

RATHBONE INVESTMENT MANAGEMENT  
INTERNATIONAL STRATEGIES PCC  
AUDITED ANNUAL ACCOUNTS  
YEAR ENDING 30 SEPTEMBER 2011



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# Rathbone Investment Management International Strategies PCC

Audited financial statements for the year ended 30 September 2011

## RIMIS Roles and Responsibilities

### Directors

Jonathan Michael Woodbury Giles  
Ian Frederick Matthews  
David John Coombs  
Julian Marc Stukeley Hayden  
The Rt. Hon. The Viscount Lifford, Edward James Wingfield  
Richard Michael Boléat  
Richard Ian Smeeton  
Philip James Bain

### Registered Office

Liberté House  
19-23 La Motte Street  
St Helier  
Jersey JE2 4SY  
Channel Islands

### Administrator and Secretary

BNP Paribas Securities Services Fund Administration Limited  
Liberté House  
19-23 La Motte Street  
St Helier  
Jersey JE2 4SY  
Channel Islands

### Investment Manager

Rathbone Investment Management International Limited  
15 Esplanade  
St Helier  
Jersey JE1 2RB  
Channel Islands

The Investment Manager has entered into an agreement to delegate where necessary, certain investment management activities to:

### Sub Investment Manager

Rathbone Investment Management Limited  
Port of Liverpool Building  
Pier Head  
Liverpool L3 1NW

### Custodian

BNP Paribas Securities Services Trust Company Limited  
Liberté House  
19-23 La Motte Street  
St Helier  
Jersey JE2 4SY  
Channel Islands



# **Rathbone Investment Management International Strategies PCC**

## **Report of the Directors**

The directors submit their annual report to the members together with the audited financial statements for the year ended 30 September 2011.

Rathbone Investment Management International Strategies PCC (“the Company”) is an open-ended collective investment company with limited liability incorporated in Jersey, Channel Islands on 26 April 2007. The Company has been established as a protected cell company under the provisions of the Companies (Jersey) Law 1991. The Company is an expert fund within the meaning of the Collective Investment Funds (Jersey) Law 1988 as amended.

Each Cell represents interests in a separate portfolio of the Company each with its own distinct investment objective and policy. Persons investing and dealing in a Cell of the Company shall only have recourse to the assets attributable to that particular Cell. They shall have no recourse to the assets of any other Cell, except as provided under the Law against any non-Cell specific assets of the Company. Thereafter, under Jersey law, the assets of any Cell are not exposed to the liabilities of any other Cell within the structure.

However, the protected Cell company structure has not, so far as the Directors are aware, been tested in any courts. Accordingly, if the assets of the Company are situated in a jurisdiction other than Jersey, it is not known whether courts in other jurisdictions would recognise the protected Cell structure and the integrity of the separate Cells.

Separate financial statements are prepared for each Cell.

The audited financial statements have been prepared for the five active Cells at 30 September 2011, which were as follows:

Conservative Total Return Sterling Distributor Fund PC  
Conservative Total Return Sterling Accumulation Fund PC  
Conservative Total Return US Dollar Distributor Fund PC  
Strategic Growth Sterling Distributor Fund PC  
Strategic Growth Euro Distributor Fund PC

### **Investment objective and policy**

The Company's investment objective is to target risk-adjusted capital appreciation primarily through investing in a variety of investment funds and the control of volatility of returns and investment correlations.

#### Conservative Total Return Strategy

The primary aim of the conservative total return strategy is to deliver absolute performance targeting LIBOR plus 2% per annum returns (in Sterling, US Dollars or Euros with reference to the base currency of each Fund) over a rolling 3-year period with lower volatility through an actively managed portfolio exposed to cash, bonds, equities, hedge funds, alternative assets and derivative instruments - normally achieved through investment in other collective investment funds. The risk budget will be 30% of equity volatility with a targeted maximum drawdown of 3% per month. This is designed as a lower risk strategy for clients who have a conservative total return bias.

# Rathbone Investment Management International Strategies PCC

## Report of the Directors (continued)

### Strategic Growth Strategy

The primary aim of the strategic growth strategy is to deliver a risk-adjusted total return performance targeting inflation plus 5% per annum returns over the longer-term with lower volatility through an actively managed portfolio exposed to cash, bonds, equities, hedge funds, alternative assets and derivative instruments - normally through investment in other collective investment funds. The risk budget will be 60% of equity volatility with a targeted maximum drawdown of 8% per month. This is designed as a moderate risk strategy for clients who are prepared to take some risk with their capital.

### **Results**

The results for the year are set out in the Statement of Total Return for each Cell.

During the year, the following seven Cells were dissolved on 7 March 2011:

Conservative Total Return US Dollar Accumulation Fund PC  
Conservative Total Return Euro Accumulation Fund PC  
Conservative Total Return Euro Distributor Fund PC  
Strategic Growth Sterling Accumulation Fund PC  
Strategic Growth US Dollar Accumulation Fund PC  
Strategic Growth US Dollar Distributor Fund PC  
Strategic Growth Euro Distributor Fund PC

### **Directors' responsibilities**

The directors of the Company are responsible for preparing the financial statements of each Cell in accordance with applicable Jersey law and generally accepted accounting principles.

Jersey Company law requires the directors of the Company to prepare financial statements of each Cell for each financial year which give a true and fair view of the state of affairs of the Cell and of the income or expense of the Cell for that year. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Cell will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with all the above requirements in preparing the financial statements.

# **Rathbone Investment Management International Strategies PCC**

## **Report of the Directors (continued)**

### **Directors**

The present membership of the board of directors of the Company is set out on page 3. Philip Bain was appointed as a director on 7 November 2011.

### **Independent Auditors**

During the year, PricewaterhouseCoopers CI LLP resigned as the Company's auditors and were replaced by BDO Alto Limited.

BDO Alto Limited were succeeded by BDO Limited on 1 January 2012 and BDO Limited have been the appointed auditor to the Company from that date. BDO Limited have expressed their willingness to continue in office.

### **By order of the board**



**BNP Paribas Securities Services Fund Administration Limited**  
**Secretary**  
**30 January 2012**

## **Rathbone Investment Management International Strategies PCC**

### **Investment Manager's Review Twelve months ending 30 September 2011**

#### Market Review

Over the year, global equities declined nearly 3%, the US was up 1%, the UK was down over 4%, global government bond prices increased by 5%, UK Gilt prices increased by 8%, and the European equity market was down 13%. But this was very much a year of two halves and, in order to give these numbers some perspective, it is important to look at the returns over the six-month period to the end of September. During this time, global equities lost 14%, the US lost 14%, the UK fell 12%, global government bond prices rose 6%, UK Gilt prices shot up 11%, and European bonds fell 19%. Clearly the second half of the year was the dominant period. So what happened? The first half of the year was largely positive because investors chose to ignore the dark macro-clouds, particularly the problems in Europe. Instead they preferred to focus their attentions on positive corporate news and the relatively strong growth emanating from emerging markets. By the summer, however, the severity of the European problems became abundantly clear; concerns that were exacerbated by the leadership vacuum in Europe and the US as well as stalling growth in emerging markets. This led to the subsequent dumping of risk assets in favour of safe-havens, dragging the market down.

#### Investment outlook

Markets have been dominated by the debacle that is European debt, where a 'solution' is followed by the unfurling of yet another uncomfortable development, and current nervousness is only compounded by the potential demise of the euro. Over the coming weeks, it is highly unlikely that we could revisit the market lows that were last seen in August but something will have to give and, if the euro devalues or we see the emergence of a two-tier Europe (one with the euro and one without), we can expect to see higher inflation and for recessionary conditions to spread elsewhere. In order for Europe to survive it is going to require Germany to leverage up, potentially dragging it into recession and it is our opinion that the UK may not be immune from this level of contagion. The flip-side is, of course, that the pain is worth bearing if it staves off quick-fire solutions from the authorities that serve little purpose but to placate markets in the short term. However, any solution will require a 'cultural' shift, be it the German mind-set towards inflation, or a shift in the European Central Bank's mandate that allows it to print money. We believe the latter represents the best course of action, bringing with it the potential for a rally. Furthermore we believe that China will avoid a hard-landing, helping to underpin sentiment.

## Rathbone Investment Management International Strategies PCC

### Investment Manager's Review (continued)

#### Conservative Total Return Sterling Funds:

##### Performances:

Accumulation Fund	+0.5%
Distributor Fund	+0.1%

##### Representative Index Performances:

Datastream Private Equity Investment Trusts	+11.4%
UK IPD (Commercial Property)	+8.8%
FTSE Government Bond	+7.8%
Dow Jones Futures Commodity	+1.2%
IBOX £ Non Gilt Bond	+2.0%
Morgan Stanley World Equity	-2.7%
FTSE 100	-4.4%
HFRX Global Hedge Fund	-4.8%

**Benchmark (6 month LIBOR+2%)** **+3.2%**

Aggregate dividends of £1.863786 per share were paid by the Distributor Fund for the period. – (2010: £2.3165)

#### Conservative Total Return Sterling Accumulation Fund:

##### Performance

During the 12 months to 30 September 2011 the Fund returned +0.5% versus +3.2% from 6 Month LIBOR +2%. Since inception volatility has been 37.8% of MSCI World Equities ("MSCI) versus a target of 30%. Over the last 12 months the fund volatility has been 34.2% of MSCI.

Listed below are the top and bottom performances of the underlying holdings and the top and bottom contributors to performance.

##### Top 5 Performers

Odey UK Absolute	+31.1%
Partners Global Private Equity	+25.9%
Gold Bullion	+25.2%
Signet Credit	+17.72%
CG Portfolio	+15.9%

##### Bottom 5 Performers

BNP Vol Edge	-32.9%
GLG Alpha Select	-11.7%
Morgan Stanley Defensive Autocall	-10.9%
Prusik Asia Income	-10.6%
CQS Diversified	-8.8%

##### Top 5 Contributors

Odey UK Absolute	+1.3%
Edinburgh Inv Trust	+0.7%
Gold ETF	+0.6%
Troy Income	+0.5%
BH Macro	+0.4%

##### Bottom 5 Contributors

BNP Vol Edge	-1.0%
GLG Alpha Select	-0.4%
GAM Star Global Rates	-0.3%
Prusik Asia Income	-0.3%
CQS Diversified	-0.3%

## Rathbone Investment Management International Strategies PCC

### Investment Manager's Review (continued)

#### Conservative Total Return Sterling Distributor Fund:

##### Performance

During the 12 months to 30 September 2011 the Fund returned +0.1% versus +3.2% from 6 Month LIBOR +2%. Since inception volatility has been 42.23% of MSCI versus a target of 30%. Over the last 12 months the fund volatility has been 42.23% of MSCI.

Listed below are the top and bottom performances of the underlying holdings and the top and bottom contributors to performance.

##### Top 5 Performers

Gold ETF	+26.4%
Odey UK Absolute	+26.4%
Partners Global Private Equity	+25.9%
CG Portfolio	+15.9%
BH Macro	+15.0%

##### Bottom 5 Performers

BNP Vol Edge	-32.7%
GLG Alpha Select	-11.7%
Morgan Stanley Defensive Autocall	-10.9%
Prusik Asia Income	-10.6%
CQS Diversified	-8.8%

##### Top 5 Contributors

Odey UK Absolute	+0.8%
Troy Income	+0.6%
Edinburgh Inv Trust	+0.5%
Gold ETF	+0.5%
Partners Global Private Equity	+0.5%

##### Bottom 5 Contributors

BNP Vol Edge	-0.9%
GLG Alpha Select	-0.4%
GAM Star Global Rates	-0.3%
Prusik Asia Income	-0.3%
CQS Diversified	-0.2%

##### Selected Transactions

Our purchases included Aspect Capital Diversified and BH Macro which are macro traders, the former systematic and the latter discretionary, and both demonstrate a low correlation to the equity market. The funds, whilst volatile, can reduce risk when held in a diversified portfolio. CQS Diversified is a hedge fund which focuses specifically on non-directional credit and bond strategies. Due to the financial crisis in Europe we continue to experience severe dislocation in parts of the bond market and the fund is well placed to exploit these inefficiencies. We repurchased Henderson UK Absolute, managed by Ben Wallis, having sold the fund under the Gartmore banner during that business' recent difficulties.

On the sell-side, we exited the Loomis Sayles and Western multi-strategy bond funds as corporate bond spreads appeared overbought and, therefore, of increased risk. We exited the Polar Capital UK Absolute Return on the back of poor performance and switched into the Henderson fund (as above). We also sold GAM Star Global Rates Fund due to poor performance.

## Rathbone Investment Management International Strategies PCC

### Investment Manager's Review (continued)

#### Conservative Total Return US Dollar Distributor Fund:

##### Fund Performance:

Distributor Fund +1.45%

##### Representative Index Performances:

Datastream Private Equity Investment Trusts	+10.1%
UK IPD (Commercial Property)	+6.1%
Citigroup World Government Bond	+4.6%
S & P 500	+1.1%
Dow Jones Futures Commodity	+0.0%
Morgan Stanley World Equity	-3.8%
HFRX Global Hedge Fund	-5.3%

**Benchmark (6 month LIBOR+2%) +2.5%**

Aggregate dividends of \$1.618399 per share were paid by the Fund for the period. - (2010: \$3.2119)

#### Performance

During the 12 months to 30 September 2011 the Fund returned +1.5% versus +2.5% from 6 Month LIBOR +2%. Since inception volatility has been 28.51% of MSCI versus a target of 30%. Over the last 12 months the fund volatility has been 30.3% of MSCI.

Listed below are the top and bottom performances of the underlying holdings and the top and bottom contributors to performance.

#### Top 5 Performers (Unhedged)

Odey UK Absolute	+36.3%
Gold ETF	+24.6%
Partners Global Private Equity	+24.4%
CG Portfolio	+14.6%
BH Macro	+13.9%

#### Bottom 5 Performers (Unhedged)

BNP Vol Edge	-33.7%
Morgan Stanley Defensive Autocall	-15.3%
Polar Global Insurance	-13.3%
Prusik Asia Income	-10.5%
Henderson UK Absolute	-9.4%

#### Top 5 Contributors (Unhedged)

Odey UK Absolute	+1.5%
CG Portfolio	+1.0%
Gold ETF	+0.8 %
BH Macro	+0.5%
Loomis Sayles Multi Sctr Bond	+0.4%

#### Bottom 5 Contributors (Unhedged)

SPDR Trust	-0.5%
Henderson UK Absolute	-0.4%
GAM Global Rates	-0.3%
Polar Global Insurance	-0.3%
Prusik Asia Income	-0.3%

#### Selected Transactions

Our purchases included Aspect Capital Diversified and BH Macro which are macro traders, the former systematic and the latter discretionary, and both demonstrate a low correlation to the equity market. The funds, whilst volatile, can reduce risk when held in a diversified portfolio. CQS Diversified is a hedge fund which focuses specifically on non-directional credit and bond strategies. Due to the financial crisis in Europe we continue to experience severe dislocation in parts of the bond market and the fund is well placed to exploit these inefficiencies. We repurchased Henderson UK Absolute, managed by Ben Wallis, having sold the fund under the Gartmore banner during that business' recent difficulties.

On the sell-side, we exited the Loomis Sayles Multi Strategy and Western Blue Chip bond funds as corporate bond spreads appeared overbought and, therefore, of increased risk. We also sold GAM Star Global Rates Fund due to poor performance.

## Rathbone Investment Management International Strategies PCC

### Investment Manager's Review (continued)

#### Strategic Growth Sterling Distributor Fund:

##### Performance:

Sterling Distributor Fund -2.0%

##### Representative Index Performances:

Datastream Private Equity Investment Trusts	+11.4%
FTSE Government Bond	+7.8%
UK IPD (Commercial Property)	+ 7.4%
IBOX £ Non Gilts	+ 2.0%
Dow Jones Futures Commodity	+ 1.2%
Morgan Stanley World Equity	-2.7%
FTSE 100	-4.4%
HFRX Global Hedge Fund	-4.8%

**Benchmark (CPI+5%) + 7.3%**

Aggregate dividends of £0.719917 per share were paid by the Fund for the period. – (2010: £1.24710)

#### Performance

During the 12 months to 30 September 2011 the Fund returned -2.0% versus +10.41% from CPI +5%. Since inception volatility has been 61.4% of MSCI versus a target of 60%. Over the last 12 months the fund volatility has been 57.9% of MSCI.

Listed below are the top and bottom performances of the underlying holdings and the top and bottom contributors to performance.

#### Top 5 Performers

Partners Global Private Equity	+25.9%
Odey UK Absolute	+25.7%
Gold ETF	+24.8%
Princess Private Equity	+20.1%
Standard Life	+18.0%

#### Bottom 5 Performers

BNP Vol Edge	-32.8%
Hexam Global Emerging Markets	-28.1%
Templeton Emging Mkt Sml Cos	-18.9%
Veritas Asian	-16.6%
Soc Gen FTSE Autocall	-11.9%

#### Top 5 Contributors

Gold ETF	+0.7%
Marlborough UK Special Sits Trust	+0.6%
Odey UK Absolute	+0.6%
Fidelity Special Situations	+0.5%
Morgan Stanley Global Brands	+0.5%

#### Bottom 5 Contributors

Hexam Global Emerging Markets	-1.1%
BNP Vol Edge	-1.0%
Baring German Growth	-0.7%
Veritas Asian	-0.6%
Investec UK Special Sits	-0.4%

## Rathbone Investment Management International Strategies PCC

### Investment Manager's Review (continued)

#### Strategic Growth Sterling Distributor Fund: (continued)

##### Selected Transactions

Aspect Capital Diversified is a systematic macro trading fund and demonstrates a low correlation to the equity market. The fund is volatile but can reduce risk when held in a diversified portfolio. We bought Baring German Growth believing that export growth would benefit from a weaker euro. Since then, however, the ECB has inexplicably raised interest rates meaning that Germany has underperformed. BlackRock UK Income was purchased as part of our foray into the UK equity income sector. We believe that UK dividends will receive renewed attention over the next few years and BlackRock's offering focuses on progressive dividends not just headline yields. CQS Diversified is a hedge fund which focuses specifically on non-directional credit and bond strategies. Due to the financial crisis in Europe we continue to experience a dislocation in parts of the bond market and the fund is well placed to exploit these inefficiencies. Ennismore Smaller Companies is a long/short equity fund which focuses on performance (as evidenced by the fact that it has now hard-closed) and downside protection. Ennismore is the only house to run this specialised strategy.

On the sell-side we exited CF Odey UK Absolute Return. This fund had demonstrated strong outperformance in Q1 as the manager had a long position in financials. We felt the position was too high given our more cautious view of Europe. We took profits in exchange traded fund ETFS Physical Gold. Fidelity Special Situations was dropped from the portfolio on concerns about its size as well as recent poor performance. We do not believe that past performance can be repeated with this fund. We sold Findlay Park American as a part of a general review of our small caps exposure, given their outperformance in the US as well as on a global basis. Finally we sold Franklin Templeton Global Bond on the view that bond markets were looking overbought.

#### Strategic Growth Euro Distributor Fund:

##### **Fund Performance:**

Euro Distributor Fund -3.0%

##### **Representative Index Performances:**

Datastream Private Equity Investment Trusts	+12.1%
Citigroup World Government Bond	+6.4%
Dow Jones Futures Commodity	+1.8%
Morgan Stanley World Equity	-2.2%
HFRX Global Hedge Fund	-5.1%
FTSE Euro 300 Equity (Ex-UK)	-12.6%

**Benchmark (CPI +5%) +8.1%**

Aggregate dividends of €0.544233 per share were paid by the Fund in the period. – (2010: €0.9384)

##### Performance

During the 12 months to 30 September 2011 the Fund returned -2.4% versus +8.1% from CPI +5%. Since inception volatility has been 68.9% of MSCI versus a target of 60%. Over the last 12 months the fund volatility has been 62.6% of MSCI.

## Rathbone Investment Management International Strategies PCC

### Investment Manager's Review (continued)

#### Strategic Growth Euro Distributor Fund: (continued)

Listed below are the top and bottom performances of the underlying holdings and the top and bottom contributors to performance.

##### Top 5 Performers (Unhedged)

Partners Global Private Equity	+26.6%
Gold ETF	+26.3%
CG Portfolio Fund	+21.9%
Princess Private Equity	+20.8%
Pacific Alliance Asia Opps	+16.5%

##### Bottom 5 Performers (Unhedged)

BNP Vol Edge	-36.6%
Hexam Global Emerging Mkts	-24.9%
Templeton Emerging Mkts Sml Cos	-18.4%
Veritas Asian	-14.7%
Cazenove European Equity	-13.6%

##### Top 5 Contributors (Unhedged)

CG Portfolio Fund	+1.5%
Gold ETF	+0.6%
Princess Private Equity	+0.5%
Partners Global Private Equity	+0.4%
Morgan Stanley Global Brands	+0.4%

##### Bottom 5 Contributors (unhedged)

BNP Vol Edge	-1.1%
Hexam Global Emerging Markets	-0.8%
Veritas Asian	-0.7%
Jupiter European Growth	-0.6%
RWC US Absolute Alpha	-0.4%

##### Selected Transactions

Aspect Capital Diversified is a systematic macro trading fund and demonstrates a low correlation to the equity market. The fund is volatile but can reduce risk when held in a diversified portfolio. We added to Baring German Growth believing that export growth would benefit from a weaker Euro. Since then, however, the ECB has inexplicably raised interest rates meaning that Germany has underperformed. CQS Diversified is a hedge fund which focuses specifically on non-directional credit and bond strategies. Due to the financial crisis in Europe we continue to experience a dislocation in parts of the bond market and the fund is well placed to exploit these inefficiencies. Ennismore Smaller Companies is a long/short equity fund which focuses on performance (as evidenced by the fact that it has now hard-closed) and downside protection. Ennismore is the only house to run this specialised strategy.

On the sell-side we took profits in exchange traded fund ETFS Physical Gold. Fidelity Special Situations was dropped from the portfolio on concerns about its size as well as recent poor performance. We do not believe that past performance can be repeated with this fund. Finally we sold Capital International High Income Opportunities and Western Blue Chip bond funds on the view that bond markets were looking overbought and spreads over treasuries below historical norms.



**Rathbone Investment Management International Limited**

**Fund Manager**

**January 2012**

**Conservative Total Return Sterling Accumulation Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Statement of Total Return**

**For the year ended 30 September 2011**

	Note	1.10.2010 to 30.9.2011 £	1.10.2009 to 30.9.2010 £
<b>Income</b>			
Net capital gains on investments during year	3	4,439	384,050
Revenue	4	210,407	182,031
Expenses	5	<u>(209,032)</u>	<u>(157,350)</u>
<b>Net income before taxation</b>		1,375	24,681
Taxation	6	<u>-</u>	<u>-</u>
<b>Net income after taxation</b>		<u>1,375</u>	<u>24,681</u>
<b>Change in net assets attributable to Shareholders from investment activities</b>		<u>5,814</u>	<u>408,731</u>

**Statement of Changes in Shareholders' Net Assets**

**For the year ended 30 September 2011**

		1.10.2010 to 30.9.2011 £	1.10.2009 to 30.9.2010 £
Opening net assets		8,937,111	6,148,430
Amounts received on issue of shares	3,201,752		3,580,890
Amounts paid on cancellation of shares	<u>(1,356,392)</u>		<u>(1,214,590)</u>
		1,845,360	2,366,300
Dilution levy		18,761	13,650
<b>Change in net assets attributable to Shareholders from investment activities</b>		<u>5,814</u>	<u>408,731</u>
<b>Closing net assets</b>		<u><u>10,807,046</u></u>	<u><u>8,937,111</u></u>

The notes on pages 20 to 28 are an integral part of the financial statements of this Cell.

## Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Portfolio Statement

As at 30 September 2011

Description	Holding	Mid-Market Value £	% of Total Net Assets
UK INDEX LINKED SECURITIES - 5.51%; (2010 0.00%)			
Treasury Index Linked Stock 2.5% 16/8/2013	100,000	283,288	2.62
Treasury Index Linked Stock 1.25% 22/11/2017	225,000	312,029	2.89
		<b>595,317</b>	<b>5.51</b>
UK FIXED INTEREST - 9.10%; (2010 6.30%)			
Lloyds TSB Bank FRN 29/04/2011	240,000	182,700	1.69
Clydesdale Bank plc 5.75% Var 30/03/2017	300,000	300,255	2.78
Legal & General Unit Tst Mgrs Dynamic Bond Tst Dist (Gross)	842,586	499,991	4.63
		<b>982,946</b>	<b>9.10</b>
OVERSEAS FIXED INTEREST SECURITIES - 10.25%; (2010 21.17%)			
CG Portfolio Fund Plc Real Return A	1,680	321,082	2.97
Franklin Templeton Inv Mgmt Global Bond I Dist	43,900	492,997	4.56
Old Mutual Fund Managers Global Strategic Bond A Inc	144,000	293,458	2.72
		<b>1,107,537</b>	<b>10.25</b>
EQUITY INVESTMENT TRUSTS - 32.00%; (2010 28.08%)			
ACP Mezzanine Ltd NPV Ordinary Shares*	126,400	109	0.00
Credit Suisse 355 6 Year FTSE Def Autocall	250,000	250,000	2.31
Edinburgh Investment Trust plc 25p Ordinary Shares	130,000	583,310	5.40
First State Global Umbrella Listed Infrastructure I Inc	125,000	672,400	6.22
iShares plc FTSE 100 Shares	23,000	119,658	1.11
Morgan Stanley FTSE 100 Defensive Bonus Note	200,000	172,970	1.60
Morgan Stanley Index Linked Warrants 31/01/2017	50,000	46,030	0.43
Polar Capital Fund Global Insurance E Dist	100,000	183,810	1.70
Prusik Inv Might UCITS Asian Equity Inc	2,900	257,335	2.38
Troy Asset Mgmt Trojan Income	450,000	553,725	5.12
Veritas Asset Mgmt Global Equity Inc A (GBP)	4,800	620,352	5.73
		<b>3,459,699</b>	<b>32.00</b>
UK EQUITY LONG/SHORT - 7.60%; (2010 13.44%)			
GLG Investments Funds Alpha Select Alt CI Inc	3,400	311,168	2.88
Henderson Global Investors UK Absolute Return I Acc	300,000	338,820	3.14
Lansdowne Partners Limited UK Equity Fund Inc (GBP)	410	170,876	1.58
		<b>820,864</b>	<b>7.60</b>

## Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Portfolio Statement (continued)

As at 30 September 2011

Description	Holding	Mid-Market Value £	% of Total Net Assets
PROPERTY FUNDS – 6.71%; (2010 1.03%)			
Investors in Global Real Estate NPV Ordinary Shares	150,000	121,875	1.13
Picton Property Income Ltd NPV Ordinary Shares	200,000	81,000	0.75
SWIP Fund Mgmt Property Trust B Inc	582,000	521,938	4.83
		<b>724,813</b>	<b>6.71</b>
PRIVATE EQUITY STOCKS - 1.68%; (2010 1.61%)			
Partners Group Investments Global Private Equity I Cap	2,394	181,578	1.68
		<b>181,578</b>	<b>1.68</b>
COMMODITIES - 2.80%; (2010 1.80%)			
Gold Bullion Securities 0% Undated Notes	2,989	302,152	2.80
		<b>302,152</b>	<b>2.80</b>
HEDGE FUNDS (FUND OF FUNDS) - 10.89%; (2010 5.35%)			
Bluecrest Allblue Fund Ltd Sterling Shares	255,543	433,656	4.01
BH Macro Ltd NPV Ordinary Shares	20,000	400,600	3.71
Caliburn Strategic Fund Vtg Shs Side Pocket Inv (GBP)	76	5,595	0.05
CQS Diversified Fund Ltd NPV Shares	340,544	309,895	2.87
Signet Multi Mgrs Credit Fund Sterling Shares	250	27,074	0.25
		<b>1,176,820</b>	<b>10.89</b>
HEDGE FUNDS (SINGLE MANAGER) - 2.98%; (2010 10.49%)			
Aspect Capital Diversified Trends Class F Retail	3,053	322,534	2.98
		<b>322,534</b>	<b>2.98</b>
<b>Portfolio of investments based on Mid prices</b>		<b>9,674,260</b>	<b>89.52</b>
Bid prices adjustment (note 14)		<b>(23,631)</b>	<b>(0.22)</b>
<b>Portfolio of investments based on Bid prices</b>		<b>9,650,629</b>	<b>89.30</b>
Net other assets		1,156,417	10.70
<b>Net assets attributable to Shareholders</b>		<b>10,807,046</b>	<b>100.00</b>

\*On 14 July 2010, ACP Mezzanine Ltd NPV Ordinary Shares issued a notice of suspension of dealings. As a result, the directors have decided to value this investment at the value described above until reliable information is received.

**Conservative Total Return Sterling Accumulation Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Balance sheet**

**As at 30 September 2011**

	Note		30.9.2011 £	30.9.2010 £
<b>Assets:</b>				
Investment assets	14		9,650,629	8,471,303
Debtors	7	19,832		32,174
Cash and bank balances	8	<u>1,787,340</u>		<u>455,566</u>
<b>Total other assets</b>			<u>1,807,172</u>	<u>487,740</u>
<b>Total assets</b>			11,457,801	8,959,043
<b>Liabilities</b>				
Creditors	9	<u>(650,755)</u>		<u>(21,932)</u>
<b>Total other liabilities</b>			<u>(650,755)</u>	<u>(21,932)</u>
<b>Net assets attributable to Shareholders</b>			<u>10,807,046</u>	<u>8,937,111</u>
<b>Net Asset Value per share</b>	14		<u>102.90</u>	<u>102.50</u>

The financial statements on pages 15 to 28 were approved and authorised for issue by the board of directors of the Cell on 30 January 2012 and were signed on its behalf by:



Jonathan Michael Woodbury Giles  
Director



Richard Michael Boléat  
Director

**Conservative Total Return Sterling Accumulation Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Cash Flow Statement**

**For the year ended 30 September 2011**

	<b>1.10.2010 to 30.9.2011</b>	<b>1.10.2009 to 30.9.2010</b>
	£	£
<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		
Change in net assets attributable to Shareholders from investment activities	5,814	408,731
Adjustment for non cash gains on investments	<u>(3,185)</u>	<u>(360,800)</u>
Total return before working capital changes	2,629	47,931
Decrease in debtors	12,342	107,498
Increase/(decrease) in creditors	628,823	<b>(36,391)</b>
<b>Net cash inflow from operating activities</b>	<u>643,794</u>	<u>119,038</u>
Purchase of investments	<b>(6,248,597)</b>	<b>(7,476,558)</b>
Sale of investments	5,072,456	5,171,290
<b>Net cash outflow for capital expenditure &amp; financial investment</b>	<u><b>(1,176,141)</b></u>	<u><b>(2,305,268)</b></u>
Proceeds from issue of units	3,201,752	3,580,890
Payments for redemption of units	<b>(1,356,392)</b>	<b>(1,214,590)</b>
Dilution levy	18,761	13,650
<b>Net cash inflow from financing activities</b>	<u>1,864,121</u>	<u>2,379,950</u>
<b>Net increase in cash &amp; cash equivalents</b>	<u>1,331,774</u>	<u>193,720</u>
Reconciliation of net cash flow to movement in net funds		
Increase in cash for the year	1,331,774	193,720
Net cash brought forward	455,566	261,846
<b>Net cash carried forward</b>	<u>1,787,340</u>	<u>455,566</u>

# **Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC**

## **Notes to the financial statements for the year ended 30 September 2011**

### **1. General information**

Rathbone Investment Management International Strategies PCC (“the Company”) is an open-ended collective investment company with limited liability incorporated in Jersey, Channel Islands on 26 April 2007. The Company has been established as a protected cell company under Jersey Company Law. Each Cell represents interests in a separate portfolio of the Company each with its own distinct investment objective and policy. The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of a Cell participating shares and any other assets attributable to the Cell. The non-cellular assets comprise the assets of the Company which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within the Cell, then there will be recourse to the non-cellular assets but not to the assets of any other cell. Separate financial statements are prepared for each Cell. These financial statements are prepared for Conservative Total Return Sterling Accumulation Fund PC.

Conservative Total Return Sterling Accumulation Fund PC was created on 18 September 2007. The name of the Cell (formerly Capital Preservation Sterling Accumulation Fund PC) was changed on 30 October 2009. The Cell is listed on the Channel Island Stock Exchange (CISX).

The financial statements of the Cell are expressed in Sterling (“£”).

### **2. Principal accounting policies**

#### **Accounting policies**

The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom (‘UK GAAP’) and under the historical cost convention as modified by the revaluation of investments. They have also been prepared in accordance with the revised Statement of Recommended Practice (‘SORP’) for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, with the exception of aggregated financial statements.

#### **Aggregated financial statements**

Aggregated financial statements of the Company have not been prepared since, in the opinion of the directors of the Company, this would not supply information of a meaningful nature and would, in itself, be misleading.

#### **Investments**

The investments of the Cell are valued at the latest available closing mid-market prices on the last business day of the accounting period. This is a departure from the SORP which recommends that the bid market price is used to value the portfolio. An adjustment has been made in these financial statements in order to reflect bid-market values. Certain investments of the Cell which are priced at Net Asset Value as at the year end have not been adjusted to reflect bid-market value as no bid-market price is available. (See note 14 for further details).

Realised gains and losses resulting from the disposal of investments and unrealised gains and losses resulting from the revaluation of retained investments are recognised in the Statement of Total Return.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Cell uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

# **Conservative Total Return Sterling Accumulation Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011 (continued)**

#### **2. Principal accounting policies (continued)**

##### **Dividend income, interest on fixed interest securities and bank interest**

Dividends are recognised on the ex-dividend date. Revenue is stated net of irrecoverable tax credits. Where revenue is received after the deduction of withholding tax, the revenue is shown gross of taxation and the tax consequences shown within the tax charge. Where a Cell has elected to receive its dividends in the form of additional shares rather than cash, the amount of the market value of the shares is recognised as income together with a corresponding increase in the cost of the shares.

Interest on fixed interest is recognised as revenue using the effective interest method by reference to the purchase price. Bank interest is accrued on a daily basis.

##### **Cash and bank balances**

Cash and bank balances consist of cash balances with banks.

##### **Dilution Levy**

Shares in each Fund are priced at a single price for both purchases and redemptions, using the mid-market value of underlying investments, inclusive of dealing charges and expenses. The investment manager will ensure that all purchases and redemptions of shares are conducted at a price which is fair to all shareholders but there are circumstances where some shareholders might be disadvantaged by the dilution effect of a large trade or series of trades relative to others, where the value of the cell is in continuing decline, a large purchase of Shares (typically more than one percent (1%) of the NAV) where a significant dealing cost in underlying investments would dilute the value of the Fund to existing Shareholders, a similarly large redemption where costs would dilute the remaining Shareholders' value or where, over a period of time, a Fund has a large level of net purchases or redemptions relative to the NAV of the Cell.

In these circumstances the Administrator under instruction from the Investment Manager reserves the right to charge a dilution levy of up to 1.0 % of the value of the transaction, so as not to unfairly dilute the value of the Cell to other Shareholders of that Cell. Any dilution levy may only be attributed to the Cellular Assets of that Cell, for the sole benefit of the Shareholders of that Cell.

##### **Expenses**

Expenses relating to a specific Cell are charged to that Cell and are accounted for on an accruals basis.

Expenses which do not relate specifically to a particular Cell are allocated between the group of Cells in proportion to their Net Asset Values. They are accounted for on an accruals basis using an appropriate exchange rate.

##### **Currency translation**

Assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the Balance Sheet date. Foreign currency transactions are translated into Sterling at the rates of exchange ruling at the date of the transaction. Gains and losses on exchange are recognised in the Statement of Total Return.

##### **Net Asset Valuation**

The calculation of the Net Asset Value ('NAV') is based upon the mid-market prices and values of underlying investments ruling at the close of business on the relevant Valuation Point. An adjustment has been made in these financial statements to reflect bid-market values. See note 14 for further details.

##### **Distribution Policy**

Any income arising from investments will be accumulated.

## Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

<b>3. Net Capital Gains on investments during the year</b>	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Gains on non-derivative securities	3,184	403,994
Losses realised on forward foreign exchange contracts	-	(15,973)
Other currency gains / (losses)	1,255	(3,971)
	<u>4,439</u>	<u>384,050</u>
<b>Net gains on investments</b>	<b>4,439</b>	<b>384,050</b>
<b>4. Revenue</b>	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Dividend income	176,774	173,361
Interest on fixed interest securities	33,633	7,248
Other income	-	1,421
	<u>210,407</u>	<u>182,031</u>
<b>Total income</b>	<b>210,407</b>	<b>182,031</b>
<b>5. Expenses</b>	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Management fees	159,906	115,477
Director fees	2,577	2,337
Administration fees and expenses	24,345	19,253
Audit fees	5,400	4,200
Custodian fees	6,910	5,787
Formation expenses	1,737	1,669
Custody transaction fees	1,945	2,165
Transfer agency fees	1,260	1,780
Permit fee	3,430	3,394
Other expenses	1,522	1,288
	<u>209,032</u>	<u>157,350</u>
<b>Total expenses</b>	<b>209,032</b>	<b>157,350</b>

Formation expenses of £42,122 have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These formation expenses are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

### 6. Taxation

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profit arising in the Cell for the 2009 year of assessment and future periods will be subject to tax at a rate of 0%. Previously, the Cell was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

## Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

<b>7. Debtors</b>	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Dividends receivable	17,166	32,174
Bond interest receivable	2,666	-
Total debtors	<u>19,832</u>	<u>32,174</u>

### 8. Cash and bank balances

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Capital accounts	1,787,340	366,188
Income account	-	89,378
Cash and bank balances	<u>1,787,340</u>	<u>455,566</u>

### 9. Creditors

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Purchases awaiting settlement	624,525	-
Management fees	13,560	11,202
Administration fees and expenses	2,013	1,811
Custodian fees	572	527
Audit fees	6,402	5,754
Director fees	618	642
Formation expenses	140	142
Custody transaction fees	75	(25)
Other creditors	2,850	1,880
Total creditors	<u>650,755</u>	<u>21,932</u>

### 10. Related Party Transactions

Rathbone Investment Management International Limited ("the Investment Manager") and Rathbone Investment Management Limited ("the Sub Investment Manager") are related parties. Richard Ian Smeeton, The Rt. Hon. The Viscount Lifford, Edward James Wingfield and Jonathan Michael Woodbury Giles are directors of the Investment Manager. Richard Ian Smeeton is also a director of the Sub Investment Manager. Both the Investment Manager and the Sub Investment Manager are owned by the same ultimate holding company ("Rathbone Brothers plc").

The Investment Manager is entitled to charge a fee of 1.50% per annum of the NAV of each Cell, accrued and paid monthly.

Where investment is made in any other collective investment scheme then the Investment Manager will endeavour to use institutional fee classes or obtain rebates of the periodic charges levied by the investment managers or managers of those funds, which will be paid to the relevant Cell.

# **Conservative Total Return Sterling Accumulation Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011 (continued)**

#### **10. Related Party Transactions (continued)**

The Administrator will be paid by each Cell according to the terms of the Administration and Registrar Agreement as shall be in force from time to time. The current fee schedule in respect of the Company is a fixed fee of £15,000 on the initial cells and then £12,500 for each additional cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.175% of the combined NAV of active Cells between £20 million and £50 million, then 0.075% of the combined NAV of active Cells over £50 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

The Custodian will be paid by each Cell according to the terms of the Custodian Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £4,000 per Cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.05% of the combined NAV of active Cells between £20 million and £40 million, then 0.03% of the combined NAV of active Cells over £40 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

Formation expenses have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These formation expenses are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

Fees payable in the year are as disclosed in the Statement of Total Return on page 15. Amounts outstanding at the year end are disclosed in Note 9. All transactions are at arms length.

In the opinion of the directors there is no ultimate controlling party of the Cell.

#### **11. Share Capital**

##### **Authorised**

Unlimited shares of any class of no par value, which may be issued as Management Shares and Participating Shares in a Cell.

##### **Issued**

One Management Share of no par value to Rathbone Nominees Jersey Limited and one Management Share of no par value to Rathbone Fiduciaries Jersey Limited.

105,020.562 Participating shares were in issue as at 30 September 2011 (30 September 2010: 87,195.125).

All issued shares were fully paid as at 30 September 2011. The Management shares exist solely to comply with Jersey Law, which requires that Participating shares must have a preference over another class of capital. The holders of Management shares have the right to receive notice of, attend and vote at general meetings of the Cell. A holder of Management shares is entitled to one vote for each Management share held. Management shares carry no right to a dividend and are not redeemable. In a winding up, they rank only for a return of paid up nominal capital *pari passu* out of the assets of the Cell (after the return of nominal capital paid up on Participating shares).

The holders ("Shareholders") of Participating shares have the right to receive notice of all general meetings of the Cell but may only vote on matters relating to the rights attaching to their shares. Shares are redeemable by shareholders at prices based on the value of the Cell's net assets as determined in accordance with its Articles of Association.

## Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC

Notes to the financial statements for the year ended 30 September 2011 (continued)

### 12. Financial Instruments

The Cell's investing activities expose it to various types of risk that are associated with financial instruments and markets in which it invests. These risks are dealt with at length in the prospectus. Some of the most important types of financial risk to which the Cell is exposed are summarised below.

#### Currency risk

The Cell invests in securities that are denominated in a range of currencies other than the currency in which the shares are denominated. Accordingly, the value of the Cell's assets are directly affected by fluctuations in currency rates.

	Net foreign currency assets		
	Monetary exposures 30.9.2011 £	Non-monetary exposures 30.9.2011 £	Net Assets 30.9.2011 £
Sterling	1,787,340	7,863,793	9,651,133
US Dollar	-	1,155,804	1,155,804
Euro	-	109	109
	<u>1,787,340</u>	<u>9,019,706</u>	<u>10,807,046</u>

	Net foreign currency assets		
	Monetary exposures 30.9.2010 £	Non-monetary exposures 30.9.2010 £	Net Assets 30.9.2010 £
Sterling	455,566	7,624,432	8,079,998
US Dollar	-	857,003	857,003
Euro	-	110	110
	<u>455,566</u>	<u>8,481,545</u>	<u>8,937,111</u>

#### Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Cell. It is the Cell's policy to enter into financial instruments with a range of reputable counterparties. Therefore the Cell does not expect to incur material credit losses on its financial instruments. Certain transactions that the Cells may enter into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Cells have fulfilled their responsibilities.

The Cells only buy and sell investments through brokers which have been approved by the Investment Manager as acceptable counterparties. Investments in funds will be made directly with the appropriate fund administrator.

# Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 12. Financial Instruments (continued)

#### Market price risk

Market price risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Cell might suffer through holdings in the investment portfolio arising from price movements. Adherence to the investment guidelines and restrictions set out in the Prospectus mitigates the risk of excessive exposure to any particular type of security or issuer. These positions are monitored on a regular basis by the directors of the Cell.

#### Liquidity risk

Liquidity risk is the risk that the cell will encounter difficulty in realising assets or otherwise raising funds to meet its financial obligations.

Shareholders have the right to redeem their shares in the Cell in accordance with the procedures detailed in its Prospectus. In order to meet its obligations the Cell may be required to sell investments held. The risk is that the Cell might not be able to repay fully amounts demanded by its shareholders.

The investment policy is to ensure that the investments of the Cell are liquid and readily realisable. The risk that the Cell will be unable to meet monthly dealing requirements is reduced by the high liquidity of the underlying investments.

#### Interest rate risk

None of the Cell's equity investments are directly exposed to interest rate risk.

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk as at the 30 September 2011:

	<b>Fixed Interest rate financial assets £</b>	<b>Floating interest rate financial assets £</b>	<b>Non interest bearing financial assets £</b>	<b>Total £</b>
Sterling	595,170	2,264,727	7,441,991	10,301,888
US Dollars	-	-	1,155,804	1,155,804
Euros	-	-	109	109
	<u>595,170</u>	<u>2,264,727</u>	<u>8,597,904</u>	<u>11,457,801</u>
	<b>Fixed Interest rate financial liabilities £</b>	<b>Floating interest rate financial liabilities £</b>	<b>Non interest bearing financial liabilities £</b>	<b>Total £</b>
Sterling	-	-	(650,755)	(650,755)
	<u>-</u>	<u>-</u>	<u>(650,755)</u>	<u>(650,755)</u>

## Conservative Total Return Sterling Accumulation Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

#### 12. Financial Instruments (continued)

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk as at 30 September 2010:

	<b>Fixed interest rate financial assets</b>	<b>Floating interest rate financial assets</b>	<b>Non interest bearing financial assets</b>	<b>Total</b>
	£	£	£	£
Sterling	2,451,038	455,566	5,195,326	8,101,930
US Dollars	-	-	857,003	857,003
Euros	-	-	110	110
	<u>2,451,038</u>	<u>455,566</u>	<u>6,052,439</u>	<u>8,959,043</u>
	<b>Fixed interest rate financial liabilities</b>	<b>Floating interest rate financial liabilities</b>	<b>Non interest bearing financial liabilities</b>	<b>Total</b>
	£	£	£	£
Sterling	-	-	(21,932)	(21,932)
	<u>-</u>	<u>-</u>	<u>(21,932)</u>	<u>(21,932)</u>

The floating rate financial assets include bank balances that bear interest at rates based on 0.5% under the base rate and overdraft interest based on 1.5% over the base rate.

#### 13. Portfolio Transaction Costs

	<b>30.9.2011</b>	<b>30.9.2011</b>	<b>30.9.2010</b>	<b>30.9.2010</b>
	£	£	£	£
<b>Analysis of total purchase costs :</b>				
Purchases before transaction costs		6,246,790		7,476,558
Commission and other charges	1,807		-	
Total purchase costs		<u>1,807</u>		-
Gross purchase total		<u>6,248,597</u>		<u>7,476,558</u>
<b>Analysis of total sale costs :</b>				
Gross sales before transaction costs		5,072,467		5,171,290
Commission and other charges	(11)		-	
Total sales costs		<u>(11)</u>		-
Total sales net of transaction costs		<u>5,072,456</u>		<u>5,171,290</u>

**Conservative Total Return Sterling Accumulation Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**14. Reconciliation of NAV to bid prices**

	Portfolio of investments 30.9.2011 £	Net assets attributable to Shareholders 30.9.2011 £	Net Asset Value per share 30.9.2011 £	Net asset value per share 30.9.2010 £
NAV	9,674,260	10,830,677	103.13	102.61
Bid prices adjustment	<u>(23,631)</u>	<u>(23,631)</u>	<u>(0.23)</u>	<u>(0.11)</u>
Balance sheet	<u>9,650,629</u>	<u>10,807,046</u>	<u>102.90</u>	<u>102.50</u>

In order to comply with the Cell's prospectus the monthly NAV of the Cell is valued by using Mid prices. The above adjustment is required in order for the financial statements to comply with UK GAAP and the SORP which require the investments to be valued at Bid prices.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSERVATIVE TOTAL RETURN STERLING ACCUMULATION FUND PC**

We have audited the financial statements of Conservative Total Return Sterling Accumulation Fund PC (the "cell") for the year ended 30 September 2011 which comprise the Statement of Total Return, the Statement of Changes in Shareholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. 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").

This report is made solely to the cell's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the cell's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the cell and the cell's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are 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.

### **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 cell's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the cell's affairs as at 30 September 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.



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La Route de la Liberation  
St Helier  
Jersey  
Channel Islands  
JE1 1BG

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in blue ink, appearing to read 'P Braun'.

**Philip Braun FCA**  
**for and on behalf of BDO Limited**  
**Chartered Accountants**  
**Jersey**  
**30 January 2012.**

# Conservative Total Return Sterling Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

### Statement of Total Return

For the year ended 30 September 2011

	Note	1.10.2010 to 30.9.2011 £	1.10.2009 to 30.9.2010 £
<b>Income</b>			
Net capital (losses)/gains on investments during the year	3	(46,949)	405,057
Revenue	4	202,196	210,205
Expenses	5	<u>(201,389)</u>	<u>(166,392)</u>
<b>Net expense before taxation</b>		807	43,813
Taxation	6	<u>-</u>	<u>-</u>
<b>Net return after taxation</b>		<u>807</u>	<u>43,813</u>
<b>Total return before distributions</b>		(46,142)	448,870
Finance costs: Distributions	7	<u>(202,194)</u>	<u>(209,669)</u>
<b>Change in net assets attributable to Shareholders' from investment activities</b>		<u><u>(248,336)</u></u>	<u><u>239,201</u></u>

### Statement of Changes in Shareholders' Net Assets

For the year ended 30 September 2011

		1.10.2010 to 30.9.2011 £	1.10.2009 to 30.9.2010 £
Opening net assets		8,881,294	6,314,754
Amounts received on issue of shares	2,572,138	3,315,356	
Amounts paid on cancellation of shares	<u>(1,144,108)</u>	<u>(995,629)</u>	
		1,428,030	2,319,727
Dilution levy		9,427	7,612
Change in net assets attributable to Shareholders' from investment activities		<u>(248,336)</u>	<u>239,201</u>
<b>Closing net assets</b>		<u><u>10,070,415</u></u>	<u><u>8,881,294</u></u>

The notes on pages 36 to 45 are an integral part of the financial statements of this Cell.

# Conservative Total Return Sterling Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

## Portfolio Statement

As at 30 September 2011

Description	Holding	Mid-Market Value £	% of Total Net Assets
UK INDEX LINKED SECURITIES - 5.22%; (2010 0.00%)			
Treasury Index Linked Stock 2.5% 16/8/2013	90,000	254,959	2.53
Treasury Index Linked Stock 1.25% 22/11/2017	195,000	270,425	2.69
		<b>525,384</b>	<b>5.22</b>
UK FIXED INTEREST - 8.69%; (2010 10.11%)			
Lloyds TSB Bank FRN 29/04/2011	240,000	182,700	1.81
Clydesdale Bank plc 5.75% Var 30/03/2017	300,000	300,255	2.98
Legal & General Unit Tst Mgrs Dynamic Bond Tst Dist (Gross)	662,600	393,187	3.90
		<b>876,142</b>	<b>8.69</b>
OVERSEAS FIXED INTEREST SECURITIES - 9.86%; (2010 20.40%)			
CG Portfolio Fund Plc Real Return A	1,060	202,587	2.01
Franklin Templeton Inv Mgmt Global Bond I Dist	44,300	497,489	4.94
Old Mutual Fund Managers Global Strategic Bond A Inc	144,000	293,458	2.91
		<b>993,534</b>	<b>9.86</b>
EQUITY INVESTMENT TRUSTS - 32.01%; (2010 24.26%)			
ACP Mezzanine Ltd NPV Ordinary Shares*	126,400	109	0.00
Edinburgh Investment Trust Plc 25p Ordinary Shares	125,000	560,875	5.57
Morgan Stanley FTSE 100 Defensive Bonus Note	200,000	172,970	1.72
Morgan Stanley Index Linked Warrants 31/01/2017	50,000	46,030	0.46
Credit Suisse 355 6 Year FTSE Def Autocall	225,000	225,000	2.23
First State Global Umbrella Listed Infrastructure I Inc	102,500	551,368	5.48
iShares plc FTSE 100 Shares	23,000	119,658	1.19
Polar Capital Fund Global Insurance E Dist	100,000	183,810	1.83
Prusik Inv Might UCITS Asian Equity Inc	2,900	257,335	2.56
Troy Asset Mgmt Trojan Income O Inc	470,000	578,335	5.74
Veritas Asset Mgmt Global Equity Inc A (GBP)	4,075	526,653	5.23
		<b>3,222,143</b>	<b>32.01</b>
UK EQUITY LONG/SHORT - 7.69%; (2010 10.81%)			
GLG Investments Funds Alpha Select Alt CI Inc	3,400	311,168	3.09
Henderson Global Investors UK Absolute Return I Acc	215,000	242,821	2.41
Lansdowne Partners Limited UK Equity Fund Inc (GBP)	530	220,692	2.19
		<b>774,681</b>	<b>7.69</b>
PROPERTY FUNDS - 2.65%; (2010 7.65%)			
Investors in Global Real Estate NPV Ordinary Shares	101,575	82,530	0.82
Picton Property Income Ltd NPV Ordinary Shares	456,000	184,680	1.83
		<b>267,210</b>	<b>2.65</b>

**Conservative Total Return Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Portfolio Statement (continued)**

**As at 30 September 2011**

Description	Holding	Mid-Market Value £	% of Total Net Assets
PRIVATE EQUITY STOCKS - 2.44%; (2010 1.96%)			
Partners Group Investments Global Private Equity I Cap	3,235	245,346	2.44
		<b>245,346</b>	<b>2.44</b>
COMMODITIES - 2.49%; (2010 1.13%)			
Gold Bullion Securities 0% Undated Notes	2,478	250,496	2.49
		<b>250,496</b>	<b>2.49</b>
HEDGE FUNDS (FUND OF FUNDS) - 9.60%; (2010 6.11%)			
Bluecrest Allblue Fund Ltd Sterling Shares	194,697	330,401	3.28
BH Macro Ltd NPV Ordinary Shares	19,100	382,573	3.80
CQS Diversified Fund Ltd NPV Shares	279,200	254,072	2.52
		<b>967,046</b>	<b>9.60</b>
HEDGE FUNDS (SINGLE MANAGER) - 3.20%; (2010 12.18%)			
Aspect Capital Diversified Trends Class F Retail	3,053	322,534	3.20
		<b>322,534</b>	<b>3.20</b>
<b>Portfolio of investments based on Mid prices</b>		<b>8,444,516</b>	<b>83.85</b>
Bid prices adjustment (note 16)		<b>(21,258)</b>	<b>(0.21)</b>
<b>Portfolio of investments based on Bid prices</b>		<b>8,423,258</b>	<b>83.64</b>
Net other assets		1,647,157	16.36
<b>Net assets attributable to Shareholders</b>		<b>10,070,415</b>	<b>100.00</b>

\*On 14 July 2010, ACP Mezzanine Ltd NPV Ordinary Shares issued a notice of suspension of dealings. As a result, the directors have decided to value this investment at the value described above until reliable information is received.

**Conservative Total Return Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Balance sheet**

**As at 30 September 2011**

	Note		30.9.2011 £	30.9.2010 £
<b>Assets:</b>				
Investment assets	16		8,423,258	8,391,593
Debtors	8	18,652		29,268
Cash and bank balances	9	<u>2,357,401</u>		<u>592,635</u>
<b>Total other assets</b>			<u>2,376,053</u>	<u>621,903</u>
<b>Total assets</b>			10,799,311	9,013,496
<b>Liabilities</b>				
Creditors	10	(612,749)		(20,541)
Distributions payable	7	<u>(116,147)</u>		<u>(111,661)</u>
<b>Total liabilities</b>			<u>(728,896)</u>	<u>(132,202)</u>
<b>Net assets attributable to Shareholders</b>			<u>10,070,415</u>	<u>8,881,294</u>
<b>Net Asset Value per share</b>	16		<u>91.47</u>	<u>93.32</u>

The financial statements on pages 31 to 45 were approved and authorised for issue by the board of directors of the cell on 30 January 2012 and were signed on its behalf by :



Jonathan Michael Woodbury Giles  
Director



Richard Michael Boléat  
Director

**Conservative Total Return Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Cash Flow Statement**

**For the year ended 30 September 2011**

	<b>1.10.2010 to 30.9.2011</b>	<b>1.10.2009 to 30.9.2010</b>
	£	£
<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		
Total return before distribution	(46,142)	448,870
Adjustment for non cash losses/(gains) on investments	<u>52,026</u>	<u>(367,027)</u>
Total return before working capital changes	5,884	81,843
Decrease in debtors	10,616	104,164
Increase/(decrease) in creditors	<u>592,208</u>	<u>(47,684)</u>
<b>Net cash inflow from operating activities</b>	<u>608,708</u>	<u>138,323</u>
Purchase of investments	(5,568,377)	(6,937,976)
Sale of investments	<u>5,484,686</u>	<u>4,960,158</u>
<b>Net cash outflow for capital expenditure &amp; financial investment</b>	<u>(83,691)</u>	<u>(1,977,818)</u>
Proceeds from issue of units	2,572,138	3,315,356
Payments for redemption of units	(1,144,108)	(995,629)
Payment of dividends	(197,708)	(169,146)
Dilution levy	<u>9,427</u>	<u>7,612</u>
<b>Net cash inflow from financing activities</b>	<u>1,239,749</u>	<u>2,158,193</u>
<b>Net increase in cash &amp; cash equivalents</b>	<u>1,764,766</u>	<u>318,698</u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash for the year	1,764,766	318,698
Net cash brought forward	592,635	273,937
<b>Net cash carried forward</b>	<u><u>2,357,401</u></u>	<u><u>592,635</u></u>

# **Conservative Total Return Sterling Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC**

## **Notes to the financial statements for the year ended 30 September 2011**

### **1. General information**

Rathbone Investment Management International Strategies PCC (“the Company”) is an open-ended collective investment company with limited liability incorporated in Jersey, Channel Islands on 26 April 2007. The Company has been established as a protected cell company under Jersey Company Law. Each Cell represents interests in a separate portfolio of the Company each with its own distinct investment objective and policy. The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of a Cell participating shares and any other assets attributable to the Cell. The non-cellular assets comprise the assets of the Company which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within the Cell, then there will be recourse to the non-cellular assets but not to the assets of any other cell. Separate financial statements are prepared for each Cell. These financial statements are prepared for Conservative Total Return Sterling Distributor Fund PC only.

Conservative Total Return Sterling Distributor Fund PC was created on 18 September 2007. The name of the Cell (formerly Capital Preservation Sterling Distribution Fund PC) was changed on 30 October 2009. The Cell is listed on the Channel Island Stock Exchange (CISX).

The financial statements of the Cell are expressed in Sterling (“£”).

### **Principal accounting policies**

#### **2. Accounting policies**

The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom (“UK GAAP”) and under the historical cost convention as modified by the revaluation of investments. They have also been prepared in accordance with the revised Statement of Recommended Practice (‘SORP’) for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, with the exception of aggregated financial statements.

### **Aggregated financial statements**

Aggregated financial statements of the Company have not been prepared since, in the opinion of the directors of the Company, this would not supply information of a meaningful nature and would, in itself, be misleading.

### **Investments**

The investments of each Cell are valued at the latest available closing mid-market prices on the last business day of the accounting period. This is a departure from the SORP which recommends that the bid market price is used to value the portfolio. An adjustment has been made in these financial statements in order to reflect bid-market values. Certain investments of the Cell which are priced at Net Asset Value as at the year end have not been adjusted to reflect bid-market values as no bid-market price is available. (See note 16 for further details).

Realised gains and losses resulting from the disposal of investments and unrealised gains and losses resulting from the revaluation of retained investments are recognised in the Statement of Total Return.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Cell uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

# **Conservative Total Return Sterling Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC**

## **Notes to the financial statements for the year ended 30 September 2011 (continued)**

### **2. Accounting policies (continued)**

#### **Dividend income, interest on fixed interest securities and bank interest**

Dividends are recognised on the ex-dividend date. Revenue is stated net of irrecoverable tax credits. Where revenue is received after the deduction of withholding tax, the revenue is shown gross of taxation and the tax consequences shown within the tax charge. Where a Cell has elected to receive its dividends in the form of additional shares rather than cash, the amount of the market value of the shares is recognised as income together with a corresponding increase in the cost of the shares.

Interest on fixed interest is recognised as revenue using the effective interest method by reference to the purchase price. Bank interest is accrued on a daily basis.

#### **Cash and bank balances**

Cash and bank balances consist of cash balances with banks.

#### **Dilution Levy**

Shares in each Fund are priced at a single price for both purchases and redemptions, using the mid-market value of underlying investments, inclusive of dealing charges and expenses. The investment manager will ensure that all purchases and redemptions of shares are conducted at a price which is fair to all shareholders but there are circumstances where some shareholders might be disadvantaged by the dilution effect of a large trade or series of trades relative to others, where the value of the cell is in continuing decline, a large purchase of Shares (typically more than one percent (1%) of the NAV) where a significant dealing cost in underlying investments would dilute the value of the Fund to existing Shareholders, a similarly large redemption where costs would dilute the remaining Shareholders' value or where, over a period of time, a Fund has a large level of net purchases or redemptions relative to the NAV of the Cell.

In these circumstances the Administrator under instruction from the Investment Manager reserves the right to charge a dilution levy of up to 1.0 % of the value of the transaction, so as not to unfairly dilute the value of the Cell to other Shareholders of that Cell. Any dilution levy may only be attributed to the Cellular Assets of that Cell, for the sole benefit of the Shareholders of that Cell.

#### **Expenses**

Expenses relating to a specific Cell are charged to that Cell and are accounted for on an accruals basis.

Expenses which do not relate specifically to a particular Cell are allocated between the group of Cells in proportion to their Net Asset Values. They are accounted for on an accruals basis using an appropriate exchange rate.

#### **Currency translation**

Assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the Balance Sheet date. Foreign currency transactions are translated into Sterling at the rates of exchange ruling at the date of the transaction. Gains and losses on exchange are recognised in the Statement of Total Return.

#### **Net Asset Valuation**

The calculation of the Net Asset Value ('NAV') is based upon the mid-market prices and values of underlying investments ruling at the close of business on the relevant Valuation Point. An adjustment has been made in these financial statements to reflect bid-market values.

#### **Distribution policy**

The Cell has been registered with HM Revenue & Customs as a Reporting Fund with effect from 1 October 2010.

At least 85% of the income of the Cell will be paid in each distribution period as income to Shareholders. Distributions by the Cell will be made semi-annually out of distributable profits and not more than six months after the end of each distribution period.

## Conservative Total Return Sterling Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

#### 3. Net capital gains on investments during the year

	30.9.2011	30.9.2010
	£	£
(Losses)/gains on non-derivative securities	(52,026)	409,451
Realised losses on forward foreign exchange contracts	-	(3,479)
Other currency gains / (losses)	5,077	(915)
	<u>          </u>	<u>          </u>
Net losses on investments	<u>(46,949)</u>	<u>405,057</u>

#### 4. Revenue

	30.9.2011	30.9.2010
	£	£
Dividend income	170,931	187,703
Interest on fixed interest securities	31,265	21,202
Other income	-	1,300
	<u>          </u>	<u>          </u>
	<u>202,196</u>	<u>210,205</u>

#### 5. Expenses

	30.9.2011	30.9.2010
	£	£
Management fees	148,605	120,232
Director fees	2,395	2,330
Administration fees and expenses	22,617	20,070
Audit fees	5,400	4,200
Custodian fees	6,421	6,034
Formation expenses	1,614	1,743
Company secretarial fees	614	662
Custody transaction fees	1,701	2,905
Transfer agency fees	2,650	2,080
Permit fee	3,430	3,394
Other expenses	5,942	2,742
	<u>          </u>	<u>          </u>
	<u>201,389</u>	<u>166,392</u>

Formation expenses of £42,122 have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These fees are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

#### 6. Taxation

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profit arising in the Cell for the 2009 year of assessment and future periods will be subject to tax at a rate of 0%. Previously, the Cell was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

**Conservative Total Return Sterling Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**7. Finance Costs: Distributions**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Payable as at year ends		
31 March 2011/31 March 2010	86,047	98,008
30 September 2011/30 September 2010	116,147	111,661
	<u>202,194</u>	<u>209,669</u>

**8. Debtors**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Dividends receivable	16,228	28,893
Bond interest receivable	2,424	-
Sales awaiting settlement	-	375
	<u>18,652</u>	<u>29,268</u>

**9. Cash and Bank Balances**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Capital accounts	2,190,694	444,110
Income account	166,707	148,525
	<u>2,357,401</u>	<u>592,635</u>

**10. Creditors**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Purchases awaiting settlement	589,505	-
Management fees	12,636	11,133
Administration fees and expenses	1,876	1,800
Custodian fees	533	523
Audit fees	4,974	4,326
Director fees	588	637
Company secretarial fees	50	53
Custody transaction fees	100	275
Other creditors	2,487	1,794
	<u>612,749</u>	<u>20,541</u>

# **Conservative Total Return Sterling Distributor Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011 (continued)**

#### **11. Related Party Transactions**

Rathbone Investment Management International Limited (“the Investment Manager”) and Rathbone Investment Management Limited (“the Sub Investment Manager”) are related parties. Richard Ian Smeeton, The Rt. Hon. The Viscount Lifford, Edward James Wingfield and Jonathan Michael Woodbury Giles are directors of the Investment Manager. Richard Ian Smeeton is also a director of the Sub Investment Manager. Both the Investment Manager and the Sub Investment Manager are owned by the same ultimate holding company (“Rathbone Brothers plc”).

The Investment Manager is entitled to charge a fee of 1.50% per annum of the NAV of each Cell, accrued and paid monthly.

Where investment is made in any other collective investment scheme then the Investment Manager will endeavour to use institutional fee classes or obtain rebates of the periodic charges levied by the investment managers or managers of those funds, which will be paid to the relevant Fund.

The Administrator will be paid by each Cell according to the terms of the Administration and Registrar Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £15,000 on the initial cells and then £12,500 for each additional cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.175% of the combined NAV of active Cells between £20 million and £50 million, then 0.075% of the combined NAV of active Cells over £50 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

The Custodian will be paid by each Cell according to the terms of the Custodian Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £4,000 per Cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.05% of the combined NAV of active Cells between £20 million and £40 million, then 0.03% of the combined NAV of active Cells over £40 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

Formation expenses have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These formation expenses are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

Fees payable in the year are as disclosed in the Statement of Total Return on page 31. Amounts outstanding at the year end are disclosed in Note 10. All transactions are at arms length.

In the opinion of the directors there is no ultimate controlling party of the Cell.

#### **12. Share Capital**

##### **Authorised**

Unlimited shares of any class of no par value, which may be issued as Management Shares and Participating Shares in a Cell.

##### **Issued and fully paid**

One Management Share of no par value to Rathbone Nominees Jersey Limited and one Management Share of no par value to Rathbone Fiduciaries Jersey Limited.

110,101,291 Participating shares were in issue as at 30 September 2011 (30 September 2010: 95,173,799).

# Conservative Total Return Sterling Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 12. Share Capital (continued)

All issued shares were fully paid as at 30 September 2011. The Management shares exist solely to comply with Jersey Law, which requires that Participating shares must have a preference over another class of capital. The holders of Management shares have the right to receive notice of, attend and vote at general meetings of the Cell. A holder of Management shares is entitled to one vote for each Management share held. Management shares carry no right to a dividend and are not redeemable. In a winding up, they rank only for a return of paid up nominal capital pari passu out of the assets of the Cell (after the return of nominal capital paid up on Participating shares).

The holders ("Shareholders") of Participating shares have the right to receive notice of all general meetings of the Cell but may only vote on matters relating to the rights attaching to their shares. Shares are redeemable by shareholders at prices based on the value of the Cell's net assets as determined in accordance with its Articles of Association.

### 13. Financial instruments

The Cell's investing activities expose it to various types of risk that are associated with financial instruments and markets in which it invests. These risks are dealt with at length in the prospectus. Some of the most important types of financial risk to which the Cell is exposed are summarised below.

#### Currency risk

The Cell invests in securities that are denominated in a range of currencies other than the currency in which the shares are denominated. Accordingly, the value of the Cell's assets are directly affected by fluctuations in currency rates.

#### Net foreign currency assets

	Monetary exposures 30.9.2011 £	Non-monetary exposures 30.9.2011 £	Net Assets 30.9.2011 £
Sterling	2,357,401	6,665,966	9,023,367
US Dollar	-	1,046,939	1,046,939
Euro	-	109	109
	2,357,401	7,713,014	10,070,415

#### Net foreign currency assets

	Monetary exposures 30.9.2010 £	Non-monetary exposures 30.9.2010 £	Net Assets 30.9.2010 £
Sterling	592,635	7,564,506	8,157,141
US Dollar	-	724,043	724,043
Euro	-	110	110
	592,635	8,288,659	8,881,294

# Conservative Total Return Sterling Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

Notes to the financial statements for the year ended 30 September 2011 (continued)

### 13. Financial instruments (continued)

#### *Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Cell. It is the Cell's policy to enter into financial instruments with a range of reputable counterparties. Therefore the Cell does not expect to incur material credit losses on its financial instruments. Certain transactions that the Cells may enter into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Cells have fulfilled their responsibilities.

The Cells only buy and sell investments through brokers which have been approved by the Investment Manager as acceptable counterparties. Investments in funds will be made directly with the appropriate fund administrator.

#### *Market price risk*

Market price risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Cell might suffer through holdings in the investment portfolio arising from price movements. Adherence to the investment guidelines and restrictions set out in the Prospectus mitigates the risk of excessive exposure to any particular type of security or issuer. These positions are monitored on a regular basis by the directors of the Cell.

#### *Liquidity risk*

Liquidity risk is the risk that the cell will encounter difficulty in realising assets or otherwise raising funds to meet its financial obligations.

Shareholders have the right to redeem their shares in the Cell in accordance with the procedures detailed in its Prospectus. In order to meet its obligations the Cell may be required to sell investments held. The risk is that the Cell might not be able to repay fully amounts demanded by its shareholders.

The investment policy is to ensure that the investments of the Cell are liquid and readily realisable. The risk that the Cell will be unable to meet monthly dealing requirements is reduced by the high liquidity of the underlying investments.

#### *Interest rate risk*

None of the Cell's equity investments are directly exposed to interest rate risk.

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk as at the 30 September 2011:

	<b>Fixed interest rate financial assets</b>	<b>Floating interest rate financial assets</b>	<b>Non interest bearing financial assets</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Sterling	525,255	2,834,788	6,392,220	9,752,263
US Dollars	-	-	1,046,939	1,046,939
Euros	-	-	109	109
	<u>525,255</u>	<u>2,834,788</u>	<u>7,439,268</u>	<u>10,799,311</u>

**Conservative Total Return Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

Notes to the financial statements for the year ended 30 September 2011 (continued)

13. Financial instruments (continued)

	<b>Fixed interest rate financial liabilities</b>	<b>Floating interest rate financial liabilities</b>	<b>Non interest bearing financial liabilities</b>	<b>Total</b>
	£	£	£	£
Sterling	-	-	(728,896)	(728,896)
	<u>-</u>	<u>-</u>	<u>(728,896)</u>	<u>(728,896)</u>
	<u>-</u>	<u>-</u>	<u>(728,896)</u>	<u>(728,896)</u>

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk at 30 September 2010:

	<b>Fixed interest rate financial assets</b>	<b>Floating interest rate financial assets</b>	<b>Non interest bearing financial assets</b>	<b>Total</b>
	£	£	£	£
Sterling	2,707,085	592,635	4,989,623	8,289,343
US Dollars	-	-	724,043	724,043
Euros	-	-	110	110
	<u>2,707,085</u>	<u>592,635</u>	<u>5,713,776</u>	<u>9,013,496</u>

	<b>Fixed interest rate financial liabilities</b>	<b>Floating interest rate financial liabilities</b>	<b>Non interest bearing financial liabilities</b>	<b>Total</b>
	£	£	£	£
Sterling	-	-	(132,202)	(132,202)
	<u>-</u>	<u>-</u>	<u>(132,202)</u>	<u>(132,202)</u>
	<u>-</u>	<u>-</u>	<u>(132,202)</u>	<u>(132,202)</u>

The floating rate financial assets include bank balances that bear interest at rates based on 0.5% under the base rate and overdraft interest based on 1.5% over the base rate.

**Conservative Total Return Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**14. Portfolio Transaction Costs**

	30.9.2011 £	30.9.2011 £	30.9.2010 £	30.9.2010 £
<b>Analysis of total purchase costs :</b>				
Purchases in period before transaction costs		5,566,311		6,937,976
Commission and other charges	<u>2,066</u>		<u>-</u>	
Total purchase costs		2,066		-
Gross purchases total		<u>5,568,377</u>		<u>6,937,976</u>
		<b>30.9.2011 £</b>		<b>30.9.2010 £</b>
<b>Analysis of total sale costs :</b>				
Gross sales before transaction costs		5,485,002		4,960,158
Commission and other charges	<u>(316)</u>		<u>-</u>	
Total sale costs		(316)		-
Total sales net of transaction costs		<u>5,484,686</u>		<u>4,960,158</u>

**15. Distribution Table**

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2011, as follows :

	XD Date	Pay Date	Gross income £	Pence per share £
Paid	31.3.2011	23.4.2011	86,047	0.808873
Payable	30.9.2011	21.10.2011	<u>116,147</u>	1.054913
Total finance costs			<u>202,194</u>	

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2010, as follows :

	XD Date	Pay Date	Gross income £	Pence per share £
Paid	31.3.2010	23.4.2010	98,008	1.1433
Payable	30.9.2010	23.10.2010	<u>111,661</u>	1.1732
Total finance costs			<u>209,669</u>	

**Conservative Total Return Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

Notes to the financial statements for the year ended 30 September 2011 (continued)

**16. Reconciliation of NAV to bid prices**

	<b>Portfolio of investments 30.9.2011 £</b>	<b>Net assets Attributable to Shareholders 30.9.2011 £</b>	<b>Net asset value per share 30.9.2011 £</b>	<b>Net asset value per share 30.9.2010 £</b>
NAV	8,444,516	10,091,673	91.66	93.43
Bid prices adjustment	<b>(21,258)</b>	<b>(21,258)</b>	<b>(0.19)</b>	<b>(0.11)</b>
Balance sheet	<u>8,423,258</u>	<u>10,070,415</u>	<u>91.47</u>	<u>93.32</u>

In order to comply with the Cell's prospectus the monthly NAV of the Cell is valued by using Mid prices. The above adjustment is required in order for the financial statements to comply with UK GAAP and the SORP which require the investments to be valued at Bid prices.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSERVATIVE TOTAL RETURN STERLING DISTRIBUTOR FUND PC**

We have audited the financial statements of Conservative Total Return Sterling Distributor Fund PC (the "cell") for the year ended 30 September 2011 which comprise the Statement of Total Return, the Statement of Changes in Shareholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. 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").

This report is made solely to the cell's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the cell's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the cell and the cell's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are 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.

### **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 cell's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the cell's affairs as at 30 September 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.



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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in blue ink, appearing to read 'P Braun'.

**Philip Braun FCA**  
**for and on behalf of BDO Limited**  
**Chartered Accountants**  
**Jersey**  
**30 January 2012.**

**Conservative Total Return US Dollar Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Statement of Total Return**

**For the year ended 30 September 2011**

	Note	1.10.2010 to 30.9.2011 \$	1.10.2009 to 30.9.2010 \$
<b>Income</b>			
Net capital gains on investments during the year	3	305,130	678,589
Revenue	4	191,806	274,428
Expenses	5	<u>(305,647)</u>	<u>(289,237)</u>
<b>Net expense before taxation</b>		<b>(113,841)</b>	<b>(14,809)</b>
Taxation	6	<u>(963)</u>	<u>-</u>
<b>Net return after taxation</b>		<b><u>(114,804)</u></b>	<b><u>(14,809)</u></b>
<b>Total return before distributions</b>		190,326	663,780
Finance costs: Distributions	7	<u>(190,408)</u>	<u>(394,304)</u>
<b>Change in net assets attributable to Shareholders from investment activities</b>		<b><u>(82)</u></b>	<b><u>269,476</u></b>

**Statement of Changes in Shareholders Net Assets**

**For the year ended 30 September 2011**

		1.10.2010 to 30.9.2011 \$	1.10.2009 to 30.9.2010 \$
Opening net assets		15,083,162	11,516,785
Amounts received on issue of shares	1,122,820	3,875,470	
Amounts paid on cancellation of shares	<u>(1,948,157)</u>	<u>(593,964)</u>	
		<b>(825,337)</b>	3,281,506
Dilution levy		<u>9,415</u>	<u>15,395</u>
Change in net assets attributable to Shareholders' from investment activities		<b>(82)</b>	269,476
<b>Closing net assets</b>		<b><u>14,267,158</u></b>	<b><u>15,083,162</u></b>

The notes on pages 53 to 62 are an integral part of the financial statements of this Cell.

## Conservative Total Return US Dollar Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Portfolio Statement

As at 30 September 2011

Description	Holding	Mid-Market Value \$	% of Total Net Assets
UK FIXED INTEREST - 0.00%; (2010 4.40%)			
OVERSEAS FIXED INTEREST SECURITIES - 23.73%; (2010 33.54%)			
Baring Intl (IRE) Ltd International Bond US\$	20,000	561,600	3.94
CG Portfolio Fund Plc Dollar Fund Class D	6,000	1,240,549	8.70
CG Portfolio Fund Plc Real Return A	1,100	327,510	2.30
Legg Mason Global Funds WA US Core Plus Bond Dist (USD)	1,400	148,050	1.04
Legg Mason Global Funds WA Gbl Blue Chip Bond Prem (USD)	6,000	622,440	4.36
NB Global Rate income Fund Ltd Floating ordinary Shares (USD)	500,000	483,500	3.39
		<b>3,383,649</b>	<b>23.73</b>
EQUITY INVESTMENT TRUSTS - 25.84%; (2010 24.06%)			
First State Global Umbrella Listed Infrastructure I Inc	90,000	754,200	5.29
Morgan Stanley FTSE 100 Defensive Bonus Note (6 year)	180,000	242,515	1.70
Pacific Alliance Asia Opps Fd US\$0.01 Ordinary Shares	107,976	108,516	0.76
Polar Capital Fund Global Insurance E Dist	110,000	314,984	2.21
Prusik Inv Might UCITS Asian Equity Inc	4,000	353,586	2.48
SPDR Trust NPV Shares Unit 1	11,600	1,309,292	9.17
Veritas Asset Mgmt Global Equity Inc A (GBP)	3,000	604,010	4.23
		<b>3,687,103</b>	<b>25.84</b>
UK EQUITY LONG/SHORT - 4.18%; (2010 6.62%)			
Henderson Global Investors UK Absolute Return I Acc	340,000	598,209	4.18
		<b>598,209</b>	<b>4.18</b>
PROPERTY FUNDS - 5.54%; (2010 9.07%)			
Investors in Global Real Estate NPV Ordinary Shares	340,000	430,357	3.02
Legal & General Unit Trust Tst Mgms UK Property I Inc	525,000	360,886	2.52
		<b>791,243</b>	<b>5.54</b>
PRIVATE EQUITY STOCKS - 1.30%; (2010 0.99%)			
Partners Group Investments Global Private Equity I Cap	1,570	185,480	1.30
		<b>185,480</b>	<b>1.30</b>
COMMODITIES - 2.40%; (2010 2.98%)			
Gold Bullion Securities 0% Undated Notes	2,171	341,889	2.40
		<b>341,889</b>	<b>2.40</b>

**Conservative Total Return US Dollar Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Portfolio Statement (continued)**

**As at 30 September 2011**

Description	Holding	Mid-Market Value \$	% of Total Net Assets
HEDGE FUNDS (FUND OF FUNDS) - 10.82%; (2010 3.61%)			
BH Macro Ltd NPV Ordinary Shares	17,800	555,427	3.89
Bluecrest Allblue Fund Ltd NPV Ordinary Shares (USD)	334,067	550,375	3.86
CQS Diversified Fund Ltd NPV Shares	475,435	437,401	3.07
		<b>1,543,203</b>	<b>10.82</b>
HEDGE FUNDS (SINGLE MANAGER) - 4.55%; (2010 11.92%)			
Aspect Capital Diversified Trends Class F Retail	2,747	452,214	3.17
Lansdowne Partners Limited UK Equity Fund Inc (GBP)	534	196,435	1.38
		<b>648,649</b>	<b>4.55</b>
FORWARD CURRENCY CONTRACTS - 0.10%; (2010 0.69%)			
Open forward currency contract US Dollar v UK Sterling	\$2,192,400	14,541	0.10
		<b>14,541</b>	<b>0.10</b>
<hr/>			
<b>Portfolio of investments based on Mid prices</b>		<b>11,193,966</b>	<b>78.46</b>
Bid prices adjustment (note 16)		<b>(72,241)</b>	<b>(0.51)</b>
<hr/>			
<b>Portfolio of investments based on Bid prices</b>		<b>11,121,725</b>	<b>77.95</b>
Net assets		3,145,433	22.05
<hr/>			
<b>Net assets attributable to Shareholders</b>		<b>14,267,158</b>	<b>100.00</b>

**Conservative Total Return US Dollar Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Balance sheet**


**As at 30 September 2011**

	Note		<b>30.9.2011</b>	<b>30.9.2010</b>
			\$	\$
<b>Assets:</b>				
Investment assets	16		11,121,725	14,525,199
Debtors	8	8,994		31,901
Cash and bank balances	9	<u>3,254,776</u>		<u>833,043</u>
<b>Total other assets</b>			<u>3,263,770</u>	<u>864,944</u>
<b>Total assets</b>			14,385,495	15,390,143
<b>Liabilities</b>				
Creditors	10	(32,663)		(33,877)
Distributions payable	7	<u>(85,674)</u>		<u>(273,104)</u>
<b>Total liabilities</b>			<u>(118,337)</u>	<u>(306,981)</u>
<b>Net assets attributable to Shareholders</b>			<u>14,267,158</u>	<u>15,083,162</u>
<b>Net Asset Value per share</b>	16		<u>120.24</u>	<u>120.41</u>

The financial statements on pages 48 to 62 were approved and authorised for issue by the board of directors of the cell on 30 January 2012 and were signed on its behalf by:



Jonathan Michael Woodbury Giles  
Director



Richard Michael Boléat  
Director

**Conservative Total Return US Dollar Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Cash Flow Statement**

**For the year ended 30 September 2011**

	<b>1.10.2010 to 30.9.2011</b>	<b>1.10.2009 to 30.9.2010</b>
	\$	\$
<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		
Total return before distribution	190,326	663,780
Adjustment for non cash gains on investments	<u>(460,951)</u>	<u>(406,559)</u>
Total return before working capital changes	(270,625)	257,221
Decrease in debtors	22,907	126,718
(Decrease) in creditors	<u>(1,214)</u>	<u>(74,913)</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(248,932)</u>	<u>309,026</u>
Purchase of investments	(5,973,509)	(13,845,460)
Sale of investments	9,837,934	10,593,091
<b>Net cash inflow/(outflow) for capital expenditure &amp; financial investment</b>	<u>3,864,425</u>	<u>(3,252,369)</u>
Proceeds from issue of units	1,122,820	3,875,470
Payments for redemption of units	(1,948,157)	(593,964)
Payment of dividends	(377,838)	(245,934)
Dilution levy	9,415	15,395
<b>Net cash (outflow)/inflow from financing activities</b>	<u>(1,193,760)</u>	<u>3,050,967</u>
<b>Net increase in cash &amp; cash equivalents</b>	<u>2,421,733</u>	<u>107,624</u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash for the year	2,421,733	107,624
Net cash brought forward	833,043	725,419
<b>Net cash carried forward</b>	<u>3,254,776</u>	<u>833,043</u>

# **Conservative Total Return US Dollar Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC**

## **Notes to the financial statements for the year ended 30 September 2011**

### **1. General information**

Rathbone Investment Management International Strategies PCC (“the Company”) is an open-ended collective investment company with limited liability incorporated in Jersey, Channel Islands on 26 April 2007. The Company has been established as a protected cell company under Jersey Company Law. Each Cell represents interests in a separate portfolio of the Company each with its own distinct investment objective and policy. The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of a Cell participating shares and any other assets attributable to the Cell. The non-cellular assets comprise the assets of the Company which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within the Cell, then there will be recourse to the non-cellular assets but not to the assets of any other cell. Separate financial statements are prepared for each Cell. These financial statements are prepared for Conservative Total Return US Dollar Distributor Fund PC only.

Conservative Total Return US Dollar Distributor Fund PC was created on 18 September 2007. The name of the Cell (formerly Capital Preservation US Dollar Distribution Fund PC) was changed on 30 October 2009. The Cell is listed on the Channel Island Stock Exchange (CISX).

The financial statements of the Cell are expressed in US (“\$”).

### **Principal accounting policies**

#### **2. Accounting policies**

The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom ('UK GAAP') and under the historical cost convention as modified by the revaluation of investments. They have also been prepared in accordance with the revised Statement of Recommended Practice ('SORP') for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, with the exception of aggregated financial statements.

### **Aggregated financial statements**

Aggregated financial statements of the Company have not been prepared since, in the opinion of the directors of the Company, this would not supply information of a meaningful nature and would, in itself, be misleading.

### **Investments**

The investments of each Cell are valued at the latest available closing mid-market prices on the last business day of the accounting period. This is a departure from the SORP which recommends that the bid market price is used to value the portfolio. An adjustment has been made in these financial statements in order to reflect bid-market values. Certain investments of the Cell which are priced at Net Asset Value as at the year end have not been adjusted to reflect bid-market values as no bid-market price is available. (See note 16 for further details).

Realised gains and losses resulting from the disposal of investments and unrealised gains and losses resulting from the revaluation of retained investments are recognised in the Statement of Total Return.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Cell uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

# **Conservative Total Return US Dollar Distributor Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011 (continued)**

#### **2. Accounting policies (continued)**

##### **Dividend income, interest on fixed interest securities and bank interest**

Dividends are recognised on the ex-dividend date. Revenue is stated net of irrecoverable tax credits. Where revenue is received after the deduction of withholding tax, the revenue is shown gross of taxation and the tax consequences shown within the tax charge. Where a Cell has elected to receive its dividends in the form of additional shares rather than cash, the amount of the market value of the shares is recognised as income together with a corresponding increase in the cost of the shares.

Interest on fixed interest is recognised as revenue using the effective interest method by reference to the purchase price. Bank interest is accrued on a daily basis.

##### **Cash and bank balances**

Cash and bank balances consist of cash balances with banks.

##### **Dilution Levy**

Shares in each Fund are priced at a single price for both purchases and redemptions, using the mid-market value of underlying investments, inclusive of dealing charges and expenses. The investment manager will ensure that all purchases and redemptions of shares are conducted at a price which is fair to all shareholders but there are circumstances where some shareholders might be disadvantaged by the dilution effect of a large trade or series of trades relative to others, where the value of the cell is in continuing decline, a large purchase of Shares (typically more than one percent (1%) of the NAV) where a significant dealing cost in underlying investments would dilute the value of the Fund to existing Shareholders, a similarly large redemption where costs would dilute the remaining Shareholders' value or where, over a period of time, a Fund has a large level of net purchases or redemptions relative to the NAV of the Cell.

In these circumstances the Administrator under instruction from the Investment Manager reserves the right to charge a dilution levy of up to 1.0 % of the value of the transaction, so as not to unfairly dilute the value of the Cell to other Shareholders of that Cell. Any dilution levy may only be attributed to the Cellular Assets of that Cell, for the sole benefit of the Shareholders of that Cell.

##### **Expenses**

Expenses relating to a specific Cell are charged to that Cell and are accounted for on an accruals basis.

Expenses which do not relate specifically to a particular Cell are allocated between the group of Cells in proportion to their Net Asset Values. They are accounted for on an accruals basis using an appropriate exchange rate.

##### **Currency translation**

Assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the Balance Sheet date. Foreign currency transactions are translated into Sterling at the rates of exchange ruling at the date of the transaction. Gains and losses on exchange are recognised in the Statement of Total Return.

##### **Forward foreign exchange contracts**

Forward foreign exchange contracts outstanding at the Balance Sheet date are valued in relation to the cost of closing the contract at a forward exchange rate. The difference between the contractual cost and the estimated cost of closing out the contract is recognised in the Statement of Total Return. Realised gains or losses are recognised on the maturity of a contract or when a contract is matched against another contract with an identical currency exposure and maturity date. The resulting gain or loss is recognised in the Statement of Total Return.

# Conservative Total Return US Dollar Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

#### 2. Accounting policies (continued)

##### Net Asset Valuation

The calculation of the Net Asset Value ("NAV") is based upon the mid-market prices and values of underlying investments ruling at the close of business on the relevant Valuation Point. An adjustment has been made in these financial statements to reflect bid-market values.

##### Distribution policy

The Cell has been registered with HM Revenue & Customs as a Reporting Fund with effect from 1 October 2010.

At least 85% of the income of the Cell will be paid in each distribution period as income to Shareholders. Distributions by the Cell will be made semi-annually out of distributable profits and not more than six months after the end of each distribution period.

#### 3. Net capital gains on investments during the year

	<b>30.9.2011</b>	<b>30.9.2010</b>
	\$	\$
Gains on non-derivative securities	342,393	626,953
Realised gains on forward foreign exchange contracts	11,729	64,414
Other currency losses	<u>(48,992)</u>	<u>(12,778)</u>
Net gains on investments	<u>305,130</u>	<u>678,589</u>

#### 4. Revenue

	<b>30.9.2011</b>	<b>30.9.2010</b>
	\$	\$
Dividend income	191,086	229,319
Interest on fixed interest securities	720	44,784
Bank interest	<u>-</u>	<u>325</u>
	<u>191,806</u>	<u>274,428</u>

#### 5. Expenses

	<b>30.9.2011</b>	<b>30.9.2010</b>
	\$	\$
Management fees	226,367	208,210
Director fees	3,685	3,928
Administration fees and expenses	34,523	34,798
Audit fees	8,696	6,544
Custodian fees	9,804	10,464
Formation expenses	2,470	3,028
Custody transaction fees	2,443	3,877
Transfer agency fees	2,697	2,938
Permit fee	3,516	5,285
Other expenses	<u>11,446</u>	<u>10,165</u>
	<u>305,647</u>	<u>289,237</u>

Formation expenses of £42,122 have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These fees are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

**Conservative Total Return US Dollar Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

Notes to the financial statements for the year ended 30 September 2011 (continued)

**6. Taxation**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	\$	\$
Withholding tax on dividend income	963	-
	<u>963</u>	<u>-</u>

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profit arising in the Cell for the 2009 year of assessment and future periods will be subject to tax at a rate of 0%. Previously, the Cell was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

**7. Finance Costs: Distributions**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	\$	\$
Payable as at year ends		
31 March 2011/31 March 2010	104,734	121,200
30 September 2011/30 September 2010	<u>85,674</u>	<u>273,104</u>
Total finance costs	<u>190,408</u>	<u>394,304</u>

**8. Debtors**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	\$	\$
Dividends receivable	8,994	30,938
Other debtors	<u>-</u>	<u>963</u>
	<u>8,994</u>	<u>31,901</u>

**9. Cash and Bank Balances**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	\$	\$
Capital accounts	3,177,693	614,830
Income account	<u>77,083</u>	<u>218,213</u>
Cash and bank balances	<u>3,254,776</u>	<u>833,043</u>

## Conservative Total Return US Dollar Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

Notes to the financial statements for the year ended 30 September 2011 (continued)

10. Creditors	30.9.2011	30.9.2010
	\$	\$
Management fees	17,953	18,923
Administration fees and expenses	2,666	3,059
Custodian fees	759	892
Audit fees	6,454	5,306
Director fees	849	1,081
Company secretarial fees	71	91
Custody transaction fees	117	87
Other creditors	3,794	4,438
	<hr/>	<hr/>
Total creditors	<u>32,663</u>	<u>33,877</u>

### 11. Related Party Transactions

Rathbone Investment Management International Limited (“the Investment Manager”) and Rathbone Investment Management Limited (“the Sub Investment Manager”) are related parties. Richard Ian Smeeton, The Rt. Hon. The Viscount Lifford, Edward James Wingfield and Jonathan Michael Woodbury Giles are directors of the Investment Manager. Richard Ian Smeeton is also a director of the Sub Investment Manager. Both the Investment Manager and the Sub Investment Manager are owned by the same ultimate holding company (“Rathbone Brothers plc”).

The Investment Manager is entitled to charge a fee of 1.50% per annum of the NAV of each Cell, accrued and paid monthly.

Where investment is made in any other collective investment scheme then the Investment Manager will endeavour to use institutional fee classes or obtain rebates of the periodic charges levied by the investment managers or managers of those funds, which will be paid to the relevant Fund.

The Administrator will be paid by each Cell according to the terms of the Administration and Registrar Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £15,000 on the initial cells and then £12,500 for each additional cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.175% of the combined NAV of active Cells between £20 million and £50 million, then 0.075% of the combined NAV of active Cells over £50 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

The Custodian will be paid by each Cell according to the terms of the Custodian Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £4,000 per Cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.05% of the combined NAV of active Cells between £20 million and £40 million, then 0.03% of the combined NAV of active Cells over £40 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

Formation expenses have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These formation expenses are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

Fees payable in the period are as disclosed in the Statement of Total Return on page 48. Amounts outstanding at the year end are disclosed in Note 10. All transactions are at arms length.

In the opinion of the directors there is no ultimate controlling party of the Cell.

# Conservative Total Return US Dollar Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

## Notes to the financial statements for the year ended 30 September 2011 (continued)

### 12. Share Capital

#### Authorised

Unlimited shares of any class of no par value, which may be issued as Management Shares and Participating Shares in a Cell.

#### Issued and fully paid

One Management Share of no par value to Rathbone Nominees Jersey Limited and one Management Share of no par value to Rathbone Fiduciaries Jersey Limited.

118,656.990 Participating shares were in issue as at 30 September 2011 (30 September 2010:125,267.338).

All issued shares were fully paid as at 30 September 2011. The Management shares exist solely to comply with Jersey Law, which requires that Participating shares must have a preference over another class of capital. The holders of Management shares have the right to receive notice of, attend and vote at general meetings of the Cell. A holder of Management shares is entitled to one vote for each Management share held. Management shares carry no right to a dividend and are not redeemable. In a winding up, they rank only for a return of paid up nominal capital pari passu out of the assets of the Cell (after the return of nominal capital paid up on Participating shares).

The holders ("Shareholders") of Participating shares have the right to receive notice of all general meetings of the Cell but may only vote on matters relating to the rights attaching to their shares. Shares are redeemable by shareholders at prices based on the value of the Cell's net assets as determined in accordance with its Articles of Association.

### 13. Financial instruments

The Cell's investing activities expose it to various types of risk that are associated with financial instruments and markets in which it invests. These risks are dealt with at length in the prospectus. Some of the most important types of financial risk to which the Cell is exposed are summarised below.

#### Currency risk

The Cell invests in securities that are denominated in a range of currencies other than the currency in which the shares are denominated. Accordingly, the value of the Cell's assets are directly affected by fluctuations in currency rates.

#### Net foreign currency assets

	<b>Monetary exposures 30.9.2011</b>	<b>Non-monetary exposures 30.9.2011</b>	<b>Net Assets 30.9.2011</b>
	\$	\$	\$
Sterling	-	5,045,658	5,045,658
US Dollar	3,254,776	5,966,724	9,221,500
	<u>3,254,776</u>	<u>11,012,382</u>	<u>14,267,158</u>

**Conservative Total Return US Dollar Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**13. Financial instruments (continued)**

	Net foreign currency assets		
	Monetary exposures 30.9.2010	Non-monetary exposures 30.9.2010	Net Assets 30.9.2010
	\$	\$	\$
Sterling	-	5,904,304	5,904,304
US Dollar	833,043	8,345,815	9,178,858
	<u>833,043</u>	<u>14,250,119</u>	<u>15,083,162</u>

*Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Cell. It is the Cell's policy to enter into financial instruments with a range of reputable counterparties. Therefore the Cell does not expect to incur material credit losses on its financial instruments. Certain transactions that the Cells may enter into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Cells have fulfilled their responsibilities.

The Cells only buy and sell investments through brokers which have been approved by the Investment Manager as acceptable counterparties. Investments in funds will be made directly with the appropriate fund administrator.

*Market price risk*

Market price risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Cell might suffer through holdings in the investment portfolio arising from price movements. Adherence to the investment guidelines and restrictions set out in the Prospectus mitigates the risk of excessive exposure to any particular type of security or issuer. These positions are monitored on a regular basis by the directors of the Cell.

*Liquidity risk*

Liquidity risk is the risk that the cell will encounter difficulty in realising assets or otherwise raising funds to meet its financial obligations.

Shareholders have the right to redeem their shares in the Cell in accordance with the procedures detailed in its Prospectus. In order to meet its obligations the Cell may be required to sell investments held. The risk is that the Cell might not be able to repay fully amounts demanded by its shareholders.

The investment policy is to ensure that the investments of the Cell are liquid and readily realisable. The risk that the Cell will be unable to meet monthly dealing requirements is reduced by the high liquidity of the underlying investments.

*Interest rate risk*

None of the Cell's equity investments are directly exposed to interest rate risk.

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk as at the 30 September 2011:

**Conservative Total Return US Dollar Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

Notes to the financial statements for the year ended 30 September 2011 (continued)

13. Financial instruments (continued)

	<b>Fixed interest rate financial assets \$</b>	<b>Floating interest rate financial assets \$</b>	<b>Non interest bearing financial assets \$</b>	<b>Total \$</b>
Sterling	-	-	5,078,321	5,078,321
US Dollars	-	3,254,776	6,052,398	9,307,174
	<u>-</u>	<u>3,254,776</u>	<u>11,130,719</u>	<u>14,385,495</u>
	<b>Fixed interest rate financial liabilities \$</b>	<b>Floating interest rate financial liabilities \$</b>	<b>Non interest bearing financial liabilities \$</b>	<b>Total \$</b>
Sterling	-	-	(32,663)	(32,663)
US Dollars	-	-	(85,674)	(85,674)
	<u>-</u>	<u>-</u>	<u>(118,337)</u>	<u>(118,337)</u>

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk at 30 September 2010:

	<b>Fixed interest rate financial assets \$</b>	<b>Floating interest rate financial assets \$</b>	<b>Non interest bearing financial assets \$</b>	<b>Total \$</b>
Sterling	1,009,792	-	4,928,389	5,938,181
US Dollars	4,402,216	833,043	4,216,704	9,451,963
	<u>5,412,008</u>	<u>833,043</u>	<u>9,145,093</u>	<u>15,390,144</u>
	<b>Fixed interest rate financial liabilities \$</b>	<b>Floating interest rate financial liabilities \$</b>	<b>Non interest bearing financial liabilities \$</b>	<b>Total \$</b>
Sterling	-	-	(33,877)	(33,877)
US Dollars	-	-	(273,104)	(273,104)
	<u>-</u>	<u>-</u>	<u>(306,981)</u>	<u>(306,981)</u>

The floating rate financial assets include bank balances that bear interest at rates based on 0.5% under the base rate and overdraft interest based on 1.5% over the base rate.

**Conservative Total Return US Dollar Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**14. Portfolio Transaction Costs**

	<b>30.9.2011</b>	<b>30.9.2011</b>	<b>30.9.2010</b>	<b>30.9.2010</b>
<b>Analysis of total purchase costs :</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Purchases before transaction costs		5,968,909		13,845,460
Commission and other charges	<u>4,600</u>		<u>-</u>	
Total purchase costs		<u>4,600</u>		<u>-</u>
Gross purchases total		<u>5,973,509</u>		<u>13,845,460</u>
		<b>30.9.2011</b>		<b>30.9.2010</b>
<b>Analysis of total sale costs :</b>		<b>\$</b>		<b>\$</b>
Gross sales before transaction costs		9,837,963		10,593,091
Commission and other charges	<u>(29)</u>		<u>-</u>	
Total sale costs		<u>(29)</u>		<u>-</u>
Total sales net of transaction costs		<u>9,837,934</u>		<u>10,593,091</u>

**15. Distribution Table**

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2011, as follows:

	<b>XD Date</b>	<b>Pay Date</b>	<b>Gross income</b>	<b>Pence per share</b>
			<b>\$</b>	<b>\$</b>
Paid	31.3.2011	21.4.2011	104,734	0.896371
Payable	30.9.2011	21.10.2011	<u>85,674</u>	0.722028
Total finance costs			<u>190,408</u>	

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2010, as follows :

	<b>XD Date</b>	<b>Pay Date</b>	<b>Gross income</b>	<b>Pence per share</b>
			<b>\$</b>	<b>\$</b>
Paid	31.3.2010	23.4.2010	121,200	1.0317
Payable	30.9.2010	24.10.2010	<u>273,104</u>	2.1802
Total finance costs			<u>394,304</u>	

**Conservative Total Return US Dollar Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**16. Reconciliation of NAV to bid prices**

	<b>Portfolio of investments 30.9.2011 \$</b>	<b>Net assets attributable to Shareholders 30.9.2011 \$</b>	<b>Net asset value per share 30.9.2011 \$</b>	<b>Net asset value per share 30.9.2010 \$</b>
NAV	11,193,966	14,339,399	120.85	120.66
Bid prices adjustment	<u>(72,241)</u>	<u>(72,241)</u>	<u>(0.61)</u>	<u>(0.25)</u>
Balance sheet	<u>11,121,725</u>	<u>14,267,158</u>	<u>120.24</u>	<u>120.41</u>

In order to comply with the Cell's prospectus the monthly NAV of the Cell is valued by using Mid prices. The above adjustment is required in order for the financial statements to comply with UK GAAP and the SORP which require the investments to be valued at Bid prices.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSERVATIVE TOTAL RETURN US DOLLAR DISTRIBUTOR FUND PC**

We have audited the financial statements of Conservative Total Return US Dollar Distributor Fund PC (the "cell") for the year ended 30 September 2011 which comprise the Statement of Total Return, the Statement of Changes in Shareholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. 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").

This report is made solely to the cell's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the cell's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the cell and the cell's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are 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.

### **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 cell's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the cell's affairs as at 30 September 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.



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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in blue ink, appearing to read 'P Braun'.

**Philip Braun FCA**  
**for and on behalf of BDO Limited**  
**Chartered Accountants**  
**Jersey**  
**30 January 2012.**

**Strategic Growth Sterling Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Statement of Total Return**

**For the year ended 30 September 2011**

	Note	1.10.2010 to 30.9.2011 £	1.10.2009 to 30.9.2010 £
<b>Income</b>			
Net capital (losses)/gains on investments during the year	3	(584,826)	763,608
Revenue	4	130,589	104,718
Expenses	5	<u>(318,150)</u>	<u>(193,310)</u>
<b>Net expense before taxation</b>		<b>(187,561)</b>	<b>(88,592)</b>
Taxation	6	<u>-</u>	<u>-</u>
<b>Net expense after taxation</b>		<b>(187,561)</b>	<b>(88,592)</b>
<b>Total return before distributions</b>		<b>(772,387)</b>	<b>675,016</b>
Finance costs: Distributions	7	<u>(130,435)</u>	<u>(103,953)</u>
<b>Change in net assets attributable to Shareholders' from investment activities</b>		<b>(902,822)</b>	<b>571,063</b>

**Statement of Changes in Shareholders' Net Assets**

**For the year ended 30 September 2011**

		1.10.2010 to 30.9.2011 £	1.10.2009 to 30.9.2010 £
Opening net assets		11,731,001	7,068,521
Amounts received on issue of shares	9,032,841	4,834,509	
Amounts paid on cancellation of shares	<u>(1,714,777)</u>	<u>(760,133)</u>	
		7,318,064	4,074,376
Dilution levy		40,022	17,041
<b>Change in net assets attributable to Shareholders' from investment activities</b>		<b>(902,822)</b>	<b>571,063</b>
<b>Closing net assets</b>		<b>18,186,265</b>	<b>11,731,001</b>

The notes on pages 71 to 80 are an integral part of the financial statements of this Cell.

# Strategic Growth Sterling Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

### Portfolio Statement

As at 30 September 2011

Description	Holding	Mid-Market Value £	% of Total Net Assets
UK INDEX LINKED - 4.86%; (2010 0.00%)			
Treasury Index Linked Stock 2.5% 16/8/2013	150,000	424,932	2.34
Treasury Index Linked Stock 1.25% 22/11/2017	330,000	457,643	2.52
		<b>882,575</b>	<b>4.86</b>
UK FIXED INTEREST - 1.17%; (2010 0.00%)			
Lloyds TSB Bank FRN 29/04/2011-16	280,000	213,150	1.17
		<b>213,150</b>	<b>1.17</b>
OVERSEAS FIXED INTEREST SECURITIES - 5.27%; (2010 8.68%)			
HarbourVest Senior Loans Euro	200,000	184,500	1.01
NB Global Rate Income Fund Ltd Floating Ordinary Shares (USD)	373,338	357,938	1.97
Standard Life Investments Gbl Index Link Bond Instl Inc	310,000	416,640	2.29
		<b>959,078</b>	<b>5.27</b>
EQUITY INVESTMENT TRUSTS - 55.45%; (2010 53.78%)			
ACP Mezzanine Ltd NPV Ordinary Shares*	210,600	181	0.00
Baring Fund Mgrs Limited German Growth Trust	290,000	967,150	5.32
BlackRock Fund Managers UK Income D Inc	250,000	778,625	4.28
Brown Advisory Funds American Fund Class B (US\$)	45,340	262,230	1.44
Brown Advisory Funds US Equity Value USD Class B	64,000	302,776	1.66
Credit Suisse 355 6 Year FTSE Def Autocall	375,000	375,000	2.06
Ennismore Fund Mgmt European Smaller Cos B Fund	53,000	587,240	3.23
Franklin Templeton Inv Mgmt Emerging Markets Smlr Cos	20,800	93,863	0.52
Genesis Emerging markets Fund NPV Part Shares	26,600	117,466	0.65
GLG Partners Investment Funds Japan Core Alpha Prof Acc	706,000	599,041	3.29
Hexam Capital Fund Global Emerging Mkts I Inc	400,000	494,000	2.78
HSBC Bank 358 FTSE Autocall	360,000	360,000	1.98
Investec Fund Mgrs UK Special Situations Inc	802,542	720,603	3.96
iShares plc FTSE 100 Shares	83,000	431,807	2.37
Marlborough Fund Mgrs Special Situations B Acc	84,488	508,955	2.79
Morgan Stanley Index Linked Warrants 31/01/2017	100,000	92,060	0.51
Morgan Stanley Global Brands I Acc	24,750	830,499	4.57
Morgan Stanley FTSE 100 Defensive Bonus Note	310,000	268,103	1.47
Pacific Alliance Asia Opps Fd US\$0.01 Ordinary Shares	124,334	80,210	0.44
Schroder UK Growth Fund plc 25p Ordinary Shares	880,000	1,025,200	5.64
Societe Generale Acceptance FTSE Autocall 12	640,000	562,944	3.10
Veritas Asset Mgmt Asian A Fund (USD)	4,560	626,316	3.44
		<b>10,084,269</b>	<b>55.45</b>

**Strategic Growth Sterling Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Portfolio Statement (continued)**

**As at 30 September 2011**

Description	Holding	Mid-Market Value £	% of Total Net Assets
UK EQUITY LONG/SHORT - 4.10%; (2010 7.31%)			
GLG Investments Funds Alpha Select Alt CI Inc	4,900	448,448	2.47
Lansdowne Partners Limited UK Equity Fund Inc (GBP)	713	297,004	1.63
		<b>745,452</b>	<b>4.10</b>
PROPERTY FUNDS - 2.50%; (2010 5.02%)			
AXA Property Trust Limited NPV Ordinary Shares	350,000	169,750	0.93
Investors in Global Real Estate NPV Ordinary Shares	175,867	142,892	0.79
Picton Property Income Ltd NPV Ordinary Shares	351,990	142,556	0.78
		<b>455,198</b>	<b>2.50</b>
PRIVATE EQUITY STOCKS - 3.57%; (2010 4.29%)			
Partners Group Investments Global Private Equity I Cap	4,321	327,709	1.80
Princess Private Equity Ltd EUR 0.001 Shares (DT ZERT)	22,500	113,905	0.63
Standard Life European 0.2p Ordinary Shares	155,000	207,700	1.14
		<b>649,314</b>	<b>3.57</b>
COMMODITIES - 2.48%; (2010 1.46%)			
Gold Bullion Securities 0% Undated Notes	4,462	451,054	2.48
		<b>451,054</b>	<b>2.48</b>
HEDGE FUNDS (FUND OF FUNDS) - 10.06%; (2010 2.79%)			
BH Global Ltd NPV Sterling Shares	10,000	119,900	0.66
BH Macro Ltd NPV Ordinary Shares	33,150	663,994	3.65
Bluecrest Allblue Fund Sterling Shares	304,125	516,100	2.84
CQS Diversified Fund Ltd NPV Shares	581,408	529,081	2.91
		<b>1,829,075</b>	<b>10.06</b>
HEDGE FUNDS (SINGLE MANAGER) - 6.55%; (2010 10.67%)			
Aspect Capital Diversified Trends Class F Retail	7,237	764,643	4.20
BH Credit Catalysts Ltd Sterling Shares	40,580	427,105	2.35
		<b>1,191,748</b>	<b>6.55</b>
FORWARD CURRENCY CONTRACTS - 0.07%; (2010 (0.04)%)			
Open forward currency contract UK Sterling v Euro	£ 1,130,610	12,566	0.07
		<b>12,566</b>	<b>0.07</b>

**Strategic Growth Sterling Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Portfolio Statement (continued)**

**As at 30 September 2011**

	Mid-Market Value £	% of Total Net Assets
<b>Portfolio of investments based on Mid prices</b>	<b>17,473,479</b>	<b>96.08</b>
Bid prices adjustment (note 16)	<b>(69,530)</b>	<b>(0.38)</b>
<b>Portfolio of investments based on Bid prices</b>	<b>17,403,949</b>	<b>95.70</b>
Net other assets	782,316	4.30
<b>Net assets attributable to Shareholders'</b>	<b>18,186,265</b>	<b>100.00</b>

\*On 14 July 2010, ACP Mezzanine Ltd NPV Ordinary Shares issued a notice of suspension of dealings. As a result, the directors have decided to value this investment at the value described above until reliable information is received.

**Strategic Growth Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Balance sheet**

**As at 30 September 2011**

	Note		<b>30.9.2011</b>		<b>30.9.2010</b>
			£		£
<b>Assets:</b>					
Investment assets	16		17,403,949		11,000,940
Debtors	8	11,950		243,012	
Cash and bank balances	9	<u>1,961,493</u>		<u>619,101</u>	
			<u>1,973,443</u>		<u>862,113</u>
<b>Total assets</b>			19,377,392		11,863,053
<b>Liabilities</b>					
Creditors	10	(1,111,708)		(78,867)	
Distributions payable	7	<u>(79,419)</u>		<u>(53,185)</u>	
<b>Total liabilities</b>			<u>(1,191,127)</u>		<u>(132,052)</u>
<b>Net assets attributable to Shareholders</b>			<u>18,186,265</u>		<u>11,731,001</u>
<b>Net Asset Value per share</b>	16		<u>92.83</u>		<u>95.72</u>

The financial statements on pages 65 to 80 were approved and authorised for issue by the board of directors of the Cell on 30 January 2012 and were signed on its behalf by :



Jonathan Michael Woodbury Giles  
Director



Richard Michael Boléat  
Director

**Strategic Growth Sterling Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Cash Flow Statement**

**For the year ended 30 September 2011**

	<b>1.10.2010 to 30.9.2011</b>	<b>1.10.2009 to 30.9.2010</b>
	£	£
<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		
Total return before distributions	(772,387)	675,016
Adjustment for non cash losses/(gains) on investments	<u>554,738</u>	<u>(791,175)</u>
Total return before working capital changes	(217,649)	(116,159)
Decrease/(increase) in debtors	231,062	(242,073)
Increase in creditors	<u>1,032,841</u>	<u>15,581</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u>1,046,254</u>	<u>(342,651)</u>
Purchase of investments	(14,222,023)	(10,379,172)
Sale of investments	<u>7,264,276</u>	<u>7,056,377</u>
<b>Net cash outflow for capital expenditure &amp; financial investment</b>	<u>(6,957,747)</u>	<u>(3,322,795)</u>
Proceeds from issue of units	9,032,841	4,834,509
Payments for redemption of units	(1,714,777)	(760,133)
Payment of dividends	(104,201)	(88,560)
Dilution levy	<u>40,022</u>	<u>17,041</u>
<b>Net cash inflow from financing activities</b>	<u>7,253,885</u>	<u>4,002,857</u>
<b>Net increase in cash &amp; cash equivalents</b>	<u>1,342,392</u>	<u>337,411</u>
Reconciliation of net cash flow to movement in net funds		
Increase in cash for the year	1,342,392	337,411
Net cash brought forward	619,101	281,690
<b>Net cash carried forward</b>	<u>1,961,493</u>	<u>619,101</u>

# **Strategic Growth Sterling Distributor Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011**

#### **1. General information**

Rathbone Investment Management International Strategies PCC (“the Company”) is an open-ended collective investment company with limited liability incorporated in Jersey, Channel Islands on 26 April 2007. The Company has been established as a protected cell company under Jersey Company Law. Each Cell represents interests in a separate portfolio of the Company each with its own distinct investment objective and policy. The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of a Cell participating shares and any other assets attributable to the Cell. The non-cellular assets comprise the assets of the Company which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within the Cell, then there will be recourse to the non-cellular assets but not to the assets of any other cell. Separate financial statements are prepared for each Cell. These financial statements are prepared for Strategic Growth Sterling Distributor Fund PC only.

Strategic Growth Sterling Distributor Fund PC was created on 18 September 2007. The name of the Cell (formerly Managed Growth Sterling Distributor Fund PC) was changed on 30 October 2009. The Cell is listed on the Channel Island Stock Exchange (CISX).

The financial statements of the Cell are expressed in Sterling (“£”).

#### **Principal accounting policies**

##### **2. Accounting policies**

The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom ('UK GAAP') and under the historical cost convention as modified by the revaluation of investments. They have also been prepared in accordance with the revised Statement of Recommended Practice ('SORP') for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, with the exception of aggregated financial statements.

#### **Aggregated financial statements**

Aggregated financial statements of the Company have not been prepared since, in the opinion of the directors of the Company, this would not supply information of a meaningful nature and would, in itself, be misleading.

#### **Investments**

The investments of the Company are valued at the latest available closing mid-market prices on the last business day of the accounting period. This is a departure from the SORP which recommends that the bid market price is used to value the portfolio. An adjustment has been made in these financial statements in order to reflect bid-market values. Certain investments of the Cell which are priced at Net Asset Value as at the year end have not been adjusted to reflect bid-market values as no bid-market price is available. (See note 16 for further details).

Realised gains and losses resulting from the disposal of investments and unrealised gains and losses resulting from the revaluation of retained investments are recognised in the Statement of Total Return.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Cell uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

# **Strategic Growth Sterling Distributor Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011 (continued)**

#### **2. Accounting policies (continued)**

##### **Dividend income, interest on fixed interest securities and bank interest**

Dividends are recognised on the ex-dividend date. Revenue is stated net of irrecoverable tax credits. Where revenue is received after the deduction of withholding tax, the revenue is shown gross of taxation and the tax consequences shown within the tax charge. Where a Cell has elected to receive its dividends in the form of additional shares rather than cash, the amount of the market value of the shares is recognised as income together with a corresponding increase in the cost of the shares.

Interest on fixed interest is recognised as revenue using the effective interest method by reference to the purchase price. Bank interest is accrued on a daily basis.

##### **Cash and bank balances**

Cash and bank balances consist of cash balances with banks.

##### **Dilution Levy**

Shares in each Fund are priced at a single price for both purchases and redemptions, using the mid-market value of underlying investments, inclusive of dealing charges and expenses. The investment manager will ensure that all purchases and redemptions of shares are conducted at a price which is fair to all shareholders but there are circumstances where some shareholders might be disadvantaged by the dilution effect of a large trade or series of trades relative to others, where the value of the cell is in continuing decline, a large purchase of Shares (typically more than one percent (1%) of the NAV) where a significant dealing cost in underlying investments would dilute the value of the Fund to existing Shareholders, a similarly large redemption where costs would dilute the remaining Shareholders' value or where, over a period of time, a Fund has a large level of net purchases or redemptions relative to the NAV of the Cell.

In these circumstances the Administrator under instruction from the Investment Manager reserves the right to charge a dilution levy of up to 1.0 % of the value of the transaction, so as not to unfairly dilute the value of the Cell to other Shareholders of that Cell. Any dilution levy may only be attributed to the Cellular Assets of that Cell, for the sole benefit of the Shareholders of that Cell.

##### **Expenses**

Expenses relating to a specific Cell are charged to that Cell and are accounted for on an accruals basis.

Expenses which do not relate specifically to a particular Cell are allocated between the group of Cells in proportion to their Net Asset Values. They are accounted for on an accruals basis using an appropriate exchange rate.

##### **Currency translation**

Assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the Balance Sheet date. Foreign currency transactions are translated into Sterling at the rates of exchange ruling at the date of the transaction. Gains and losses on exchange are recognised in the Statement of Total Return.

##### **Forward foreign exchange contracts**

Forward foreign exchange contracts outstanding at the Balance Sheet date are valued in relation to the cost of closing the contract at a forward exchange rate. The difference between the contractual cost and the estimated cost of closing out the contract is recognised in the Statement of Total Return. Realised gains or losses are recognised on the maturity of a contract or when a contract is matched against another contract with an identical currency exposure and maturity date. The resulting gain or loss is recognised in the Statement of Total Return.

# Strategic Growth Sterling Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

#### 2. Accounting policies (continued)

##### Net Asset Valuation

The calculation of the Net Asset Value ('NAV') is based upon the mid-market prices and values of underlying investments ruling at the close of business on the relevant Valuation Point. An adjustment has been made in these financial statements to reflect bid-market values.

##### Distribution policy

The Cell has been registered with HM Revenue & Customs as a Reporting Fund with effect from 1 October 2010.

At least 85% of the income of the Cell will be paid in each distribution period as income to Shareholders. Distributions by the Cell will be made semi-annually out of distributable profits and not more than six months after the end of each distribution period.

#### 3. Net capital gains on investments during the year

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
(Losses)/gains on non-derivative securities	(572,383)	845,430
Realised gains/(losses) on forward foreign exchange contracts	88,580	(50,656)
Other currency losses	(101,023)	(31,166)
	<u>(584,826)</u>	<u>763,608</u>

#### 4. Revenue

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Dividend income	107,053	101,861
Interest on fixed interest securities	23,536	1,557
Other income	-	1,300
	<u>130,589</u>	<u>104,718</u>

#### 5. Expenses

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Management fees	241,474	137,615
Director fees	3,871	2,564
Administration fees and expenses	36,645	22,941
Audit fees	5,400	4,200
Custodian fees	10,404	6,893
Formation expenses	2,609	1,987
Custody transaction fees	2,707	5,151
Transfer agency fees	3,910	4,645
Permit fee	3,430	3,394
Other expenses	7,700	3,920
	<u>318,150</u>	<u>193,310</u>

Formation expenses of £42,122 have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These fees are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

**Strategic Growth Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**6. Taxation**

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profit arising in the Cell for the 2009 year of assessment and future periods will be subject to tax at a rate of 0%. Previously, the Cell was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

**7. Finance Costs: Distributions**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
31 March 2011/31 March 2010	51,016	50,768
30 September 2011/30 September 2010 - payable as at year end	<u>79,419</u>	<u>53,185</u>
Total finance costs	<u><u>130,435</u></u>	<u><u>103,953</u></u>

**8. Debtors**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Dividends receivable	8,207	2,395
Bond interest receivable	3,743	-
Sales awaiting settlement	<u>-</u>	<u>240,617</u>
Total debtors	<u><u>11,950</u></u>	<u><u>243,012</u></u>

**9. Cash and Bank Balances**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Capital account	1,884,901	553,149
Income account	<u>76,592</u>	<u>65,952</u>
Cash and bank balances	<u><u>1,961,493</u></u>	<u><u>619,101</u></u>

## Strategic Growth Sterling Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

<b>10. Creditors</b>	<b>30.9.2011</b>	<b>30.9.2010</b>
	£	£
Purchases awaiting settlement	1,074,848	53,117
Management fees	22,856	14,709
Administration fees and expenses	3,393	2,378
Director fees	1,054	793
Audit fees	5,705	4,056
Custodian fees	964	691
Formation expenses	237	186
Company secretarial fees	90	71
Custody transaction fees	175	125
Other creditors	2,386	2,741
Total creditors	<u>1,111,708</u>	<u>78,867</u>

### 11. Related Party Transactions

Rathbone Investment Management International Limited ("the Investment Manager") and Rathbone Investment Management Limited ("the Sub Investment Manager") are related parties. Richard Ian Smeeton, The Rt. Hon. The Viscount Lifford, Edward James Wingfield and Jonathan Michael Woodbury Giles are directors of the Investment Manager. Richard Ian Smeeton is also a director of the Sub Investment Manager. Both the Investment Manager and the Sub Investment Manager are owned by the same ultimate holding company ("Rathbone Brothers plc").

The Investment Manager is entitled to charge a fee of 1.50% per annum of the NAV of each Cell, accrued and paid monthly.

Where investment is made in any other collective investment scheme then the Investment Manager will endeavour to use institutional fee classes or obtain rebates of the periodic charges levied by the investment managers or managers of those funds, which will be paid to the relevant Fund.

The Administrator will be paid by each Cell according to the terms of the Administration and Registrar Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £15,000 on the initial cells and then £12,500 for each additional cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.175% of the combined NAV of active Cells between £20 million and £50 million, then 0.075% of the combined NAV of active Cells over £50 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

The Custodian will be paid by each Cell according to the terms of the Custodian Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £4,000 per Cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.05% of the combined NAV of active Cells between £20 million and £40 million, then 0.03% of the combined NAV of active Cells over £40 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

Formation expenses have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These formation expenses are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

Fees payable in the period are as disclosed in the Statement of Total Return on page 65. Amounts outstanding at the year/period end are disclosed in Note 10. All transactions are at arms length.

In the opinion of the directors there is no ultimate controlling party of the Cell.

# Strategic Growth Sterling Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

Notes to the financial statements for the year ended 30 September 2011 (continued)

### 12. Share Capital

#### Authorised

Unlimited shares of any class of no par value, which may be issued as Management Shares and Participating Shares in a Cell.

#### Issued

One Management Share of no par value to Rathbone Nominees Jersey Limited and one Management Share of no par value to Rathbone Fiduciaries Jersey Limited.

195,914.693 Participating shares were in issue at 30 September 2011 (30 September 2010: 122,553.191).

All issued shares were fully paid as at 30 September 2011. The Management shares exist solely to comply with Jersey Law, which requires that Participating shares must have a preference over another class of capital. The holders of Management shares have the right to receive notice of, attend and vote at general meetings of the Cell. A holder of Management shares is entitled to one vote for each Management share held. Management shares carry no right to a dividend and are not redeemable. In a winding up, they rank only for a return of paid up nominal capital pari passu out of the assets of the Cell (after the return of nominal capital paid up on Participating shares).

The holders ("Shareholders") of Participating shares have the right to receive notice of all general meetings of the Cell but may only vote on matters relating to the rights attaching to their shares. Shares are redeemable by shareholders at prices based on the value of the Cell's net assets as determined in accordance with its Articles of Association.

### 13. Financial instruments

The Cell's investing activities expose it to various types of risk that are associated with financial instruments and markets in which it invests. These risks are dealt with at length in the prospectus. Some of the most important types of financial risk to which the Cell is exposed are summarised below.

#### Currency risk

The Cell invests in securities that are denominated in a range of currencies other than the currency in which the shares are denominated. Accordingly, the value of the Cell's assets are directly affected by fluctuations in currency rates.

Currency	Net foreign currency assets		
	Monetary exposures 30.9.2011	Non-monetary exposures 30.9.2011	Net Assets 30.9.2011
	£	£	£
Sterling	1,961,359	13,969,317	15,930,676
US Dollar	134	2,143,268	2,143,402
Euro	-	112,187	112,187
	<u>1,961,493</u>	<u>16,224,772</u>	<u>18,186,265</u>

**Strategic Growth Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**13. Financial instruments (continued)**

Currency	Net foreign currency assets		
	Monetary exposures 30.9.2010 £	Non-monetary exposures 30.9.2010 £	Net Assets 30.9.2010 £
Sterling	618,968	9,262,824	9,881,792
US Dollar	133	1,751,625	1,751,758
Euro	-	97,451	97,451
	<u>619,101</u>	<u>11,111,900</u>	<u>11,731,001</u>

*Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Cell. It is the Cell's policy to enter into financial instruments with a range of reputable counterparties. Therefore the Cell does not expect to incur material credit losses on its financial instruments. Certain transactions that the Cells may enter into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Cells have fulfilled their responsibilities.

The Cells only buy and sell investments through brokers which have been approved by the Investment Manager as acceptable counterparties. Investments in funds will be made directly with the appropriate fund administrator.

*Market price risk*

Market price risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Cell might suffer through holdings in the investment portfolio arising from price movements. Adherence to the investment guidelines and restrictions set out in the Prospectus mitigates the risk of excessive exposure to any particular type of security or issuer. These positions are monitored on a regular basis by the Board of directors of the Cell.

*Liquidity risk*

Liquidity risk is the risk that the cell will encounter difficulty in realising assets or otherwise raising funds to meet its financial obligations.

Shareholders have the right to redeem their shares in the Cell in accordance with the procedures detailed in its Prospectus. In order to meet its obligations the Cell may be required to sell investments held. The risk is that the Cell might not be able to repay fully amounts demanded by its shareholders.

The investment policy is to ensure that the investments of the Cell are liquid and readily realisable. The risk that the Cell will be unable to meet monthly dealing requirements is reduced by the high liquidity of the underlying investments.

*Interest rate risk*

None of the Cell's equity investments are directly exposed to interest rate risk.

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk as at the 30 September 2011:

**Strategic Growth Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

Notes to the financial statements for the year ended 30 September 2011 (continued)

13. Financial instruments (continued)

	<b>Fixed interest rate financial assets £</b>	<b>Floating interest rate financial assets £</b>	<b>Non interest bearing financial assets £</b>	<b>Total £</b>
Sterling	882,358	2,171,359	14,068,086	17,121,803
US Dollars	-	134	2,143,268	2,143,402
Euros	-	-	112,187	112,187
	<u>882,358</u>	<u>2,171,493</u>	<u>16,323,541</u>	<u>19,377,392</u>
	<b>Fixed interest rate financial liabilities £</b>	<b>Floating interest rate financial liabilities £</b>	<b>Non interest bearing financial liabilities £</b>	<b>Total £</b>
Sterling	-	-	(1,191,127)	(1,191,127)
	<u>-</u>	<u>-</u>	<u>(1,191,127)</u>	<u>(1,191,127)</u>

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk at 30 September 2010:

	<b>Fixed interest rate financial assets £</b>	<b>Floating interest rate financial assets £</b>	<b>Non interest bearing financial assets £</b>	<b>Total £</b>
Sterling	1,017,169	618,968	8,324,590	9,960,727
US Dollars	-	133	1,804,742	1,804,875
Euros	-	-	97,451	97,451
	<u>1,017,169</u>	<u>619,101</u>	<u>10,226,783</u>	<u>11,863,053</u>
	<b>Fixed interest rate financial liabilities £</b>	<b>Floating interest rate financial liabilities £</b>	<b>Non interest bearing financial liabilities £</b>	<b>Total £</b>
Sterling	-	-	(78,935)	(78,935)
Euros	-	-	(53,117)	(53,117)
	<u>-</u>	<u>-</u>	<u>(132,052)</u>	<u>(132,052)</u>

The floating rate financial assets include bank balances that bear interest at rates based on 0.5% under the base rate and overdraft interest based on 1.5% over the base rate.

**Strategic Growth Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**14. Portfolio Transaction Costs**

	30.9.2011 £	30.9.2011 £	30.9.2010 £	30.9.2010 £
<b>Analysis of total purchase costs :</b>				
Purchases before transaction costs		14,216,217		10,379,172
Commission and other charges	<u>5,806</u>		<u>-</u>	
Total purchase costs		<u>5,806</u>		<u>-</u>
Gross purchase total		<u>14,222,023</u>		<u>10,379,172</u>
<b>Analysis of total sale costs :</b>				
Gross sales before transaction costs		7,266,824		7,056,377
Commission and other charges	<u>(2,548)</u>		<u>-</u>	
Total sales costs		<u>(2,548)</u>		<u>-</u>
Total sales net of transaction costs		<u>7,264,276</u>		<u>7,056,377</u>

**15. Distribution Table**

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2011, as follows :

	XD Date	Pay Date	Gross income £	Pence per share £
Paid	31.3.2011	22.4.2011	51,016	0.314542
Payable	30.9.2011	21.10.2011	<u>79,419</u>	0.405375
Total finance costs			<u>130,435</u>	

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2010, as follows :

	XD Date	Pay Date	Gross income £	Pence per share £
Paid	31.3.2010	23.4.2010	50,768	0.5639
Payable	30.9.2010	24.10.2010	<u>53,185</u>	0.4340
Total finance costs			<u>103,953</u>	

**Strategic Growth Sterling Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**16. Reconciliation of NAV to bid prices**

	<b>Portfolio of investments 30.9.2011 £</b>	<b>Net assets attributable to Shareholders 30.9.2011 £</b>	<b>Net asset value per share 30.9.2011 £</b>	<b>Net asset value per share 30.9.2010 £</b>
NAV	17,473,479	18,255,796	93.18	95.90
Bid prices adjustment	<u>(69,530)</u>	<u>(65,530)</u>	<u>(0.35)</u>	<u>(0.18)</u>
Balance sheet	<u>17,403,949</u>	<u>18,186,265</u>	<u>92.83</u>	<u>95.72</u>

In order to comply with the Cell's prospectus the monthly NAV of the Cell is valued by using Mid prices. The above adjustment is required in order for the financial statements to comply with UK GAAP and the SORP which require the investments to be valued at Bid prices.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATEGIC GROWTH STERLING DISTRIBUTOR FUND PC**

We have audited the financial statements of Strategic Growth Sterling Distributor Fund PC (the "cell") for the year ended 30 September 2011 which comprise the Statement of Total Return, the Statement of Changes in Shareholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. 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").

This report is made solely to the cell's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the cell's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the cell and the cell's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are 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.

### **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 cell's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the cell's affairs as at 30 September 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.



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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in blue ink, appearing to read 'P Braun'.

**Philip Braun FCA**  
**for and on behalf of BDO Limited**  
**Chartered Accountants**  
**Jersey**  
**30 January 2012.**

**Strategic Growth Euro Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Statement of Total Return**

**For the year ended 30 September 2011**

	Note	1.10.2010 to 30.9.2011 €	1.10.2009 to 30.9.2010 €
<b>Income</b>			
Net capital (losses)/gains on investments during the year/period	3	(139,231)	620,271
Revenue	4	39,751	65,254
Expenses	5	<u>(135,173)</u>	<u>(122,056)</u>
<b>Net expense before taxation</b>		<b>(95,422)</b>	<b>(56,802)</b>
Taxation	6	<u>(124)</u>	<u>-</u>
<b>Net expense after taxation</b>		<b><u>(95,546)</u></b>	<b><u>(56,802)</u></b>
<b>Total return before distributions</b>		<b>(234,777)</b>	<b>563,469</b>
Finance costs: Distributions	7	<u>(39,511)</u>	<u>(63,450)</u>
<b>Change in net assets attributable to Shareholders from investment activities</b>		<b><u>(274,288)</u></b>	<b><u>500,019</u></b>

**Statement of Changes in Shareholders' Net Assets**

**For the year ended 30 September 2011**

		1.10.2010 to 30.9.2011 €	1.10.2009 to 30.9.2010 €
Opening net assets		5,973,119	4,836,453
Amounts received on issue of shares	1,076,225	964,149	
Amounts paid on cancellation of shares	<u>(200,890)</u>	<u>(333,015)</u>	
		875,335	631,134
Dilution levy		5,104	5,513
<b>Change in net assets attributable to Shareholders from investment activities</b>		<b><u>(274,288)</u></b>	<b><u>500,019</u></b>
<b>Closing net assets</b>		<b><u>6,579,270</u></b>	<b><u>5,973,119</u></b>

The notes on pages 88 to 97 are an integral part of the financial statements of this Cell.

# Strategic Growth Euro Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

### Portfolio Statement

As at 30 September 2011

Description	Holding	Mid-Market Value €	% of Total Net Assets
OVERSEAS FIXED INTEREST SECURITIES - 11.64%; (2010 11.56%)			
CG Portfolio Fund Plc Dollar Fund Class D	3,800	585,586	8.90
NB Global Rate income Fund Ltd Floating Ordinary Shares (USD)	250,000	180,182	2.74
		<b>765,768</b>	<b>11.64</b>
EQUITY INVESTMENT TRUSTS - 53.55%; (2010 60.36%)			
ACP Mezzanine Ltd NPV Ordinary Shares*	100,472	100	0.00
Baring Fund Mgrs Ltd Europe Select Trust Fund	14,000	230,160	3.50
Baring Fund Mgrs Ltd German Growth Trust	121,500	470,482	7.15
Brown Advisory Funds American Fund Class B (US\$)	33,500	224,965	3.42
Brown Advisory Funds US Equity Growth Fund Class B (US\$)	22,000	199,389	3.03
Ennismore Fund Mgmt European Smaller Cos B Fund	39,500	428,180	6.51
Franklin Templeton Inv Mgmt Emerging Markets Smlr Cos	10,000	52,396	0.80
Genesis Emerging Markets Fund NPV Part Shares	33,000	169,205	2.57
GLG Partners Investment Funds Japan Corealpha Prof Acc	300,000	295,559	4.49
Ignis Intl Fund Mgrs Gbl EM Cls I Hexam Dist (GBP)	115,000	164,906	2.51
Jupiter Asset Mgmt (LUX) European Growth I Cap	28,400	432,248	6.57
Morgan Stanley FTSE 100 Defensive Bonus Note	120,000	120,502	1.83
Morgan Stanley Global Brands I Acc	7,000	272,730	4.15
Societe Generale Acceptance FTSE Autocall 12	180,000	183,835	2.79
Veritas Asset Mgmt Veritas Asian A Fund (USD)	1,745	278,288	4.23
		<b>3,522,945</b>	<b>53.55</b>
UK EQUITY LONG/SHORT - 3.80%; (2010 4.25%)			
Lansdowne Partners Limited UK Equity Fund Inc (GBP)	518	250,308	3.80
		<b>250,308</b>	<b>3.80</b>
PROPERTY FUNDS - 4.46%; (2010 4.94%)			
AXA Property Trust Limited NPV Ordinary Shares	300,000	168,940	2.57
ING Global Real Estate NPV Ordinary Shares	100,000	94,340	1.43
Picton Property Income Ltd	63,896	30,047	0.46
		<b>293,327</b>	<b>4.46</b>
PRIVATE EQUITY STOCKS - 5.04%; (2010 4.35%)			
Partners Group Investments Global Private Equity I Cap	1,561	137,466	2.09
Princess Private Equity Ltd EUR 0.001 Shares (DT ZERT)	33,000	193,974	2.95
		<b>331,440</b>	<b>5.04</b>

**Strategic Growth Euro Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Portfolio Statement (continued)**

**As at 30 September 2011**

Description	Holding or Nominal Value	Mid-Market Value €	% of Total Net Assets
COMMODITIES - 2.14%; (2010 1.93%)			
Gold Bullion Securities 0% Undated Notes	1,202	141,083	2.14
		<b>141,083</b>	<b>2.14</b>
HEDGE FUNDS (FUND OF FUNDS) - 6.64%; (2010 2.61%)			
Bluecrest Allblue Fund EUR Shares	141,155	233,964	3.56
Caliburn Strategic Fund Vtg Shs Side Pocket Inv (EUR)	57	4,196	0.06
CQS Diversified Fund Ltd NPV Shares	188,209	198,862	3.02
		<b>437,022</b>	<b>6.64</b>
HEDGE FUNDS (SINGLE MANAGER) - 9.09%; (2010 8.95%)			
Aspect Capital Diversified Trends Class F Retail	1,832	224,697	3.42
BH Credit Catalysts Ltd Sterling Shares	15,800	193,086	2.93
BH Macro Ltd NPV Ordinary Shares (EUR)	9,461	180,468	2.74
		<b>598,251</b>	<b>9.09</b>
FORWARD CURRENCY CONTRACTS - (0.21)%; (2010 0.65%)			
Open Forward Currency Contract Euro v UK Sterling	€1,149,029	(13,679)	(0.21)
		<b>(13,679)</b>	<b>(0.21)</b>
<b>Portfolio of investments based on Mid prices</b>		<b>6,326,465</b>	<b>96.15</b>
Bid prices adjustment (note 16)		<b>(29,802)</b>	<b>(0.45)</b>
<b>Portfolio of investments based on Bid prices</b>		<b>6,296,663</b>	<b>95.70</b>
Net other assets		282,607	4.30
<b>Net assets attributable to Shareholders</b>		<b>6,579,270</b>	<b>100.00</b>

\*On 14 July 2010, ACP Mezzanine Ltd NPV Ordinary Shares issued a notice of suspension of dealings. As a result, the directors have decided to value this investment at the value described above until reliable information is received.

**Strategic Growth Euro Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Balance sheet**

**As at 30 September 2011**

	Note		<b>30.9.2011</b>		<b>30.9.2010</b>
			€		€
<b>Assets:</b>					
Investment assets	16		6,296,663		5,936,009
Debtors	8	-		2,758	
Cash and bank balances	9	<u>325,104</u>		<u>144,319</u>	
<b>Total other assets</b>			<u>325,104</u>		<u>147,077</u>
<b>Total assets</b>			6,621,767		6,083,086
<b>Liabilities</b>					
Creditors	10	(22,368)		(77,621)	
Distributions payable	7	<u>(20,129)</u>		<u>(32,346)</u>	
<b>Total liabilities</b>			<u>(42,497)</u>		<u>(109,967)</u>
<b>Net assets attributable to Shareholders</b>			<u>6,579,270</u>		<u>5,973,119</u>
<b>Net Asset Value per share</b>	16		<u>85.42</u>		<u>88.31</u>

The financial statements on pages 83 to 97 were approved and authorised for issue by the board of directors of the Cell on 30 January 2012 and were signed on its behalf by :



Jonathan Michael Woodbury Giles  
 Director



Richard Michael Boléat  
 Director

**Strategic Growth Euro Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Cash Flow Statement**

**For the year ended 30 September 2011**

	<b>1.10.2010 to 30.9.2011</b>	<b>1.10.2009 to 30.9.2010</b>
	€	€
<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		
Total return before distributions	(234,777)	563,469
Adjustment for non cash losses/(gains)on investments	<u>192,833</u>	<u>(692,889)</u>
Total return before working capital changes	(41,944)	(129,420)
Decrease in debtors	2,758	897
(Decrease)/increase in creditors	<u>(55,253)</u>	<u>57,531</u>
<b>Net cash outflow from operating activities</b>	<u>(94,439)</u>	<u>(70,992)</u>
Purchase of investments	(3,619,380)	(4,604,982)
Sale of investments	<u>3,065,893</u>	<u>3,639,104</u>
<b>Net cash outflow for capital expenditure and financial investment</b>	<u>(553,487)</u>	<u>(965,878)</u>
Proceeds from issue of units	1,076,225	964,149
Payments for redemption of units	(200,890)	(333,015)
Payment of dividends	(51,728)	(41,441)
Dilution levy	<u>5,104</u>	<u>5,513</u>
<b>Net cash inflow from financing activities</b>	<u>828,711</u>	<u>595,206</u>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<u>180,785</u>	<u>(441,664)</u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase/(decrease) in cash for the year	180,785	(441,664)
Net cash brought forward	<u>144,319</u>	<u>585,983</u>
<b>Net cash carried forward</b>	<u>325,104</u>	<u>144,319</u>

# **Strategic Growth Euro Distributor Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011**

#### **1. General information**

Rathbone Investment Management International Strategies PCC (“the Company”) is an open-ended collective investment company with limited liability incorporated in Jersey, Channel Islands on 26 April 2007. The Company has been established as a protected cell company under Jersey Company Law. Each Cell represents interests in a separate portfolio of the Company each with its own distinct investment objective and policy. The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of a Cell participating shares and any other assets attributable to the Cell. The non-cellular assets comprise the assets of the Company which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within the Cell, then there will be recourse to the non-cellular assets but not to the assets of any other cell. Separate financial statements are prepared for each Cell. These financial statements are prepared for Strategic Growth Euro Distributor Fund PC only.

Strategic Growth Euro Distributor Fund PC was created on 18 September 2007. The name of the Cell (formerly Managed Growth Euro Distributor Fund PC) was changed on 30 October 2009. The Cell is listed on the Channel Island Stock Exchange (CISX).

The financial statements of the Cell are expressed in Euros (“€”).

#### **Principal accounting policies**

##### **2. Accounting policies**

The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom (‘UK GAAP’) and under the historical cost convention as modified by the revaluation of investments. They have also been prepared in accordance with the Statement of Recommended Practice (‘SORP’) for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, with the exception of aggregated financial statements.

#### **Aggregated financial statements**

Aggregated financial statements of the Company have not been prepared since, in the opinion of the directors of the Company, this would not supply information of a meaningful nature and would, in itself, be misleading.

#### **Investments**

The investments of each Cell are valued at the latest available closing mid-market prices on the last business day of the accounting period. This is a departure from the SORP which recommends that the bid market price is used to value the portfolio. An adjustment has been made in these financial statements in order to reflect bid-market values. Certain investments of the Cell which are priced at Net Asset Value as at the year end have not been adjusted to reflect bid-market values as no bid-market price is available. See note 16 for further details.

Realised gains and losses resulting from the disposal of investments and unrealised gains and losses resulting from the revaluation of retained investments are recognised in the Statement of Total Return.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Cell uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

# **Strategic Growth Euro Distributor Fund PC**

## **a Cell of Rathbone Investment Management International Strategies PCC**

### **Notes to the financial statements for the year ended 30 September 2011 (continued)**

#### **2. Accounting policies (continued)**

##### **Dividend income, interest on fixed interest securities and bank interest**

Dividends are recognised on the ex-dividend date. Revenue is stated net of irrecoverable tax credits. Where revenue is received after the deduction of withholding tax, the revenue is shown gross of taxation and the tax consequences shown within the tax charge. Where a Cell has elected to receive its dividends in the form of additional shares rather than cash, the amount of the market value of the shares is recognised as income together with a corresponding increase in the cost of the shares.

Interest on fixed interest is recognised as revenue using the effective interest method by reference to the purchase price. Bank interest is accrued on a daily basis.

##### **Cash and bank balances**

Cash and bank balances consist of cash balances with banks.

##### **Dilution Levy**

Shares in each Fund are priced at a single price for both purchases and redemptions, using the mid-market value of underlying investments, inclusive of dealing charges and expenses. The investment manager will ensure that all purchases and redemptions of shares are conducted at a price which is fair to all shareholders but there are circumstances where some shareholders might be disadvantaged by the dilution effect of a large trade or series of trades relative to others, where the value of the cell is in continuing decline, a large purchase of Shares (typically more than one percent (1%) of the NAV) where a significant dealing cost in underlying investments would dilute the value of the Fund to existing Shareholders, a similarly large redemption where costs would dilute the remaining Shareholders' value or where, over a period of time, a Fund has a large level of net purchases or redemptions relative to the NAV of the Cell.

In these circumstances the Administrator under instruction from the Investment Manager reserves the right to charge a dilution levy of up to 1.0 % of the value of the transaction, so as not to unfairly dilute the value of the Cell to other Shareholders of that Cell. Any dilution levy may only be attributed to the Cellular Assets of that Cell, for the sole benefit of the Shareholders of that Cell.

##### **Expenses**

Expenses relating to a specific Cell are charged to that Cell and are accounted for on an accruals basis.

Expenses which do not relate specifically to a particular Cell are allocated between the group of Cells in proportion to their Net Asset Values. They are accounted for on an accruals basis using an appropriate exchange rate.

##### **Currency translation**

Assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the Balance Sheet date. Foreign currency transactions are translated into Sterling at the rates of exchange ruling at the date of the transaction. Gains and losses on exchange are recognised in the Statement of Total Return.

##### **Forward foreign exchange contracts**

Forward foreign exchange contracts outstanding at the Balance Sheet date are valued in relation to the cost of closing the contract at a forward exchange rate. The difference between the contractual cost and the estimated cost of closing out the contract is recognised in the Statement of Total Return. Realised gains or losses are recognised on the maturity of a contract or when a contract is matched against another contract with an identical currency exposure and maturity date. The resulting gain or loss is recognised in the Statement of Total Return.

# Strategic Growth Euro Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

#### 2. Accounting policies (continued)

##### Net Asset Valuation

The calculation of the Net Asset Value ("NAV") is based upon the mid-market prices and values of underlying investments ruling at the close of business on the relevant Valuation Point. An adjustment has been made in these financial statements to reflect bid-market values.

##### Distribution policy

At least 85% of the income of the Cell will be paid in each distribution period as income to Shareholders. Distributions by the Cell will be made semi-annually out of distributable profits and not more than six months after the end of each distribution period.

It is not the intention of the Investment Manager to register the Cell as a Reporting Fund.

#### 3. Net capital (losses/gains) on investments during the period

	<b>30.9.2011</b>	<b>30.9.2010</b>
	€	€
(Losses)/gains on non-derivative securities	(139,697)	708,903
Realised (losses)/gains on forward foreign exchange contracts	(64,836)	(87,661)
Other currency gains/(losses)	64,917	(971)
	<u>64,917</u>	<u>(971)</u>
Net (losses)/gains on investments	<u>(139,231)</u>	<u>620,271</u>

#### 4. Revenue

	<b>30.9.2011</b>	<b>30.9.2010</b>
	€	€
Dividend income	39,065	63,586
Bank interest	686	205
Other income	-	1,463
	<u>-</u>	<u>1,463</u>
Total income	<u>39,751</u>	<u>65,254</u>

#### 5. Expenses

	<b>30.9.2011</b>	<b>30.9.2010</b>
	€	€
Management fees	98,017	85,459
Director fees	1,573	2,057
Administration fees and expenses	14,917	14,284
Audit fees	6,201	4,843
Custodian fees	4,236	4,295
Formation expenses	1,065	1,243
Custody transaction fees	1,903	2,751
Transfer agency fees	1,822	1,831
Permit fee	3,944	3,915
Other expenses	1,495	1,378
	<u>1,495</u>	<u>1,378</u>
Total expenses	<u>135,173</u>	<u>122,056</u>

Formation expenses of £42,122 have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These fees are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

**Strategic Growth Euro Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

Notes to the financial statements for the year ended 30 September 2011 (continued)

**6. Taxation**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	€	€
Withholding tax on dividend income	124	-
	<u>124</u>	<u>-</u>

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profit arising in the Cell for the 2009 year of assessment and future periods will be subject to tax at a rate of 0%. Previously, the Cell was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

**7. Finance Costs: Distributions**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	€	€
31 March 2011/31 March 2010	19,382	31,104
30 September 2011/30 September 2010 - payable as at year ends	<u>20,129</u>	<u>32,346</u>
Total finance costs	<u>39,511</u>	<u>63,450</u>

**8. Debtors**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	€	€
Dividends receivable	-	2,634
Other debtors	<u>-</u>	<u>124</u>
Total debtors	<u>-</u>	<u>2,758</u>

**9. Cash and Bank Balances**

	<b>30.9.2011</b>	<b>30.9.2010</b>
	€	€
Capital account	305,306	115,178
Income account	<u>19,798</u>	<u>29,141</u>
Cash and bank balances	<u>325,104</u>	<u>144,319</u>

## Strategic Growth Euro Distributor Fund PC a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

10. Creditors	30.9.2011	30.9.2010
	€	€
Management fees	8,275	7,494
Administration fees and expenses	1,229	1,212
Custodian fees	349	352
Audit fees	7,748	7,163
Directors fees	391	428
Formation expenses	86	95
Company secretarial fees	33	36
Custody transaction fees	58	202
Purchases awaiting settlement	-	57,536
Other creditors	4,199	3,103
	<u>22,368</u>	<u>77,621</u>
Total creditors		

### 11. Related Party Transactions

Rathbone Investment Management International Limited (“the Investment Manager”) and Rathbone Investment Management Limited (“the Sub Investment Manager”) are related parties. Richard Ian Smeeton, The Rt. Hon. The Viscount Lifford, Edward James Wingfield and Jonathan Michael Woodbury Giles are directors of the Investment Manager. Richard Ian Smeeton is also a director of the Sub Investment Manager. Both the Investment Manager and the Sub Investment Manager are owned by the same ultimate holding company (“Rathbone Brothers plc”).

The Investment Manager is entitled to charge a fee of 1.50% per annum of the NAV of each Cell, accrued and paid monthly.

Where investment is made in any other collective investment scheme then the Investment Manager will endeavour to use institutional fee classes or obtain rebates of the periodic charges levied by the investment managers or managers of those funds, which will be paid to the relevant Fund.

The Administrator will be paid by each Cell according to the terms of the Administration and Registrar Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £15,000 on the initial cells and then £12,500 for each additional cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.175% of the combined NAV of active Cells between £20 million and £50 million, then 0.075% of the combined NAV of active Cells over £50 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

The Custodian will be paid by each Cell according to the terms of the Custodian Agreement as shall be in force from time to time. The current fee schedule in respect of the Cell is a fixed fee of £4,000 per Cell per annum plus 0% where the combined NAV of active Cells is below £20 million, then 0.05% of the combined NAV of active Cells between £20 million and £40 million, then 0.03% of the combined NAV of active Cells over £40 million and the total cost will be pro-rated between the active Cells in accordance with their NAVs at each valuation point.

Formation expenses have been paid by the Investment Manager and are to be amortised and borne by each of the existing Cells pro-rata to their monthly NAV during the first five years. These formation expenses are accrued on a monthly basis and paid to the Investment Manager together with the management fees.

Fees payable in the period are as disclosed in the Statement of Total Return on page 83. Amounts outstanding at the year/period end are disclosed in Note 10. All transactions are at arms length.

In the opinion of the directors there is no ultimate controlling party of the Cell.

# Strategic Growth Euro Distributor Fund PC

## a Cell of Rathbone Investment Management International Strategies PCC

### Notes to the financial statements for the year ended 30 September 2011 (continued)

#### 12. Share Capital

##### Authorised

Unlimited shares of any class of no par value, which may be issued as Management Shares and Participating Shares in a Cell.

##### Issued

One Management Share of no par value to Rathbone Nominees Jersey Limited and one Management Share of no par value to Rathbone Fiduciaries Jersey Limited.

77,023.312 Participating shares were in issue at 30 September 2011 (30 September 2010: 67,638.752).

All issued shares were fully paid as at 30 September 2011. The Management shares exist solely to comply with Jersey Law, which requires that Participating shares must have a preference over another class of capital. The holders of Management shares have the right to receive notice of, attend and vote at general meetings of the Cell. A holder of Management shares is entitled to one vote for each Management share held. Management shares carry no right to a dividend and are not redeemable. In a winding up, they rank only for a return of paid up nominal capital pari passu out of the assets of the Cell (after the return of nominal capital paid up on Participating shares).

The holders ("Shareholders") of Participating shares have the right to receive notice of all general meetings of the Cell but may only vote on matters relating to the rights attaching to their shares. Shares are redeemable by shareholders at prices based on the value of the Cell's net assets as determined in accordance with its Articles of Association.

#### 13. Financial instruments

The Cell's investing activities expose it to various types of risk that are associated with financial instruments and markets in which it invests. These risks are dealt with at length in the prospectus. Some of the most important types of financial risk to which the Cell is exposed are summarised below.

##### Currency risk

The Cell invests in securities that are denominated in a range of currencies other than the currency in which the shares are denominated. Accordingly, the value of the Cell's assets are directly affected by fluctuations in currency rates.

Currency	Net foreign currency assets		
	Monetary exposures 30.9.2011	Non-monetary exposures 30.9.2011	Net Assets 30.9.2011
	€	€	€
Sterling	-	3,376,632	3,376,632
US Dollar	259	1,211,379	1,211,638
Euros	324,845	1,666,155	1,991,000
	<u>325,104</u>	<u>6,254,166</u>	<u>6,579,270</u>

**Strategic Growth Euro Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**13. Financial instruments (continued)**

Currency	Net foreign currency assets		
	Monetary exposures 30.9.2010	Non-monetary exposures 30.9.2010	Net Assets 30.9.2010
	€	€	€
Sterling	(92)	2,426,314	2,426,222
US Dollar	255	1,028,629	1,028,884
Euros	144,156	2,373,857	2,518,013
	<u>144,319</u>	<u>5,828,800</u>	<u>5,973,119</u>

*Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Cell. It is the Cell's policy to enter into financial instruments with a range of reputable counterparties. Therefore the Cell does not expect to incur material credit losses on its financial instruments. Certain transactions that the Cells may enter into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Cells have fulfilled their responsibilities.

The Cells only buy and sell investments through brokers which have been approved by the Investment Manager as acceptable counterparties. Investments in funds will be made directly with the appropriate fund administrator.

*Market price risk*

Market price risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Cell might suffer through holdings in the investment portfolio arising from price movements. Adherence to the investment guidelines and restrictions set out in the Prospectus mitigates the risk of excessive exposure to any particular type of security or issuer. These positions are monitored on a regular basis by the directors of the Cell.

*Liquidity risk*

Liquidity risk is the risk that the Cell will encounter difficulty in realising assets or otherwise raising funds to meet its financial obligations.

Shareholders have the right to redeem their shares in the Cell in accordance with the procedures detailed in its Prospectus. In order to meet its obligations the Cell may be required to sell investments held. The risk is that the Cell might not be able to repay fully amounts demanded by its shareholders.

The investment policy is to ensure that the investments of the Cell are liquid and readily realisable. The risk that the Cell will be unable to meet monthly dealing requirements is reduced by the high liquidity of the underlying investments.

*Interest rate risk*

None of the Cell's equity investments are directly exposed to interest rate risk.

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk as at the 30 September 2011:

**Strategic Growth Euro Distributor Fund PC**  
**a Cell of Rathbone Investment Management International Strategies PCC**

Notes to the financial statements for the year ended 30 September 2011 (continued)

Financial instruments (continued)

	Fixed interest rate financial assets €	Floating interest rate financial assets €	Non interest bearing financial assets €	Total €
Sterling	-	-	3,399,000	3,399,000
US Dollars	-	259	1,211,379	1,211,638
Euros	-	324,845	1,686,284	2,011,129
	<u>-</u>	<u>325,104</u>	<u>6,296,663</u>	<u>6,621,767</u>
	Fixed interest rate financial liabilities €	Floating interest rate financial liabilities €	Non interest bearing financial liabilities €	Total €
Sterling	-	-	(22,368)	(22,368)
Euros	-	-	(20,129)	(20,129)
	<u>-</u>	<u>-</u>	<u>(42,497)</u>	<u>(42,497)</u>

The following table sets out the carrying amount, by currency, of the Cell's financial instruments that are exposed to interest rate risk at 30 September 2010:

	Fixed interest rate financial assets €	Floating interest rate financial assets €	Non interest bearing financial assets €	Total €
Sterling	498,671	-	2,005,264	2,503,935
US Dollars	-	255	1,028,629	1,028,884
Euros	191,642	144,156	2,214,560	2,550,358
	<u>690,313</u>	<u>144,411</u>	<u>5,248,453</u>	<u>6,083,177</u>
	Fixed interest rate financial liabilities €	Floating interest rate financial liabilities €	Non interest bearing financial liabilities €	Total €
Sterling	-	(92)	(77,621)	(77,713)
Euros	-	-	(32,346)	(32,346)
	<u>-</u>	<u>(92)</u>	<u>(109,967)</u>	<u>(110,059)</u>

The floating rate financial assets include bank balances that bear interest at rates based on 0.5% under the base rate and overdraft interest based on 1.5% over the base rate.

**Strategic Growth Euro Distributor Fund PC  
a Cell of Rathbone Investment Management International Strategies PCC**

**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**14. Portfolio Transaction Costs**

	30.9.2011 €	30.9.2011 €	30.9.2010 €	30.9.2010 €
<b>Analysis of total purchase costs :</b>				
Purchases in period before transaction costs		3,616,410		4,604,982
Commission and other charges	<u>2,970</u>		<u>-</u>	
Total purchase costs		<u>2,970</u>		<u>-</u>
Gross purchase total		<u>3,619,380</u>		<u>4,604,982</u>
		<b>30.9.2011</b>		<b>30.9.2010</b>
<b>Analysis of total sale costs :</b>		€		€
Gross sales before transaction costs		3,066,813		3,639,104
Commission and other charges	<u>(920)</u>		<u>-</u>	
Total sales costs		<u>(920)</u>		<u>-</u>
Total sales net of transaction costs		<u>3,065,893</u>		<u>3,639,104</u>

**15. Distribution Table**

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2011, as follows :

	XD Date	Pay Date	Gross income €	Pence per share €
Paid	31.3.2011	22.4.2011	19,382	0.282892
Payable	30.9.2011	21.10.2011	<u>20,129</u>	0.261341
Total finance costs			<u>39,511</u>	

Distributions have been declared in respect of the Participating Shares for the period ended 30 September 2010, as follows :

	XD Date	Pay Date	Gross income €	Pence per share €
Paid	31.3.2010	23.4.2010	31,104	0.4602
Payable	30.9.2010	24.10.2010	<u>32,346</u>	0.4782
Total finance costs			<u>63,450</u>	

**Strategic Growth Euro Distributor Fund PC**  
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**Notes to the financial statements for the year ended 30 September 2011 (continued)**

**16. Reconciliation of NAV to bid prices**

	<b>Portfolio of investments 30.9.2011 €</b>	<b>Net assets attributable to Shareholders' 30.9.2011 €</b>	<b>Net asset value per share 30.9.2011 €</b>	<b>Net asset value per share 30.9.2010 €</b>
NAV	6,326,465	6,609,072	85.81	88.48
Adjustment on revaluation on Axa trade	-	-	-	0.01
Bid prices adjustment	<u>(29,802)</u>	<u>(29,802)</u>	<u>(0.39)</u>	<u>(0.18)</u>
Balance sheet	<u>6,296,663</u>	<u>6,579,270</u>	<u>85.42</u>	<u>88.31</u>

In order to comply with the Cell's prospectus the monthly NAV of the Cell is valued by using Mid prices. The above adjustment is required in order for the financial statements to comply with UK GAAP and the SORP which require the investments to be valued at Bid prices.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATEGIC GROWTH EURO DISTRIBUTOR FUND PC**

We have audited the financial statements of Strategic Growth Euro Distributor Fund PC (the "cell") for the year ended 30 September 2011 which comprise the Statement of Total Return, the Statement of Changes in Shareholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. 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").

This report is made solely to the cell's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the cell's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the cell and the cell's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are 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.

### **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 cell's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the cell's affairs as at 30 September 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.



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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in blue ink, appearing to read 'P Braun'.

**Philip Braun FCA**  
**for and on behalf of BDO Limited**  
**Chartered Accountants**  
**Jersey**  
**30 January 2012.**

