

TU BRITISH TRUST



Manager's interim report
For the half year ended 15 February 2012

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MANAGEMENT COMPANY

TU Fund Managers Limited,
Congress House, Great Russell Street,
London WC1B 3LQ
(Authorised and regulated by the Financial Services Authority)

DIRECTORS OF TU FUND MANAGERS LIMITED

The Lord Christopher, CBE (Chairman)
M R Cornwall-Jones, OBE (retired 21/10/2011)
J Hannett L J Harrison
M A Lawson J Nelson
P T Noon Baroness Prosser, OBE
D F Sachon

REGISTRAR

Northern Trust Global Services Limited
PO Box 3733, Wootton Bassett
Swindon SN4 4BG
Telephone: 0870 870 7502

TRUSTEE

HSBC Bank plc
8 Canada Square
London E14 5HQ
(Authorised and regulated by the Financial Services Authority)

AUDITORS

Shipleys LLP
Chartered Accountants
10 Orange Street
Haymarket
London WC2H 7DQ

INVESTMENT ADVISER

Scottish Widows Investment Partnership
33 Old Broad Street
London EC2N 1HZ
(Authorised and regulated by the Financial Services Authority)

TU

British Trust

The Trust aims to provide investors with a combination of long term capital growth together with reasonable income through investment in British commercial and industrial companies. Investments may be made in units of other collective investment schemes.

Chairman's Report

Half-yearly Report for the six months to 15 February 2012.

Performance

The Trust has had a disappointing half year against a challenging market background. The value of units rose by 4.47% compared with a rise in the FTSE All Share Index of 11.17%.

¹Source : Lipper Hindsight, total return, bid to bid prices, net income reinvested, in sterling

²Source : Lipper Hindsight, total return in sterling

Income

The interim net distribution for the six months to 15 February 2012 is 3.463p (net) per unit.

Outlook

The western world is teeming with economists, journalists and politicians who have been unwise (or arrogant) enough to express their views on the financial outlook. So why should we be any different!

Factors which will affect the out-turn of investments in the next twelve months are legion but the one thing (apart from our ownership by a Charity) which leads us to sense that equity investment may be sensible in 2012 is the seemingly endless period of low interest rates. Under the mattress looks almost as good a place for keeping your savings these days as a bank. So, wisely or not, we judge this to be a good year for saving in a TU unit trust. If we are wrong - well the TUUT Charitable Trust will have benefitted and some good work somewhere will have been done which otherwise would not have been done.

21st March 2012

The Lord Christopher CBE
Director and Chairman

DF Sachon
Director

Investment Manager's Report

For the first four months of this interim period equity markets, though volatile, remained virtually unchanged. Sentiment ebbed and flowed largely in response to developments around the sovereign debt crisis in Europe. However, equities surged higher in October as Europe's leaders appeared to make progress on a plan aimed at alleviating the mounting stress within the financial system. 2012 has started strongly, with markets buoyed by a positive reaction to the first of the ECB's long-term refinancing operations (LTRO). A second tranche of the LTRO, combined with improving economic data from the US have sustained the market rally into early March.

This was a challenging period for equity investors. Slowing global economic growth and renewed liquidity concerns surrounding European funding markets initially weighed heavily on investor risk appetite and triggered a violent rotation out of the more cyclical areas of the market into sectors with perceived 'safe haven' status such as pharmaceuticals, tobacco and telecoms. As funding concerns eased post the LTRO, market leadership reversed, with the banks rallying strongly. The benchmark rose 11.17% over the period, with the fund delivering a disappointing return of 4.47%.

The major detractor from performance was the holding in Essar Energy. The Indian based energy group suffered from a series of delays to the build out of its power project portfolio resulting in a slump in its share price. These delays were the result of a government dispute over the award of coal blocks to Essar and several other private sector companies. The sourcing of competitively priced domestic coal supplies is critical to the economics of the group's power business and the recent suspension of coal mining operations in India forced Essar to import much more expensive coal supplies from South Africa and Indonesia. The company remains confident that the dispute which centres round environmental issues will be resolved in the near future and we continue to hold the position within the portfolio. Holdings in a number of other oil & gas stocks, including Great Eastern Energy, Hardy Oil & Gas and Cadogan left the oil & gas producers as the largest detractor at the sector level. More positively, a number of our Conviction Buy ideas (including Indus Gas, iEnergizer and DS Smith) performed strongly over the period.

In response to the rapid deterioration in the prospects for the global economy which occurred midway through 2011 we began to reduce exposure to the mining and banking sectors, a process that continued into the early part of this review period. Proceeds were reinvested in companies with attractive dividend yields backed by strong balance sheets and resilient earnings streams, such as the pharmaceutical and utility companies. More recently we added a number of new positions to the portfolio including SABMiller, Invensys and Imperial Tobacco, replacing our holdings in Smiths Group, Tate & Lyle, Legal & General and RSA Insurance.

Investment Manager's Report

The portfolio is currently defensively positioned following the recent strong recovery in equity markets. Our short term caution reflects the view that several of the more cyclical areas of the market now appear to be discounting a lot of good news flow while earnings forecasts remain broadly risked to the downside. The macro economic and geopolitical backdrop also remains highly uncertain. The European sovereign debt crisis has much further to run with the recent bail-out packages for several member states deferring, rather than solving, the fundamental problems of over leverage and a lack of growth. The escalating political tension in the Middle East also represents a potent threat to equity markets in the short term with the continuing spike in the oil price suppressing growth potential.

PERFORMANCE HISTORY

Unit Prices

	<i>Highest Offer</i>	<i>Lowest Bid</i>
<i>Calendar year</i>	<i>p</i>	<i>p</i>
2007	663.40	551.90
2008	627.80	316.90
2009	501.10	290.50
2010	553.59	434.90
2011	589.80	438.40
2012 (to 15 February)	520.20	467.00

Net Asset Values

	<i>Units in issue</i>	<i>Market NAV of Fund</i>	<i>Market NAV per unit</i>
		<i>£</i>	<i>p</i>
15/08/09	9,180,826	38,645,257	420.93
15/08/10	8,233,008	37,389,557	454.14
15/08/11	7,846,312	36,851,818	469.67
15/02/12	7,550,823	36,776,751	487.06

Income Distributions

<i>Calendar year</i>	<i>Net income Distributed per unit</i>	<i>Net income Distributed per £1,000 invested 2 January 2007</i>
	<i>p</i>	<i>£</i>
2007	10.250	16.95
2008	11.830	19.56
2009	11.194	18.51
2010	11.254	18.61
2011	6.392	10.57
2012 (to 15 February)	3.463	5.73

Past performance is not a guide to the future. Investors are reminded that the price of units and the income derived from them is not guaranteed and may go down as well as up.

Total Expense Ratio (TER)

	<i>TER</i>
	<i>%</i>
15/08/2011	1.08
15/02/2012	1.11

CONSTITUTION AND AUTHORISATION

The Trust is constituted by a Trust Deed dated 19 July 1961, as amended from time to time by supplementary deeds. The Unit Trust is authorised under section 243 of the Financial Services and Markets Act 2000, and is a UCITS Scheme under the terms of the Financial Services Authority's Collective Investment Schemes Sourcebook.

DIRECTOR'S STATEMENT

In accordance with the requirements of the Financial Services Authority's Collective Investment Schemes Sourcebook, we hereby certify this report on behalf of the Directors of TU Fund Managers Limited.

15th April 2012

The Lord Christopher, CBE
Director and Chairman

DF Sachon
Director

PORTFOLIO STATEMENT

as at 15 February 2012

<i>Stock</i>	<i>Holding or nominal value of position</i>	<i>Market Value £</i>	<i>Percentage of total net assets %</i>
BASIC MATERIALS (15/08/11 14.07%)		2,150,473	5.85
Basic Resources			
BHP Billiton	59,176	1,238,554	3.37
Petroceltic	2,320,670	184,493	0.50
Mining			
Glencore International	169,051	727,426	1.98
CONSUMER GOODS (15/08/11 1.32%)		3,374,856	9.18
Imperial Tobacco	30,462	747,233	2.03
Sabmiller	74,643	1,915,339	5.21
Personal & Household Goods			
IEnergizer	245,615	712,284	1.94
CONSUMER SERVICES (15/08/11 9.13%)		2,904,690	7.89
Broadcasting & Entertainment			
British Sky Broadcasting	184,793	1,277,844	3.47
Media			
Reed Elsevier	305,511	1,626,846	4.42

PORTFOLIO STATEMENT

as at 15 February 2012 - continued

<i>Stock</i>	<i>Holding or nominal value of position</i>	<i>Market Value £</i>	<i>Percentage of total net assets %</i>
FINANCIALS (15/08/11 20.68%)		6,871,014	18.69
Banks			
Barclays	167,735	406,590	1.11
Bradford & Bingley*	426,598	-	-
HSBC	399,407	2,298,587	6.25
Tullett Prebon	115,045	366,994	1.00
Insurance			
Resolution	544,514	1,450,585	3.94
Real Estate			
Berkeley	118,976	1,550,257	4.22
Dolphin Capital Investors	1,826,227	378,942	1.03
LXB Retail Properties	377,531	419,059	1.14
HEALTH CARE (15/08/11 4.20%)		3,434,636	9.34
Health Care			
AstraZeneca	55,297	1,603,060	4.36
GlaxoSmithKline	129,899	1,831,576	4.98
INDUSTRIALS (15/08/11 7.47%)		873,567	2.37
Industrial Goods & Services			
Smith (DS)	307,164	519,414	1.41

PORTFOLIO STATEMENT

as at 15 February 2012 - continued

<i>Stock</i>	<i>Holding or nominal value of position</i>	<i>Market Value £</i>	<i>Percentage of total net assets %</i>
Heavy Construction			
Breedon Aggregates	2,083,250	354,153	0.96
OIL & GAS (15/08/11 26.57%)		11,546,474	31.40
BG	67,696	997,501	2.71
BP	612,085	2,962,491	8.06
Cadogan Petroleum	1,115,921	357,095	0.97
Cairn Energy	50,282	175,182	0.48
Cairn Energy B Shares	127,640	204,224	0.56
Centrica	470,688	1,374,880	3.74
Essar Energy	376,973	489,311	1.33
Genel Energy	70,000	616,000	1.67
Great Eastern Energy	208,736	594,898	1.62
Hardy Oil & Gas	255,974	417,238	1.13
Indus Gas	172,373	1,525,501	4.15
Royal Dutch Shell 'B'	78,448	1,832,153	4.98
TECHNOLOGY (15/08/11 4.33%)		648,524	1.77
Technology			
Invensys	183,926	391,946	1.07
DS Smith	345,559	256,578	0.70
UTILITIES (15/08/11 2.86%)		1,776,862	4.82
Utilities			
KSK Power Ventur	181,418	1,034,082	2.80
National Grid	115,788	742,780	2.02

PORTFOLIO STATEMENT

as at 15 February 2012 - continued

<i>Stock</i>	<i> Holding or nominal value of position</i>	<i>Market Value £</i>	<i>Percentage of total net assets %</i>
PORTFOLIO OF INVESTMENTS			
91.31% (90.63%)		<u>33,581,096</u>	<u>91.31</u>
Net Other Assets/Liabilities		3,195,655	8.69
TOTAL NET ASSETS		<u><u>36,776,751</u></u>	<u><u>100.00</u></u>

All holdings are ordinary or preference shares listed on recognised stock exchanges unless otherwise stated.

Comparative figures shown in brackets relate to 15 August 2011.

*Delisted Securities.

STATEMENT OF TOTAL RETURN

(unaudited) for the half year ended 15 February 2012

	15/02/12		15/02/11*	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		1,295		7,075
Revenue	464		394	
Expenses	(202)		(218)	
Finance costs: Interest	-		-	
	<u>262</u>		<u>176</u>	
Net revenue before taxation				
Taxation	(1)		(1)	
Net revenue after taxation		<u>261</u>		<u>175</u>
Total return before distributions		1,556		7,250
Finance costs: Distributions		(261)		(175)
Change in net assets attributable to unitholders from investment activities		<u>1,295</u>		<u>7,075</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(unaudited) for the half year ended 15 February 2012

	15/02/12		15/02/11	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		36,852		37,390
Amounts received from the Manager on creation of units	89		93	
Amounts received from the Manager on cancellation of units	(1,459)		(1,863)	
		<u>(1,370)</u>		<u>(1,770)</u>
Change in net assets attributable to unitholders from investment activities (see above)		1,295		7,075
Unclaimed distributions		-		1
Closing net assets attributable to unitholders		<u>36,777</u>		<u>42,696</u>

* The opening net assets attributable to unitholders for 2012 differs to the closing position in 2011 by the change in unitholders' net assets for the second half of the comparative financial year.

BALANCE SHEET

as at 15 February 2012

	15/02/12	15/08/11
	£'000	£'000
ASSETS		
Investment assets	<u>33,581</u>	<u>33,398</u>
Debtors	175	3097
Cash and bank balances	<u>3,290</u>	<u>1,066</u>
Total other assets	<u>3,465</u>	<u>4,163</u>
Total assets	<u>37,046</u>	<u>37,561</u>
LIABILITIES		
Creditors	8	382
Distribution payable on income units	<u>261</u>	<u>327</u>
Total liabilities	<u>269</u>	<u>709</u>
Net assets attributable to unitholders	<u>36,777</u>	<u>36,852</u>

Accounting policies

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, (the IMA SORP 2010).

DISTRIBUTION TABLE

(unaudited) for the half year ended 15 February 2012

Interim distribution	Net Dividend 15/04/12 pence per unit	Distribution Payable 15/04/12 pence per unit	Distribution Paid 15/04/11 pence per unit
Distribution per unit	3.463	3.463	2.2186

**THE FOLLOWING TRADE UNION ORGANISATIONS
AND OTHER ASSOCIATIONS HELD UNITS ON**

15 February 2012

Bakers, Food and Allied Workers' Union
Durham Colliery Mechanics Trust
FDA
GFTU
GMB
Musicians' Union
National Union of Mineworkers (North East Area)
Prospect
Public & Commercial Services Union
TUC
TUC Educational Trust
UCU (previously NATFHE)
Union of Shop, Distributive & Allied Workers
Unite - the union (Amicus Section)

UNITS HELD BY THE MANAGER

As at 15 February 2012 TU Fund Managers Limited held 59,280 units in the Trust.

TU Fund Managers

TU Fund Managers Limited
Congress House, Great Russell Street, London WC1 3LQ
Authorised and Regulated by the Financial Services Authority