



**CF Zenith International  
Managed Fund**

Interim Report and Financial Statements  
31 August 2008  
(unaudited)

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## INVESTMENT MANAGER'S REPORT FOR THE HALF YEAR ENDED 31 AUGUST 2008

### INVESTMENT OBJECTIVE AND POLICY

The investment objective of CF Zenith International Managed Fund (the 'Fund') is to seek capital growth with a modest level of income through diversified investment in other schemes. There will be no particular emphasis on any geographical area, industrial or economic sector. The Fund may also invest in transferable securities, money market instruments, cash and near cash, deposits, derivatives and forward transactions, immovable property and gold.

The Fund may invest in immovable property and in derivatives and forward transactions for investment purposes only after the Manager has given not less than 60 days' notice to the Unitholders.

The FTSE/APCIMS Private Investor Growth index is the benchmark comparison against which the performance of the Fund is measured.

### INVESTMENT REVIEW

The last six months have seen some of the most tumultuous events in global financial markets witnessed in our lifetimes and at the time of writing the situation has become still more perilous. We remain of the opinion that having stared into the abyss, we will ultimately retrench from the edge as the combined efforts of the world's leading governments and central banks start to pay dividends but in the meantime it is a nervy wait.

It is against this backdrop to which the recent performance of the Fund should be considered. There is no good way to say it; the performance in the last few months has been disappointing. It has personally been a very frustrating period for us as investment managers. We are not speculators who are always looking for the next place to make a quick buck; we select the underlying funds based on those which we believe to have the best fundamentals and to reflect our strategic asset allocation views. Regrettably such an approach has proven damaging during the summer months with virtually all asset markets gripped by fear that has driven down some investments by simply unreasonable levels.

We have lagged the benchmark during the last six months though all the underperformance has effectively come in July and August. We are not alone in experiencing such difficulties with a number of other high profile names in the multi-manager space having similar troubles. The extent of recent underperformance is a particular shame given that in July we were awarded an 'A' rating from Citywire for the consistency of performance over the last 3 years – the last two months have not turned us from good investment managers to bad ones, we have simply been caught up in the perfect storm.

We simply did not anticipate the extent and duration of the ongoing troubles in the credit markets and our investments in various closed-end vehicles have paid a heavy price. Whilst in nearly all cases, the underlying asset returns have actually been robust, a combination of investor pessimism and an excess supply of stock caused by investors redeeming from funds across the industry have seen discounts widen. With buyers few and far between, liquidity has dried up and even small sales have heavily impacted share prices. Whilst it would be nice to wave a magic wand, unfortunately there is very little we can do and if other investment houses are determined to sell, for whatever reason, we are pretty helpless bystanders. We have tried to preserve our desired asset allocation and that has led to some bargain hunting in some of the heavily depressed funds but it is likely to take time and a considerable improvement in investor sentiment before we see the benefit of such a strategy.

The cloud does have a silver lining in that the price of this Fund is considerably less than the actual value of the underlying assets. This means that when the current crisis is satisfactorily resolved, the Fund does stand to benefit from the double whammy of rising asset values and narrowing discounts. The Fund is well diversified geographically and across a wide range of asset classes and we have very limited exposure to the troubled domestic UK economy. We are also a beneficiary of Sterling weakness which we think can continue going forward. We firmly believe that the underlying assets are sound and that patience will see recent losses more than recouped. This is undoubtedly a very trying time for investors but it is important for those with long investment horizons not to get 'bounced' out of investments at the darkest hour. All we can do is continue to focus on having high quality investments in the portfolio and trust that in time their true value will be realised.

ASHCOURT ASSET MANAGEMENT

*Investment Manager*

6 October 2008

## COMPARATIVE TABLES

### PRICE AND INCOME HISTORY

#### Income Units

Calendar Year	Highest Buying Price P	Lowest Selling Price P	Distribution per unit P
2003	191.04	140.79	0.2400
2004	210.85	176.54	0.3700
2005	254.55	196.39	–
2006	276.64	226.35	–
2007	291.46	252.02	–
To 31 August 2008	280.19	227.68	–

### NET ASSET VALUE

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
28.02.06	9,548,121	3,783,279	252.38
28.02.07	8,863,163	3,459,269	256.21
29.02.08	7,326,266	2,880,900	254.30
31.08.08	6,594,255	2,805,287	235.07

### RISK WARNING

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units 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 necessarily 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 UNIT

Date	Buying Price P	Selling Price P	Yield %
01.09.08	238.94	252.18	–

### TOTAL EXPENSE RATIO

Expense Type	31.08.08 %	29.02.08 %
Manager's periodic charge	1.50	1.50
Other expenses	0.28	0.28
	1.78	1.78
Collective investment scheme costs (estimated)	0.60	0.53
Total expense ratio	2.38	2.31

The Total Expense Ratio (TER) represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting period.

Other expenses include fees payable to the Depositary and Auditors, printing and publication costs, registration fees and safe custody and other related bank charges.

The collective investment scheme costs represent the TERs of the underlying funds which are held as portfolio investments. Their inclusion has been calculated on a weighted basis against the Fund's average net assets during the accounting period.

FUND PERFORMANCE TO 31 AUGUST 2008 (%)

	6 months	3 years	5 years
CF Zenith International Managed Fund	-7.56	6.60	32.75
FTSE APCIMS Private Investor Growth Index	-2.90	8.37	31.76

The performance of the Fund is based on the net asset value per unit which includes reinvested income.

**AUTHORISED STATUS**

CF Zenith international Managed Fund is an authorised unit trust scheme, established on 20 December 1991. The first issue of units was 10 February 1992.

It is a non-UCITS Retail scheme and the currency of the Fund is pounds sterling.

**CERTIFICATION OF ACCOUNTS BY DIRECTORS OF THE MANAGER**

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

K.J. MIDL

J. MILLAN

CAPITA FINANCIAL MANAGERS LIMITED  
Manager of *CF Zenith International Managed Fund*  
27 October 2008

STATEMENT OF TOTAL RETURN  
FOR THE HALF YEAR ENDED 31 AUGUST 2008

	Notes	31.08.08		31.08.07	
		£	£	£	£
Net (losses)/gains on investments during the year	2	(555,461)		172,687	
Currency (losses)/gains		(3,446)		217	
Income	3	88,093		83,742	
Expenses	4	(67,947)		(79,337)	
Finance costs: Interest	6	(892)		(2,175)	
Net income before taxation		19,254		2,230	
Taxation	5	(2,230)		(55)	
Net income after taxation		17,024		2,175	
<b>Total return before distributions</b>		(541,883)		175,079	
Finance costs: Distributions	6	(6)		(101)	
<b>Change in net assets attributable to unitholders</b>		(541,889)		174,978	

STATEMENT OF CHANGE IN UNITHOLDERS' NET ASSETS  
FOR THE HALF YEAR ENDED 31 AUGUST 2008

	Notes	31.08.08		31.08.07	
		£	£	£	£
<b>Net assets at the start of the year</b>		7,326,266		8,863,163	
<i>Movement due to sales/repurchases of units:</i>					
Amounts receivable on issue of units		316,369		17,551	
Less: Amounts payable on cancellation of units		(505,666)		(1,043,126)	
		(189,297)		(1,025,575)	
Stamp duty reserve tax	1(e)	(852)		(109)	
Change in net assets attributable to unitholders (see Statement of Total Return above)		(541,889)		174,978	
Unclaimed distribution		27		-	
<b>Net assets at the end of the half year</b>		6,594,255		8,012,457	

PORTFOLIO STATEMENT  
AS AT 31 AUGUST 2008

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.08.08 %	29.02.08 %
	UNITED KINGDOM			
277,600	3i Infrastructure warrants 2012*	48,580	0.74	
125,000	Artemis Alpha Trust*	255,000	3.87	
77,687	Artemis UK Special Situations	231,631	3.51	
50,000	BlackRock British Smaller Companies	156,000	2.37	
100,000	City Merchants High Yield Trust*	144,500	2.19	
100,000	Dolphin Capital Ventures*	91,000	1.38	
182,667	Henderson Diversified Income	159,834	2.42	
155,521	J O Hambro UK Opportunities	201,799	3.06	
226,300	JZ Capital Partners*	285,138	4.32	
300,000	LMS Capital*	170,250	2.58	
10,849	Lowland Investment Company*	78,655	1.19	
455,000	O Twelve Estates*	86,450	1.31	
65,000	Polar Capital Technology Trust	129,350	1.96	
150,000	Real Estate Opportunities*	117,000	1.77	
140,000	REO Securities*	165,900	2.52	
30,000	SVG Capital*	179,250	2.72	
90,000	Utilico*	163,800	2.49	
	<b>TOTAL UNITED KINGDOM</b>	<b>2,664,137</b>	<b>40.40</b>	<b>41.87</b>
	CONTINENTAL EUROPE			
96,200	Artemis European Growth	191,159	2.90	
23,000	Baring Emerging Europe*	189,750	2.88	
50,000	Henderson EuroTrust*	237,000	3.59	
35,000	JPM European Fledgeling*	225,750	3.42	
24,520	Matrix European Real Estate*	60,564	0.92	
300,588	Zenith EU Growth	266,020	4.04	
	<b>TOTAL CONTINENTAL EUROPE</b>	<b>1,170,243</b>	<b>17.75</b>	<b>20.69</b>
	NORTH AMERICA			
17,500	Canadian General Investments*	180,250	2.73	
12,500	Financial Select Sector SPDR*	146,269	2.22	
53,104	Lehman Brothers Private Equity Partners*	218,888	3.32	
	<b>TOTAL NORTH AMERICA</b>	<b>545,407</b>	<b>8.27</b>	<b>0.85</b>

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.08.08 %	29.02.08 %
	JAPAN			
25,000	Japan Opportunities*	157,049	2.38	
105,850	Neptune Japan Opportunities*	187,249	2.84	
	<b>TOTAL JAPAN</b>	<b>344,298</b>	<b>5.22</b>	<b>14.06</b>
	CHINA			
35,000	China Real Estate Opportunities*	225,400	3.42	3.90
	SOUTH AFRICA			
150,000	South African Property Opportunities*	103,500	1.57	2.24
	GLOBAL			
22,000	Caliber Global*	483	0.01	
35,000	Finsbury Worldwide Pharmaceutical*	189,700	2.88	
200,400	Global Mena Financial Assets*	212,424	3.22	
38,000	Scottish Mortgage*	225,720	3.42	
	<b>TOTAL GLOBAL</b>	<b>628,327</b>	<b>9.53</b>	<b>5.37</b>
	EMERGING MARKETS			
49,115	Advance Developing Markets*	203,091	3.08	
419,925	Advance Frontier Markets*	224,714	3.41	
100,000	Ishaan Real Estate*	80,000	1.21	
	<b>TOTAL EMERGING MARKETS</b>	<b>507,805</b>	<b>7.70</b>	<b>-</b>
	COMMODITIES			
200,000	Cambium Global Timberland*	196,000	2.97	10.47
	Portfolio of investments	6,385,117	96.83	99.45
	Net other assets	209,138	3.17	0.55
	<b>Net assets</b>	<b>6,594,255</b>	<b>100.00</b>	<b>100.00</b>

The investments have been valued in accordance with note 1(g) and are collective investment schemes unless otherwise stated.

\* Investment companies.

## BALANCE SHEET

AS AT 31 AUGUST 2008

Notes	£	31.08.08	29.02.08
		£	£
<b>ASSETS</b>			
		6,385,117	7,285,726
<b>Portfolio of investments</b>			
<b>Other assets</b>			
			36,411
7	Debtors	19,612	
	Cash and bank balances	333,966	453,829
	<b>Total other assets</b>	<b>353,578</b>	<b>490,240</b>
	<b>Total assets</b>	<b>6,738,695</b>	<b>7,775,966</b>
<b>LIABILITIES</b>			
<b>Derivative liabilities</b>			
<b>Other liabilities</b>			
			(162,060)
8	Creditors	(43,743)	
	Bank overdrafts	(100,697)	(287,640)
	<b>Total other liabilities</b>	<b>(144,440)</b>	<b>(449,700)</b>
	<b>Total liabilities</b>	<b>(144,440)</b>	<b>(449,700)</b>
	<b>Net assets attributable to unitholders</b>	<b>6,594,255</b>	<b>7,326,266</b>

SUMMARY OF MATERIAL PORTFOLIO CHANGES  
FOR THE HALF YEAR ENDED 31 AUGUST 2008

Total purchases for the half year (note 12) £3,110,291

Purchases	Cost £
Real Estate Opportunities	251,503
Henderson EuroTrust	232,476
JPM European Fledgeling	230,620
Advance Frontier Markets	229,075
Henderson Diversified Income	225,000
LMS Capital	221,038
Utilico	217,033
Reo Securities	201,302
Advance Developing Markets	201,002
Global Mena Financial Assets	200,400
J O Hambro UK Opportunities	200,000
Financial Select Partners	150,734
Canadian General Investments	140,351
JZ Capital Partners	133,202
O Twelve Estates	87,676
Lowland Investment Company	74,837
3i Infrastructure warrants 2012	58,242
Lehman Brothers Private Equity Partners	55,549
J O Hambro UK Growth	251

Total sales for the half year (note 12) £3,459,800

Sales	Proceeds £
Thames River Japan	304,621
RIT Capital Partners	286,808
BlackRock Gold & General Monks	273,261
Schroder Japan Alpha Plus	231,934
Artemis Capital	219,366
J O Hambro UK Growth	215,875
GAM UK Diversified	202,155
J O Hambro Continental Europe	200,046
3i Infrastructure	195,698
Ruffer Investment Company	186,824
Dexion Equity Alternative	155,313
Baring Emerging Europe	153,441
MW Tops Participating Pref	120,837
Real Estate Opportunities	116,307
MW Tops	114,894
Atlantis Japan Growth	111,976
Templeton Emerging Markets	103,518
Cambian Global Timberland	102,980
Henderson Diversified Income	102,295
	61,651

The portfolio changes represent all of the purchases and sales during the half year.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 AUGUST 2008

### 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.

#### (b) Recognition of income

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the scheme and does not form part of the distributable income.

Income from unquoted equity investments is recognised when the dividend is declared.

Income on debt securities is accounted for on an effective yield basis.

Rebates of annual management charges (AMC rebates) from underlying funds are accounted for on an accruals basis and are recognised as income or capital in line with the distribution policies of the underlying funds.

Underwriting commission is wholly recognised as income when the issue takes place, except where the Fund is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

Interest on bank and other cash deposits is recognised on an accruals basis.

All income is recognised as a gross amount that includes any withholding taxes but excludes any other taxes such as attributable tax credits.

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

The ordinary element of 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 distributable income. The tax accounting treatment follows the treatment of the principal amount.

#### (d) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against income.

#### (e) Taxation

Corporation tax is provided at 20% on income, other than UK franked dividends, after deduction of expenses.

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.

### 1. ACCOUNTING POLICIES (continued)

#### (e) Taxation (continued)

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, 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.

Stamp duty reserve tax suffered on surrender of units is deducted from capital.

#### (f) Distribution policy

Surplus income, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to unitholders. Any income deficit is deducted from capital.

Interim distributions may be made at the Manager's discretion. Final distributions are made in accordance with the Regulations.

#### (g) Basis of valuation of investments

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

Collective investment schemes are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the accounting period.

Unlisted or suspended investments are valued by the Investment Manager taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

#### (h) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

	31.08.08 £	31.08.07 £
2. NET (LOSSES)/GAINS ON INVESTMENTS		
Non-derivative securities	(555,461)	172,687
3. INCOME		
UK dividends	41,905	40,045
Overseas dividends	35,058	31,711
Interest on debt securities	3,796	3,979
AMC rebates from underlying funds	251	1,754
Bank interest	7,083	6,253
Total income	88,093	83,742

	31.08.08 £	31.08.07 £
<b>4. EXPENSES</b>		
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	52,986	65,191
Printing costs	2,848	2,808
Registration fees	1,461	1,463
	57,295	69,462
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	2,954	2,958
Transaction charges	947	1,106
Safe custody and other bank charges	833	1,053
	4,734	5,117
Other expenses:		
FSA fee	96	130
Audit fee	4,611	4,628
Legal and professional fees	327	–
Tax compliance fee	884	–
	5,918	4,758
<b>Total expenses</b>	<b>67,947</b>	<b>79,337</b>
<b>5. TAXATION</b>		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	938	–
Irrecoverable income tax	1,292	55
<b>Current tax charge (note 5b)</b>	<b>2,230</b>	<b>55</b>
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
<b>Total taxation</b>	<b>2,230</b>	<b>55</b>

**5. TAXATION (continued)**

## b) Factors affecting tax charge

The tax assessed for the period differs from the standard rate of corporation tax in the UK for an authorised fund (20%) for the reasons explained below:

	31.08.08 £	31.08.07 £
Net income before taxation	19,254	2,230
Corporation tax at 20%	3,851	446
Effects of:		
UK dividends	(8,381)	(8,009)
Movement in income accruals	52	(343)
Expenses not deductible for tax purposes	189	221
Unutilised excess management expenses	4,289	7,685
<b>Corporation tax charge</b>	<b>–</b>	<b>–</b>
Higher tax rates on overseas earnings	938	–
Irrecoverable income tax	1,292	55
<b>Current tax charge (note 5a)</b>	<b>2,230</b>	<b>55</b>

## c) Deferred tax

There are potential deferred tax assets at the period end of £124,799 (31.08.07 : £117,646) in relation to surplus management expenses and £1,574 (31.08.07 : £nil) in relation to excess unutilised foreign tax available for double tax relief. It is unlikely that that the Fund will generate sufficient taxable profits in the future to utilise these amounts and, therefore, no deferred tax asset has been recognised in the current or the prior period.

**6. FINANCE COSTS**

	31.08.08 £	31.08.07 £
Distributions	–	–
Add: Income deducted on cancellation of units	589	103
Deduct: Income received on issue of units	(583)	(2)
<b>Net distributions</b>	<b>6</b>	<b>101</b>
Interest	892	2,175
<b>Total finance costs</b>	<b>898</b>	<b>2,276</b>

	31.08.08 £	31.08.07 £
<b>6. FINANCE COSTS (continued)</b>		
Distributions represented by:		
Net income after taxation	17,024	2,175
Transfers to Capital:		
Transaction charges	947	1,106
Balance carried forward	(17,965)	(3,180)
Net distributions for the half year	<u>6</u>	<u>101</u>
	<b>31.08.08</b> £	<b>29.02.08</b> £
<b>7. DEBTORS</b>		
Amounts receivable for issue of units	–	19,897
Accrued income:		
UK dividends	–	2,376
Overseas dividends	9,012	3,929
	9,012	6,305
Prepaid expenses	–	16
Taxation recoverable:		
Income tax	10,600	9,840
Overseas withholding tax	–	353
	10,600	10,193
Total debtors	<u>19,612</u>	<u>36,411</u>
<b>8. CREDITORS</b>		
Amounts payable for cancellation of units	24,083	19,095
Purchases awaiting settlement	–	121,744
Accrued expenses:		
Amounts payable to the manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	8,374	8,626
Printing costs	5,836	4,548
Registration fees	489	478
	14,699	13,652

	31.08.08 £	29.02.08 £
<b>8. CREDITORS (continued)</b>		
Amounts payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	498	465
Transaction charges	80	114
Safe custody and other bank charges	303	264
Interest payable	–	761
	881	1,604
Other expenses	3,871	5,816
Taxation payable:		
Overseas tax	82	23
Stamp duty reserve tax	127	126
	209	149
Total creditors	<u>43,743</u>	<u>162,060</u>
<b>9. RELATED PARTY TRANSACTIONS</b>		

Management fees payable to Capita Financial Managers Limited (the Manager) and registration fees payable to Capita Financial Administrators Limited and printing fees payable to Capita Business Services (both companies are associates of the Manager) are disclosed in note 4 and amounts due at the period end are disclosed in notes 7 and 8.

The aggregate monies received and paid by the Manager through the issue and cancellation of units are disclosed in the Statement of Change in Unitholders' Net Assets and amounts due at the period end are disclosed in notes 7 and 8.

Trustee and other fees payable to the Bank of New York Trust and Depositary Company Limited are also disclosed in note 4 and amounts due at the period end are disclosed in notes 7 and 8.

The net cash balances on deposit with The Bank of New York Mellon (an associate of The Bank of New York Trust and Depositary Company Limited) were £233,269 (29.02.08 : £166,189). Net interest received was £6,191 (31.08.07 : £4,078).

	31.08.08 £	29.02.08 £
10. CONTINGENT LIABILITIES AND COMMITMENTS		
There are contingent liabilities at the period end in respect of:		
Warrants	27,760	2,760

## 11. 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. Derivatives, such as futures or forward currency contracts, may be utilised for hedging.

The main risks from the Fund's holding of financial instruments, together with the Manager'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 securities issued by such companies may fall as a result of the perceived increase in credit risk. Adherence to investment guidelines and avoidance of 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 on bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

The table below shows the interest rate risk profile:

	31.08.08 £	29.02.08 £
Floating rate assets:		
US dollars	107,624	–
Pounds sterling	226,342	453,829
	333,966	453,829
Floating rate liabilities:		
US dollars	–	(151,095)
Pounds sterling	(100,697)	(136,545)
	(100,697)	(287,640)
Assets on which interest is not paid:		
Canadian dollars	–	507
Euros	–	225,274
Japanese yen	157,049	154,602
US dollars	590,354	266,404
Pounds sterling	5,657,326	6,675,350
	6,404,729	7,322,137

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

	31.08.08 £	29.02.08 £
ii. Interest rate risk (continued)		
Liabilities on which interest is not paid:		
Canadian dollars	–	(23)
Pounds sterling	(43,743)	(162,037)
	(43,743)	(162,060)
Net assets	6,594,255	7,326,266

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to UK LIBOR or its international equivalents.

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

## iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Changes in the sterling exchange rate can affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms and the prices of imports sold in the UK. Investment in overseas securities will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates.

The table below shows the foreign currency risk profile:

	31.08.08 £	29.02.08 £
Currency:		
Canadian dollars	–	484
Euros	–	225,274
Japanese yen	157,049	154,602
US dollars	697,978	115,309
	855,027	495,669
Pounds sterling	5,739,228	6,830,597
Net assets	6,594,255	7,326,266

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

31.08.08

iv. *Liquidity risk*

The main liability of the Fund is the cancellation of any units that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

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

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 Manager 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. Adherence to investment guidelines and avoidance of 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 global stocks can mitigate market risk.

vi. *Counterparty risk*

Transactions in securities entered into by the Fund give rise to exposure to the risk that 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.

viii. *Sensitivity analysis*

There were no derivatives of a material nature held throughout the period.

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## 12. PORTFOLIO TRANSACTION COSTS

## Analysis of purchases

Purchases before transaction costs	3,100,057
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## Transaction costs:

Commissions	5,098
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Other charges	5,136
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	10,234
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Total purchase cost	<u>3,110,291</u>
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## Analysis of sales

Sales before transaction costs	3,463,413
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## Transaction costs:

Commissions	(3,601)
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Other charges	(12)
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	(3,613)
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Net sales proceeds	<u>3,459,800</u>
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## GENERAL INFORMATION

### VALUATION POINT

The valuation point of the Fund is 8.30am on each business day. Valuations may be made at other times with the Trustee's approval.

### BUYING AND SELLING UNITS

The Manager will accept orders to buy or sell units on normal business days between 9.00am and 5.30pm and transactions will be effected at prices determined by the next following valuation. Instructions to buy or sell units 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 prices of units are available on the website of the Investment Management Association at [www.investment.uk.org](http://www.investment.uk.org) under the heading Capita Financial Managers.

### OTHER INFORMATION

The Trust Deed, Prospectus, Simplified Prospectus and the latest annual and interim reports may be inspected at the offices of the Manager and copies may be obtained on application to the Manager.

The Register of Unitholders can be inspected by unitholders during normal business hours at the Customer Service Centre, Capita Financial Administrators Limited at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT.

Unitholders who have any complaints about the operation of the Fund should contact the Manager or the Trustee in the first instance. In the event that a unitholder 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 ACT

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

Ibex House, 42 – 47 Minories, London EC3N 1DX  
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