			
Oil & Gas 14.15% (15.14%)			
BP	5,229,002	26,364	5.49
Royal Dutch Shell A	127,654	2,914	0.61
Royal Dutch Shell B	1,696,224	38,657	8.05
		67,935	14.15
Basic Materials 9.53% (8.24%)			
BHP Group	882,263	16,200	3.38
Johnson Matthey	398,795	12,893	2.69
Rio Tinto	375,918	16,629	3.46
		45,722	9.53
Industrials 11.00% (11.42%)			
BAE Systems	2,717,552	15,496	3.23
Capita	5,734,360	8,375	1.75
G4S	5,789,379	11,541	2.40
Melrose Industries	2,135,168	4,446	0.93
Network International Holdings	69,005	376	0.08
QinetiQ Group	2,132,447	6,525	1.36
Weir Group	381,227	6,023	1.25
		52,782	11.00

Portfolio Statement (continued)

	Holding at 15.9.19	Market Value £000's	% of net assets
Consumer Goods 10.18% (10.91%)			
Bovis Homes Group	254,869	2,885	0.60
British American Tobacco	601,956	17,878	3.72
Burberry Group	489,851	10,654	2.22
Unilever	355,372	17,450	3.64
		48,867	10.18
Health Care 10.47% (9.38%)			
AstraZeneca	282,373	19,385	4.04
GlaxoSmithKline	1,883,229	30,885	6.43
		50,270	10.47
Consumer Services 21.38% (16.62%)			
Daily Mail & General Trust A	436,198	3,686	0.77
Euromoney Institutional Investor	162,244	2,291	0.47
Firstgroup	5,322,655	6,898	1.44
ITV	5,160,738	6,515	1.36
Ocado Group	306,358	4,135	0.86
Pearson	1,656,695	14,489	3.02
Pets at Home Group	5,264,863	12,288	2.56
RELX	855,025	15,852	3.30
Tesco	7,483,480	17,983	3.75
Whitbread	271,263	12,185	2.54
William Hill	3,368,821	6,298	1.31
		102,620	21.38
Telecommunications 1.22% (3.67%)			
BT Group	3,425,543	5,871	1.22
		5,871	1.22
Utilities 0.00% (1.03%)			

Portfolio Statement (continued)

	Holding at 15.9.19	Market Value £000's	% of net assets
Financials 17.92% (19.23%)			
Assura REIT	7,488,521	5,257	1.10
Aviva	1,872,032	7,503	1.56
HSBC Holdings	1,275,580	8,044	1.67
Intermediate Capital Group	530,568	7,682	1.60
John Laing Group	2,516,133	9,028	1.88
Legal & General Group	3,226,690	8,248	1.72
Lloyds Banking Group	28,350,125	15,488	3.23
Prudential	545,482	8,362	1.74
Standard Chartered	1,742,812	12,224	2.55
TP ICAP	1,225,623	4,149	0.87
		85,985	17.92
Equities total			
		460,052	95.85
Portfolio of investments		477,774	99.54
Net other assets		2,196	0.46
Net assets attributable to unitholders		479,970	100.00

The comparative percentage figures in brackets are as at 15 September 2018.

Unless otherwise stated, all securities are admitted to official stock exchange listings or are permitted collective investment schemes.

§ Closed ended fund.

^ Unlisted, suspended or delisted security.

† A related party to the fund (Note 11).

Summary of Portfolio Transactions

Largest purchases

For the year ended 15 September 2019	Cost £000's
Whitbread	12,736
GlaxoSmithKline	8,644
Royal Dutch Shell B	8,475
Tesco	6,950
BP	6,841
RELX	6,342
Pearson	5,681
Capita	5,210
BAE Systems	5,043
Unilever	4,879

Largest sales

For the year ended 15 September 2019	Proceeds £000's
Vodafone Group	7,656
BTG	7,313
Rentokil Initial	6,208
HSBC Holdings	6,163
Royal Dutch Shell B	4,212
InterContinental Hotels Group	3,970
Centrica	3,425
Rolls-Royce Holdings	3,277
GlaxoSmithKline	2,357
British American Tobacco	2,286

Statement of Total Return

For the year ended 15 September 2019

		2019		2018	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital gains	2		5,302		15,801
Revenue	3	18,493		18,520	
Expenses	4	(1,802)		(2,015)	
Net revenue before taxation		16,691		16,505	
Taxation	5	(16)		(6)	
Net revenue after taxation			16,675		16,499
Total return before distributions			21,977		32,300
Distributions	6		(16,675)		(16,386)
Change in net assets attributable to unitholders from investment activities			5,302		15,914

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 15 September 2019

		2019		2018	
		£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders			432,197		471,271
Amounts receivable on issue of units		120,969		16,529	
Amounts payable on cancellation of units		(88,484)		(78,304)	
			32,485		(61,775)
Dilution adjustment			644		68
Change in net assets attributable to unitholders from investment activities			5,302		15,914
Retained distribution on Accumulation units			9,342		6,719
Closing net assets attributable to unitholders			479,970		432,197

Balance Sheet

As at 15 September 2019

		2019	2018
	Notes	£000's	£000's
Assets			
Investments		477,774	427,785
Current assets			
Debtors	8	3,679	3,522
Cash and bank balances		8,403	10,037
Total assets		489,856	441,344
Liabilities			
Creditors			
Distributions payable		(8,683)	(8,610)
Other creditors	9	(1,203)	(537)
Total liabilities		(9,886)	(9,147)
Net assets attributable to unitholders			
		479,970	432,197

Notes to the Accounts

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the SORP for UK Authorised Funds issued by the IMA in May 2014 and in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 (The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)).

Revenue

Dividends and real estate income distributions receivable from equity investments and 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. The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the fund. Any enhancement above the cash dividend is treated as capital. Interest receivable from bank balances is accounted for on an accruals basis. Underwriting commissions are included under Revenue when received except where the fund is required to take up shares. In these cases commission is deducted from the capital cost of those shares on a proportional basis.

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

Special dividends

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

Equalisation

Equalisation on distributions received by the fund is deducted from the cost of investments. As such the equalisation on distributions received by the fund does not form part of the fund's distributions.

Expenses

Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund. All expenses are accounted for on an accruals basis.

For I Income units, I Accumulation units and S Income units the Annual management charge is charged against revenue and is accrued within the unit price. This charge is invoiced directly to X Accumulation unitholders.

Taxation

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

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

Distributions

The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on 15 November 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. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution. The distribution is in accordance with the COLL.

Notes to the Accounts (continued)

Dilution adjustment

In certain circumstances the Manager may apply a dilution adjustment on subscriptions and redemptions of units. If applied, the dilution adjustment is paid to the fund. See Prospectus for further details.

Valuation

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

2 Net capital gains

The net capital gains during the year comprise:

	2019 £000's	2018 £000's
Non-derivative securities	5,306	15,804
Transaction costs	(4)	(3)
Net capital gains	5,302	15,801

3 Revenue

	2019 £000's	2018 £000's
UK dividends	17,968	17,961
Overseas dividends	164	129
Franked distributions	214	189
Real estate income distributions	51	38
Scrip dividends	0	113
Bank interest	31	14
Underwriting commission	0	15
Annual management charge rebates	65	61
Total revenue	18,493	18,520

Notes to the Accounts (continued)

4 Expenses

	2019 £000's	2018 £000's
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	1,747	1,950
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	46	51
Safe custody fees	2	2
	48	53
Other expenses:		
Audit fee	7	12
Total expenses	1,802	2,015

5 Taxation

(a) Analysis of the tax charge for the year

	2019 £000's	2018 £000's
Overseas withholding tax	16	6
Total current tax (Note 5(b))	16	6

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

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for authorised unit trusts of 20% (2018 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2019 £000's	2018 £000's
Net revenue before taxation	16,691	16,505
Net revenue for the year before taxation multiplied by the standard rate of corporation tax		
	3,338	3,301
Effects of:		
Revenue not subject to corporation tax	(3,669)	(3,678)
Movement in excess management expenses	331	377
Irrecoverable overseas withholding tax	16	6
Current tax charge for the year (Note 5(a))	16	6

Notes to the Accounts (continued)

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £5,607,517 (2018 – £5,276,625) in respect of unutilised management expenses. It is unlikely the fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year or prior year.

6 Distributions

Distributions

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

	2019 £000's	2018 £000's
Final Dividend distribution	18,025	15,329
Add: Revenue deducted on cancellation of units	1,318	1,399
Deduct: Revenue received on issue of units	(2,668)	(342)
Distributions	16,675	16,386
Net revenue after taxation	16,675	16,499
Scrip dividends not distributed	0	(113)
Distributions	16,675	16,386

Details of the distribution per unit are set out in the Distribution Table on page 33.

7 Fair value hierarchy

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Basis of valuation	2019 Assets £000's	2018 Assets £000's
Level 1: Quoted prices	462,431	415,175
Level 2: Observable market data	15,343	12,610
Level 3: Unobservable data	0	0
Total	477,774	427,785

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Notes to the Accounts (continued)

Unobservable data

Unobservable data has been used only where relevant observable market data is not available. Where there was no reputable price source for an investment, the Manager has assessed information available from internal and external sources in order to arrive at an estimated fair value. The fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. The Manager of the fund also makes judgements and estimates based on their knowledge of recent investment performance, historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions used are under continuous review by the Manager with particular attention paid to the carrying value of the investments.

8 Debtors

	2019 £000's	2018 £000's
Sales awaiting settlement	0	331
Accrued revenue	3,650	3,170
Overseas withholding tax recoverable	29	21
Total debtors	3,679	3,522

9 Other creditors

	2019 £000's	2018 £000's
Amounts payable for cancellation of units	546	69
Purchases awaiting settlement	397	374
Accrued expenses	260	94
Total other creditors	1,203	537

10 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2018 – Nil).

11 Related party transactions

The Manager exercises control over the fund and is therefore a related party by virtue of its controlling influence.

Amounts paid during the year or due to the Manager at the balance sheet date are disclosed under Expenses and within Accrued expenses under Other creditors in the Notes to the Accounts.

Annual management charge rebates received or receivable from the Manager of £42,066 (2018 – £60,806) 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 £9,186 (2018 – £2,409) are disclosed within Accrued revenue under Debtors in the Notes to the Accounts.

Notes to the Accounts (continued)

The Manager acts as principal on all transactions of units in the fund. The aggregate monies received through the issue and cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Distributions 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 within Accrued revenue under Debtors and within Accrued expenses under Other 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 90.49% (2018– 79.05%).

Related party holdings are disclosed in the Portfolio Statement. The revenue earned from these investments of £214,187 (2018 – £189,061) is included under Revenue in the Notes to the Accounts.

12 Unit classes

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

I Income units	0.50%
I Accumulation units	0.50%
S Income units	0.375%

The fund may invest up to 10% of its net asset value in shares of collective investment schemes. The maximum level of Management fee that maybe charged to the fund for these underlying funds is 3% of its net asset value.

The expense is invoiced directly to X Accumulation unitholders, resulting in a 0% charge to the fund.

The closing net asset value of each unit class, the closing net asset value per unit and the closing number of units in issue are given in the Comparative Tables on pages 12 to 15. The distribution per unit class is given in the Distribution Table on page 33. All classes have the same rights on winding up.

13 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 policy;
- 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 only be held in order to assist in the redemption of units, the efficient management of the fund or purposes regarded as ancillary to the fund.

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

Market price risk

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

Notes to the Accounts (continued)

Foreign currency risk

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 at the balance sheet date was as follows:

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Euro			
2019	14	0	14
2018	14	0	14
Sterling			
2019	1,630	477,774	479,404
2018	4,398	427,785	432,183
US dollar			
2019	552	0	552
2018	0	0	0

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 the COLL.

Interest rate risk

Interest receivable on bank balances 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
Euro			
2019	0	14	14
2018	0	14	14
Sterling			
2019	8,403	480,887	489,290
2018	10,037	431,293	441,330

Notes to the Accounts (continued)

Currency	Floating rate financial assets £000's	Financial assets not carrying interest £000's	Total £000's
US dollar			
2019	0	552	552
2018	0	0	0

Currency	Financial liabilities not carrying interest £000's	Total £000's
Sterling		
2019	9,886	9,886
2018	9,147	9,147

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

Floating rate financial assets and financial liabilities

Sterling denominated bank balances bear interest at rates based on the Sterling Overnight Index Average rate.

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.

Global risk exposure

Commitment approach

When using derivatives, the Manager uses a risk management process that enables it to monitor the risk of a fund's derivative positions. The global risk exposure of a fund is calculated daily either by means of the commitment approach or the Value-at-Risk (VaR) approach.

Under the commitment approach, the global risk exposure is defined as the underlying market value of derivatives, after netting and hedging as permitted by the regulation, not exceeding the Net Asset Value of a fund. This is typically used on funds where derivative usage is low or funds which limit their derivatives commitment to 100% or less of their Net Asset Value.

The global risk exposure of the fund is calculated using the commitment approach. During the year ended 15 September 2019 the global risk exposure of the fund did not exceed 100% of its Net Asset Value. The lowest, highest, average and actual level of leverage for the fund as at the balance sheet date was as follows:

Leverage

	Lowest	Highest	Average	Leverage at 15 September
2019	0.00%	0.00%	0.00%	0.00%
2018	0.00%	0.11%	0.00%	0.00%

Notes to the Accounts (continued)

14 Direct transaction costs

In the case of shares, broker commissions and transfer taxes/stamp duty are paid by the fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

2019	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Equities	115,559	42	584	116,185	0.04	0.51
Funds	4,113	0	0	4,113	0.00	0.00
	119,672	42	584	120,298		
Sales						
Equities	75,638	(24)	0	75,614	(0.03)	0.00
Total cost of the fund's average net asset value (%)						
		0.02	0.14			

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases ¹ :						
Equities	75,460	38	365	75,863	0.05	0.48
Corporate actions purchases:						
Equities	1,044	0	0	1,044	0.00	0.00
	76,504	38	365	76,907		
Sales						
Equities	124,991	(61)	0	124,930	(0.05)	0.00
Funds	52	0	0	52	0.00	0.00
	125,043	(61)	0	124,982		
Total cost of the fund's average net asset value (%)						
		0.02	0.08			

1 Excluding corporate actions.

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.05% (2018 – 0.05%).

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Notes to the Accounts (continued)

15 Units in issue reconciliation

	Number of units in issue as at 15.9.18	Number of units issued	Number of units cancelled	Number of units converted	Number of units in issue as at 15.9.19
I Income units	119,307,884	5,556,734	(14,281,490)	0	110,583,128
I Accumulation units	29,849,127	29,955,524	(16,355,783)	0	43,448,868
S Income units	2,000	0	0	0	2,000
X Accumulation units	71,108,355	0	(2,338,517)	0	68,769,838

UCITS remuneration disclosures for Schroder Unit Trusts Limited ('SUTL') for the year to 31 December 2018

These disclosures form part of the non-audited section of this annual report and accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 68 to 90 of the 2018 Annual Report & Accounts (available on the Group's website – www.schroders.com/ir), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

The UCITS Material Risk Takers ('UCITS MRTs') of SUTL are individuals whose roles within the Schroders Group can materially affect the risk of SUTL or any UCITS fund that it manages. These roles are identified in line with the requirements of the UCITS Directive and guidance issued by the European Securities and Markets Authority.

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the UCITS Directive are met for all UCITS MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SUTL are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2018 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SUTL and the Remuneration Committee. The most recent review found no fundamental issues but resulted in a range of more minor recommendations, principally improvements to process and policy documentation.

The total spend on remuneration is determined based on a profit share ratio, measuring variable remuneration charge against pre-bonus profit, and from a total compensation ratio, measuring total remuneration expense against net income. This ensures that the interests of employees are aligned with Schroders financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2018.

- The total amount of remuneration paid by SUTL to its staff was nil as SUTL has no employees. SUTL has two independent Non Executive Directors who receive fees in respect of their role on the Board of SUTL¹. Employees of other Schroders Group entities who serve as Directors of SUTL receive no additional fees in respect of their role on the Board of SUTL.
- The following disclosures relate to UCITS MRTs of SUTL. Most of those UCITS MRTs were employed by and provided services to other Schroders group companies and clients. As a result, only a portion of remuneration for those individuals is included in the aggregate remuneration figures that follow, based on an objective apportionment to reflect the balance of each role using relevant regulated AUM as a proportion of the total AUM within the scope of each role. The aggregate total remuneration paid to the 142 UCITS MRTs of SUTL in respect of the financial year ended 31 December 2018, and attributed to SUTL or the UCITS funds that it manages, is £12.6 million, of which £4.8 million was paid to senior management, £7.3 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the UCITS funds that it manages and £0.5 million was paid to Control Function MRTs.

For additional qualitative information on remuneration policies and practices see www.schroders.com/rem-disclosures.

1 The fees are not disclosed due to confidentiality and data protection considerations. The amount is not material to SUTL.

Distribution Table

Final distribution for the year ended 15 September 2019

Group 1 Units purchased prior to 16 September 2018

Group 2 Units purchased on or after 16 September 2018

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution payable 15.11.19 p per unit	Distribution paid 15.11.18 p per unit
I Income units				
Group 1	7.8522	–	7.8522	7.2164
Group 2	6.6360	1.2162	7.8522	7.2164
I Accumulation units				
Group 1	14.0970	–	14.0970	12.5180
Group 2	5.4300	8.6670	14.0970	12.5180
S Income units				
Group 1	4.8950	–	4.8950	0.0000 ¹
Group 2	4.8950	0.0000	4.8950	0.0000 ¹
X Accumulation units				
Group 1	4.6773	–	4.6773	4.1944
Group 2	4.6773	0.0000	4.6773	4.1944

1 There was no distribution for S Income units, as the total amount distributable was below de minimis.

Corporate unitholders (unaudited)

Corporate unitholders receive the dividend distribution payments as detailed below:

100.00% of the total distribution is received as 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
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

Investment Adviser

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

Trustee

J.P. Morgan Europe Limited
Chaseside
Bournemouth BH7 7DA

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

Registrar

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Authorised and regulated by the Financial Conduct Authority

Administration Details

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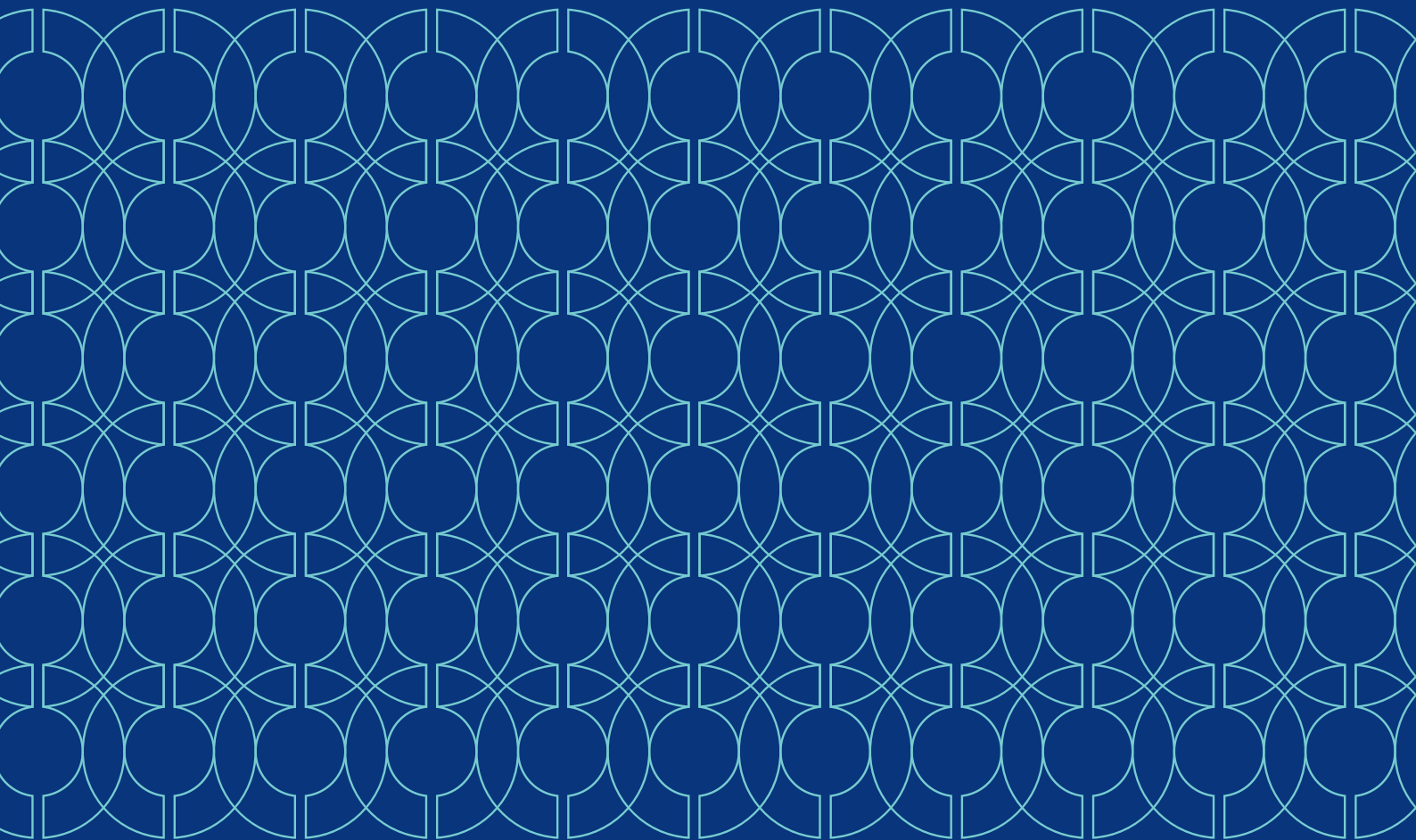
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Independent Auditors

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Authorisation

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



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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.

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