



**CF Lindsell Train UK  
Equity Fund**

Annual Report and Financial Statements  
31 May 2007

THE FUND  
CF Lindsell Train UK Equity Fund

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# INVESTMENT MANAGER'S REPORT

FOR THE PERIOD BETWEEN 27 JUNE 2006 TO 31 MAY 2007

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the CF Lindsell Train UK Equity Fund ("the Fund") is to invest in the securities of companies which are listed, quoted or dealt on any of the markets of the London Stock Exchange, including the Alternative Investment Market (AIM), with the objective of achieving capital and income growth and providing a total return in excess of that of the FTSE All-Share Index.

It is the Fund's policy to invest primarily in ordinary shares, preference shares and convertible bonds listed, quoted or dealt in or any of the markets of the London Stock Exchange, including AIM. It is the Fund's policy not to invest in unlisted securities, other collective investment schemes, warrants, derivatives, immovables or gold.

## INVESTMENT REVIEW

We apply four investment principles in managing your Fund.

First, we believe that other investors do a poor job in establishing the full strategic value of outstanding business franchises – in other words that, most of the time, great companies are undervalued. The clearest way to demonstrate this proposition is to note that on those rare occasions when a "great" company changes hands – when it is bid for – the price is usually way in excess of that prevailing before the transaction. In response, our policy is to build a portfolio of what we believe to be exceptional franchises and expect, in the fullness of time, to benefit from their systematic undervaluation. Cadbury Schweppes, London Stock Exchange and Reuters are good current examples in the Fund of where it has taken external intervention, in the form of bid or stake building, to alert investors to the value left on the table.

Next, we use portfolio concentration as a means to both enhance returns and to reduce investment risk. By building substantial holdings in what we analyse to be exceptional and undervalued companies we maximise the reward to our investors when we get it right. Meanwhile, we believe our focus on excellence, as opposed to diversifying across a wider range of sometimes mediocre companies, reduces our risk of long-term capital loss. Positions in Diageo of 7.7% and Unilever of 7.6% are heavy, but the brands and geographical spread of these two outstanding global businesses make them much less risky than the average UK-quoted company.

Third, we believe that investors underestimate the contribution dividends make to returns from UK equities, as is confirmed by the propensity of "income" strategies to outperform "growth" strategies in the UK OEIC universe. We are keen to ensure that your portfolio offers a dividend yield somewhat higher than the market average. We also look out for companies with the potential for unusually robust dividend growth. So, we are attracted to, for instance, Lloyds TSB Bank and Pearson foremost for their important industry positions, but also their high dividend yields. But we have also invested in shares with a lower starting dividend yield, such as software companies Fidessa and Sage, where we expect rapid dividend growth. Lloyds and Pearson have both recently increased their distributions by 5.0% - welcome enough, given their generous yields, already both above UK inflation and growing faster than inflation, but Fidessa and Sage Group hiked by 40.0% and 17.0% respectively.

Finally, we are of the opinion that if you are invested in a great business, then time is on your side. It makes sense to own companies for the long haul that can regularly earn high returns on their equity, because over that long haul the compounding effect of the high RoEs is enriching. As a result, we switch in and out of shares much less often than the typical portfolio investor, in the process incurring much lower transaction costs than the typical portfolio investor too. We have not sold a holding or any part of any holding for your Fund since inception.

LINSELL TRAIN LIMITED  
*Investment Manager*  
28 September 2007

## NET ASSET VALUE PER SHARE AND COMPARATIVE TABLE

### PRICE AND INCOME HISTORY

#### Income shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2006#	110.07	99.97	–
2007*	122.79	107.18	3.1992

#### Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2006#	111.38	99.97	–
2007*	124.26	108.45	2.6576

#From 27 June 2006.

\*To 31 May 2007.

### NET ASSET VALUE

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.05.07	Income Accumulation	42,827,114 25,793,710	35,530,065 20,811,121	120.54 123.94

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### PRICES PER SHARE (EX-DISTRIBUTION)

Date	Share Class	Price P	Yield %	Total Expense Ratio %
01.06.07	Income Accumulation	121.23	2.64	0.75
		124.68	2.13	0.75

### FUND PERFORMANCE

Over the period 27 June 2006 to 31 May 2007 the net asset value rose by 20.55% (ex-distribution) per Income share and 23.94% per Accumulation share.

Details of the distributions per share for the year are shown in the Distribution Table on page 25.

### AUTHORISED STATUS

The Company is an investment company with variable capital incorporated under the OEIC Regulations. It is a 'Non-UCITS Retail Scheme' as defined in the Collective Investment Scheme Sourcebook (COLL Sourcebook) and also an umbrella company for the purposes of the OEIC Regulations. The Company is incorporated in England and Wales with registered number IC000459. The Company was authorised by Financial Services Authority with effect from 27 June 2006. The shareholders are not liable for the debts of the Company.

### CHANGE IN PROSPECTUS

During the period under review the Company changed its name from ACDS Lindsell Train UK Equity Fund to CF Lindsell Train UK Equity Fund.

## STATEMENT OF ACD'S RESPONSIBILITIES

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Services Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') and the Open-Ended Investment Regulations 2001 (SI 2001/1228) (the OEIC Regulations), requires the ACD to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Fund and of the net income and of the net gains on the property of the Fund for that period. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to the 'Financial Statements of Authorised Funds' issued by the IMA in December 2005;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the COLL Sourcebook and the OEIC Regulations. The ACD is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Fund's Auditors are unaware; and
- the ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's COLL Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations) and the Company's Instrument of Incorporation, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers of the Company.

## REPORT OF THE DEPOSITARY

FOR THE PERIOD BETWEEN 27 JUNE 2006 TO 31 MAY 2007

In our opinion, during the period under review, we confirm that in all material respects the Company has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income, in accordance with the rules in the COLL Sourcebook and, where applicable, the OEIC Regulations and the Instrument of Incorporation of the Company, and has observed the investment and borrowing powers and restrictions applicable to the Company.

THE BANK OF NEW YORK TRUST  
AND DEPOSITARY COMPANY LIMITED  
*Depositary of CF Lindsell Train UK Equity Fund*  
21 April 2008

## CERTIFICATION OF ACCOUNTS BY DIRECTORS OF THE ACD

This report is signed in accordance with the requirements of the COLL Sourcebook.

K.J. MIDL

J. MILLAN

CAPITA FINANCIAL MANAGERS LIMITED  
*ACD of CF Lindsell Train UK Equity Fund*  
21 April 2008

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CF LINDSELL TRAIN UK EQUITY FUND

We have audited the financial statements of CF Lindell Train UK Equity Fund ("the Fund") for the period between 27 June 2006 to 31 May 2007 which comprise the statement of total return, the statement of change in shareholders' net assets, the portfolio statement, the balance sheet, the summary of material portfolio changes, and notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Fund's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook issued by the Financial Services Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Fund's shareholders 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 Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF THE ACD AND THE AUDITORS

The ACD's responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association, the Financial Services Authority's Collective Investment Schemes sourcebook, and the Instrument of Incorporation are set out in the Statement of the ACD's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association, the Financial Services Authority's Collective Investment Schemes sourcebook, and the Instrument of Incorporation. We also report to you whether in our opinion the information given in the Manager's Report is consistent with the financial statements, and whether we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In addition we report to you if, in our opinion, proper accounting records for the Fund have not been kept, or if the financial statements are not in agreement with those records.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Manager's report, the comparative tables, and the performance record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACD in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 31 May 2007 and of the net income and net gains of the scheme property of the Fund for the period then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association in December 2005, the Financial Services Authority's Collective Investment Schemes sourcebook, and the Instrument of Incorporation; and
- the information given in the Manager's Report is consistent with the financial statements.

We have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

GRANT THORNTON UK LLP  
*Chartered Accountants and Registered Auditors*  
London, United Kingdom  
21 April 2008

## STATEMENT OF TOTAL RETURN

FOR THE PERIOD BETWEEN 27 JUNE 2006 TO 31 MAY 2007

	Notes	£	31.05.07 £
Net gains on investments during the period	2		7,206,751
Income	3	1,229,526	
Expenses	4	(336,061)	
Finance costs: Interest	6	–	
Net income before taxation		893,465	
Taxation	5	–	
Net income after taxation			893,465
<b>Total return before distributions</b>			8,100,216
Finance costs: Distributions	6	(1,081,189)	
<b>Change in net assets attributable to shareholders'</b>			<b>7,019,027</b>

## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

FOR THE PERIOD BETWEEN 27 JUNE 2006 TO 31 MAY 2007

	Notes	£	31.05.07 £
<b>Net assets at the start of the period</b>			–
Amounts receivable on issue of shares		61,401,957	
Less: Amounts payable on cancellation of shares		(303,023)	
			61,098,934
Stamp duty reserve tax	1(f)		(891)
Change in net assets attributable to shareholders' (see Statement of Total Return above)			7,019,027
Retained distribution on Accumulation shares			503,754
<b>Net assets at the end of the period</b>			<b>68,620,824</b>

## PORTFOLIO STATEMENT

AS AT 31 MAY 2007

Holding	Portfolio of Investments	Total Net Assets	
		Value £	31.05.07 %
27,500	DEBT SECURITIES Celtic 6% convertible	19,800	0.03
	TOTAL DEBT SECURITIES	19,800	0.03
10,799	OIL & GAS Royal Dutch Shell 'B'	205,829	0.30
	TOTAL OIL & GAS	205,829	0.30
	INDUSTRIALS		
107,686	<i>ELECTRONIC &amp; ELECTRICAL EQUIPMENT</i> Halma	250,639	0.37
	TOTAL INDUSTRIALS	250,639	0.37
	CONSUMER GOODS		
	<i>BEVERAGES</i>		
77,758	Barr (A.G.)	1,082,391	1.58
499,172	Diageo	5,373,587	7.83
		6,455,978	9.41
	<i>FOOD PRODUCERS</i>		
968,932	Cadbury Schweppes	6,884,262	10.03
339,874	Unilever	5,295,237	7.71
		12,179,499	17.74
	TOTAL CONSUMER GOODS	18,635,477	27.15
	CONSUMER SERVICES		
	<i>MEDIA</i>		
21,615	Daily Mail & General Trust	182,106	0.27
411,648	Euromoney Institutional Investor	2,801,265	4.08
517,156	Pearson	4,644,061	6.77
720,316	Reed Elsevier	4,916,157	7.16
734,420	Reuters Group	4,608,486	6.72
		17,152,075	25.00

Holding	Portfolio of Investments	Total Net Assets	
		Value £	31.05.07 %
	<i>TRAVEL &amp; LEISURE</i>		
90,700	Celtic	51,246	0.07
13,836	Greene King	153,995	0.22
296,374	Marston's	1,384,067	2.02
		<u>1,589,308</u>	<u>2.31</u>
	TOTAL CONSUMER SERVICES	<u>18,741,383</u>	<u>27.31</u>
	<i>FINANCIALS</i>		
	<i>BANKS</i>		
390,712	Bradford & Bingley	1,682,015	2.45
432,628	HBOS	4,702,666	6.85
776,546	HBOS 9.25% <i>ncip</i>	1,127,933	1.64
66,722	HBOS 9.75% <i>ncnrp</i>	102,251	0.15
577,162	Lloyds TSB Group	3,318,682	4.84
2,337,462	National Westminster Bank	3,383,476	4.93
		<u>14,317,023</u>	<u>20.86</u>
	<i>GENERAL FINANCIAL</i>		
210,194	London Stock Exchange Group	2,999,468	4.37
247,457	Rathbone Brothers	3,315,924	4.83
214,469	Schroders	2,966,106	4.33
		<u>9,281,498</u>	<u>13.53</u>
	TOTAL FINANCIALS	<u>23,598,521</u>	<u>34.39</u>
	<i>TECHNOLOGY</i>		
	<i>SOFTWARE &amp; COMPUTER SERVICES</i>		
264,982	Fidessa Group	2,755,813	4.02
1,393,307	Sage Group (The)	3,493,717	5.09
		<u>6,249,530</u>	<u>9.11</u>
	TOTAL TECHNOLOGY	<u>6,249,530</u>	<u>9.11</u>

Holding	Portfolio of Investments	Total Net Assets	
		Value £	31.05.07 %
	Portfolio of investments	67,701,179	98.66
	Net other assets	919,645	1.34
	Net assets	<u>68,620,824</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(h) and are ordinary shares unless stated otherwise.

*Definitions*

*ncnrp - non cumulative and non redeemable preference*

*ncip - non cumulative irredeemable preference.*

**BALANCE SHEET**  
AS AT 31 MAY 2007

	Notes	31.05.07	
		£	£
<b>ASSETS</b>			
<b>Portfolio of investments</b>			67,701,179
<b>Other assets</b>			
Debtors	8	937,403	
Bank balances		<u>886,798</u>	
<b>Total other assets</b>			1,824,201
<b>Total assets</b>			<u>69,525,380</u>
<b>LIABILITIES</b>			
<b>Other liabilities</b>			
Creditors	9	(67,796)	
Distribution payable on Income shares		(690,775)	
Bank overdrafts		<u>(145,985)</u>	
<b>Total other liabilities</b>			(904,556)
<b>Total liabilities</b>			<u>(904,556)</u>
<b>Net assets attributable to shareholders</b>			<u>68,620,824</u>

**SUMMARY OF MATERIAL PORTFOLIO CHANGES**  
FOR THE PERIOD BETWEEN 27 JUNE 2006 TO 31 MAY 2007

<b>Total purchases for the period (note 15)</b>		<b>£60,535,997</b>
<b>Major purchases</b>		<b>Cost</b>
		<b>£</b>
Cadbury Schweppes		5,742,034
Diageo		4,926,808
Unilever		4,663,817
HBOS		4,627,632
Reed Elsevier		4,330,698
Pearson		4,108,443
National Westminster Bank		3,599,755
Reuters Group		3,492,713
Sage Group (The)		3,486,919
Lloyds TSB Group		3,234,133
Rathbone Brothers		2,969,694
London Stock Exchange Group		2,632,859
Fidessa Group		2,506,423
Schroders		2,229,114
Euromoney Institutional Investor		1,982,809
Bradford & Bingley		1,816,531
HBOS 9.25% <i>ncip</i>		1,239,034
Barr (A.G.)		905,601
Wolverhampton & Dudley Brewery		587,290
Marston's		549,036

**There were no sales during the period.**

The portfolio changes represent the 20 largest purchases during the period.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MAY 2007

## 1. ACCOUNTING POLICIES

### (a) *Basis of accounting*

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association in December 2005.

There are no comparatives as this is the Company's first accounting period.

### (b) *Recognition of income*

Dividends receivable from quoted equity and non-equity shares are credited to income when the security is quoted ex-distribution. Interest and other income is recognised on an accruals basis.

### (c) *Treatment of stock and special dividends*

Any stock received in lieu of cash dividends is credited to Capital in the first instance, followed by a transfer to Income of the cash equivalent being offered and this forms part of the distributable income.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as Income or Capital. Amounts recognised as Income will form part of the distribution.

### (d) *Treatment of expenses*

For accounting purposes, all expenses (other than Stamp Duty Reserve Tax (SDRT) and costs relating to the purchase and sale of investments) are charged against income for the year on an accruals basis.

### (e) *Allocation of income and expenses to multiple share classes*

All charges and expenses will be allocated between classes in accordance with the terms of issue of those shares of those classes. Any charges and expenses not attributable to any one class will be allocated by the ACD to all classes pro rata to the net asset values of the classes, although the ACD has discretion to allocate such charges and expenses in a different manner which is considered fair to shareholders generally.

### (f) *Taxation*

- i. Corporation tax is provided at 20% on income, other than UK dividends, after deduction of expenses.
- ii. Where overseas tax has been deducted from overseas income that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.
- iii. The charge for deferred tax is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset. Deferred tax liabilities are not discounted.
- iv. SDRT suffered on surrender of shares is deducted from Capital.

### (g) *Distribution policy*

For the purpose of calculating the distributable amount 50% of all charges, costs and expenses (excluding transaction charges, SDRT and the costs of establishing the Company which will be allocated wholly to the capital) will be allocated to the capital of the Company.

Income arising from investments accumulates during each accounting period.

Surplus income is allocated to shareholders in accordance with the OEIC Regulations.

In order to conduct a controlled dividend flow to shareholders interim distributions may be made at the ACD's discretion, up to a maximum of the distributable income available for the period to date. All remaining net income at the period end is distributed in accordance with the OEIC Regulations.

### (h) *Basis of valuation of investments*

Listed investments are valued at closing bid prices, excluding any accrued interest in the case of fixed interest investments, on the last business day of the accounting period.

### (i) *Set up costs*

Initial set up costs are written off as they are incurred.

	<b>31.05.07</b>
	<b>£</b>
<b>2. NET GAINS ON INVESTMENTS</b>	
The net gains on investments during the period comprise:	
Non-derivative securities	7,206,751
Net gains on investments	<u>7,206,751</u>
<b>3. INCOME</b>	
UK dividends	1,166,738
Bank interest	62,788
Total income	<u>1,229,526</u>
<b>4. EXPENSES</b>	
Payable to the ACD, associates of the ACD and agents of either of them:	
ACD's periodic charge	191,168
Administration fees	17,807
Printing costs	1,000
Registration fees	7,380
Shareholder meeting costs	15,669
	<u>220,296</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	18,255
Transaction charges	8,014
Safe custody and other bank charges	29,051
	<u>55,320</u>
Other expenses:	
Audit fees	5,522
Tax fees	1,469
Legal fees	17,909
Set up costs	22,817
	<u>47,717</u>
Total expenses	<u>336,061</u>

	<b>31.05.07</b>
	<b>£</b>
<b>5. TAXATION</b>	
a) Analysis of charge for the period	
Corporation tax at 20%	—
Total current tax charge (note 5b)	—
Deferred tax – origination and reversal of timing differences (note 5c)	—
Total taxation	<u>—</u>
b) Factors affecting current tax charge for the period	
The tax assessed for the period is lower to the standard rate of corporation tax in the UK for an authorised fund (20%). The differences are explained below.	
	<b>31.05.07</b>
	<b>£</b>
Net income before taxation	<u>893,465</u>
Corporation tax at 20%	178,693
Effects of:	
UK dividends not subject to taxation	(233,348)
Expenses not deductible for tax purposes	6,166
Unrelieved excess management expenses	<u>48,488</u>
Corporation tax charge	—
Current tax charge for the period (note 5a)	<u>—</u>
c) Deferred tax	
At 31 May 2007 the Fund had surplus management expenses of £242,442 on which there is an unprovided deferred tax asset of £48,488. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.	

## 6. FINANCE COSTS

31.05.07

## Distributions

The distributions take account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

	<b>31.05.07</b>
	<b>£</b>
First Period	425,702
Final	1,100,921
	<u>1,526,623</u>
Add: Income deducted on cancellation of shares	322
Deduct: Income received on issue of shares	(445,756)
	<u>1,081,189</u>
Net distribution for the period	1,081,189
Interest	–
	<u>1,081,189</u>
Distribution represented by:	
Net income after taxation	893,465
Expenses charged to Capital:	187,758
	<u>(34)</u>
Net distribution for the period	<u>1,081,189</u>

Details of the distribution per share are set out in the table on page 25.

31.05.07

£

## 8. DEBTORS

Amounts receivable for issue of shares	743,192
Accrued income:	
UK dividends	193,641
Bank interest	570
	<u>937,403</u>
Total debtors	<u>937,403</u>

## 9. CREDITORS

## Accrued expenses:

Amounts payable to the ACD, associates of the ACD and agents of either of them.

ACD's periodic charge	51,372
Registration fees	3,137
Printing costs	1,000
	<u>55,509</u>

Amounts payable to the Depositary, associates of the Depositary and agents of either of them.

Depositary's fees	2,920
Safe custody and other bank charges	849
Transaction charges	1,310
	<u>5,079</u>

Other expenses

7,012

Taxation payable:

Stamp duty reserve tax

196

Total creditors

67,796

## 10. RELATED PARTY TRANSACTIONS

Management fees payable to Capita Financial Managers Limited (the ACD) and registration fees payable to Capita Financial Administrators Limited (an associate of the ACD) are disclosed in note 4 and amounts outstanding at the period end in note 9.

The aggregate monies received and paid by the ACD through the issue and cancellation of units are disclosed in the Statement of Change in Shareholders' Net Assets on page 10 and amounts outstanding at the period end in note 9.

All other amounts paid to, or received from, the related parties, together with the outstanding balances are disclosed in the financial statements.

## 11. CONTINGENT LIABILITIES

There were no contingent liabilities or outstanding commitments.

## 12. SHAREHOLDER FUNDS

The Fund has two share classes: Income and Accumulation. The annual management charge on those shares is:

	%
Income	0.65
Accumulation	0.65

The net asset value, the net asset value per share and the number of shares in issue are given in the Net Asset Value per Share and Comparative Tables.

## 13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations.

Political and economic events in the major economies of the world, such as the United States, Japan and the European Union, will influence stock and securities markets worldwide.

The main risks from the Fund's holding of financial instruments with the ACD's policy for managing these risks are set out below:

i. *Credit risk*

The Fund may find that companies in which it invests fail to settle their debts on a timely basis. The value of securities issued by such companies may fall as a result of the perceived increase in credit risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

ii. *Interest rate risk*

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in the interest rate environment, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of income receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

By a careful assessment of economic and other relevant factors, the Investment Manager will seek to invest in those companies most likely to benefit, or be shielded, from anticipated changes in interest rates.

## 13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

ii. *Interest rate risk (continued)*

The table below shows the interest rate risk profile:

	<b>31.05.07</b>
	<b>£</b>
Floating rate assets:	
Pounds sterling	886,798
Floating rate liabilities:	
Pounds sterling	(145,985)
Assets on which interest is not paid:	
Pounds sterling	68,638,583
Liabilities on which interest is not paid:	
Pounds sterling	(758,571)
Net assets	<u>68,620,824</u>

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to the UK base rate.

There are no material amounts of non-interest bearing financial assets and liabilities, other than equities, which do not have maturity dates.

iii. *Foreign currency risk*

The financial position and financial performance of the Fund is unlikely to be significantly affected by currency fluctuations as the Trust's assets are denominated primarily in sterling. No hedging of any currency exposure is undertaken. Revenue received in currencies other than sterling is converted into sterling at the date of receipt. At the period end the Trust held no investments denominated in currencies other than sterling.

iv. *Liquidity risk*

The main liability of the Fund is the cancellation of any shares that investors want to sell. Securities may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation. Smaller companies by their nature, tend to have relatively modest traded share capital, and the market in such shares can, at times, prove illiquid. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Fund's assets consist of readily realisable securities.

## 13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

## v. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. For an equity portfolio the risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of UK stocks can mitigate market risk.

## vi. Counterparty risk

Transactions in securities entered into by the Fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. The Investment Manager minimises this risk by conducting trades through only the most reputable counterparties.

## vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

## 14. POST BALANCE SHEET EVENTS

There are no material post balance sheet events which have a bearing on the understanding of the financial statements.

**31.05.07**  
**£**

## 15. PORTFOLIO TRANSACTION COSTS

Analysis of purchases

Purchases before transaction costs 60,196,405

Transaction costs:

Commissions	79,294
PTM levy	716
Stamp duty	259,582
	339,592

Total purchase costs 60,535,997

## DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 MAY 2007

IN PENCE PER SHARE

Interim

Group 1 – Shares purchased prior to 18 July 2006

Group 2 – Shares purchased on or after 19 July 2006 and on or before 30 November 2006

Income Shares	Net Income	Equalisation	Paid 31.01.07
Group 1	1.25500	–	1.25500
Group 2	0.53700	0.71800	1.25500

Accumulation Shares	Net Income	Equalisation	Allocated 31.01.07
Group 1	0.68680	–	0.68680
Group 2	0.36830	0.31850	0.68680

Final

Group 1 – Shares purchased prior to 30 November 2006

Group 2 – Shares purchased on or after 30 November 2006 and on or before 31 May 2007

Income Shares	Net Income	Equalisation	Payable 31.07.07
Group 1	1.94420	–	1.94420
Group 2	0.72987	1.21433	1.94420

Accumulation Shares	Net Income	Equalisation	Allocation 31.07.07
Group 1	1.97080	–	1.97080
Group 2	0.87047	1.10033	1.97080

## EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued income included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

## GENERAL INFORMATION

**Head Office:** Beaufort House, 15 St Botolph Street, London EC3A 7HH

**Address for Service:** The Head Office is the address in the United Kingdom for service on the Fund of notices or other documents required or authorised to be served on it.

**Base Currency:** The base currency of the Fund is pounds sterling.

**Share Capital:** The minimum share capital of the Fund is £1 and the maximum is £100,000,000,000. Shares in the Fund have no par value.

### CLASSES OF SHARES

Under the Company's Instrument of Incorporation, the Company is permitted to issue income and accumulation shares in relation to the shares of the Company.

Where income shares are in existence, each income share is deemed to represent one undivided unit of entitlement in the property of a Company. Where both income and accumulation shares are in existence, the number of undivided units of entitlement in the property of the Company represented by each accumulation share increases as income is accumulated.

### VALUATION POINT

The valuation point for the Company is 10 am on each dealing day. Valuations may be made at other times under the terms contained within the Prospectus.

### BUYING AND SELLING OF SHARES

The ACD will accept orders to deal in the shares on normal business days between 9.00am and 5.30pm. Instructions to buy or sell shares may be either in writing to: 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT or by telephone on 0845 922 0044. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

### PRICES

The most recent buying and selling prices of shares are posted in [www.fundlisting.co.uk](http://www.fundlisting.co.uk) and [www.lindselltrain.com](http://www.lindselltrain.com). The associated cancellation price is available on request from the ACD. The prices are also available on the website of the Investment Management Association at [www.investmentuk.org](http://www.investmentuk.org) under the heading Capita Financial Managers or by calling 0845 922 0044 during the ACD's normal business hours.

### OTHER INFORMATION

The Instrument of Incorporation, Prospectus, Simplified Prospectus and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office of the Fund and copies may be obtained upon application.

Shareholders who have any complaints about the operation of the Fund should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

### DATA PROTECTION

Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties to inform investors of other products by sending details of such products. Shareholders who do not want to receive such details should write to the ACD requesting their removal from any such mailing list.



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