



CF Chelverton UK Equity Fund

Annual Report and Financial Statements
31 December 2007

CF Chelverton UK Equity Income Fund

THE COMPANY
CF Chelverton UK Equity Fund

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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 ('COLL') requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net income and of the net losses on the property of the Company for that year. 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;
- make judgements and estimates that are reasonable and prudent;
- state whether 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 Company 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 Company and to enable them to ensure that the financial statements comply with the COLL Sourcebook. The ACD is 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.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company'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 and for the collection of income that arises from that property.

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 Collective Investment Scheme Sourcebook ('The Sourcebook'), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations) and the Company's Instrument of Incorporation and Prospectus, 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 FROM 1 DECEMBER 2006 TO 31 DECEMBER 2007

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) 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 Sourcebook and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

HSBC BANK PLC
Depositary of CF Chelverton UK Equity Fund
28 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 Chelverton UK Equity Fund
28 April 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CF CHELVERTON UK EQUITY FUND

We have audited the Company's financial statements for the period 1 December 2006 to 31 December 2007 which comprise the Statement of Total Return, Statement of Change in Shareholders' Net Assets, Portfolio Statement, Balance Sheet, Summary of Material Portfolio Changes, the related notes 1 to 13 and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE AUTHORISED CORPORATE DIRECTOR (ACD), DEPOSITARY AND AUDITORS

The ACD's responsibilities for preparing the Annual Report and the financial statements in accordance with the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority, the Instrument of Incorporation, and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of ACD Responsibilities in relation to the financial statements. The depositary is required to take reasonable care to ensure compliance by the ACD with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with UK 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 relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority, and the Instrument of Incorporation. We also report to you whether, in our opinion, the Report of the ACD is consistent with the financial statements, whether the ACD has not kept proper accounting records for the company or the sub-funds or whether the financial statements are not in agreement with those records, and whether we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Depositary and Certification of Accounts by Directors of the ACD for the company, and the Investment Adviser's Report, Net Asset Value per share and Comparative Tables, Fund Performance and Authorised Status, and the General Information. 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 Company'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 Company as at 31 December 2007 and of the net income and the net losses on the scheme property of the Company for the period then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority and the Instrument of Incorporation;
- the report of the ACD is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

ERNST & YOUNG LLP
Registered Auditor
London
28 April 2008

CF CHELVERTON UK EQUITY INCOME FUND
INVESTMENT ADVISER'S REPORT
FOR THE PERIOD FROM 1 DECEMBER 2006 TO 31 DECEMBER 2007

INVESTMENT OBJECTIVE

The objective of the CF Chelverton UK Equity Income Fund ('the Fund') is to provide a progressive income stream and achieve long-term capital growth by investing primarily in a portfolio of fully listed and AIM traded UK equities.

The Fund will invest primarily in UK companies which aim to provide a high initial dividend; progressive dividend payments, and long-term capital appreciation.

INVESTMENT REVIEW

In the period the Fund returned (13.79)% per Retail Income Share and (13.87)% per Institutional Income Share compared to the FTSE Small Cap ExIT Index (13.17)% and the FTA Allshare Index 9.2%.

The last period has been a difficult one for the Fund as, since the middle of the year, small cap, as an asset class, was in relative decline as a direct reaction to increasing economic concerns. Whilst the first part of the period saw rising markets underpinned by sound corporate results, ultimately the year was defined by the dramatic sell-off and increase in volatility in the final quarter. This sell-off was a reaction to increasing fears of a global recession and was compounded at the smaller end of the market by increasing fears over liquidity, as a result of the problems in the banking sector. We believe that this flight to large cap liquidity, the 'size effect', is a relatively short-term influence as the stocks that we invest in, whilst relatively small in size, have one thing in common – good cash flow, and it is this that we believe, over the medium-term, is the principle determinant of investment performance and not market cap.

We have seen tangible evidence of rising investor risk premiums as, against a background of rising dividends, our portfolio yield has risen during the past thirteen months from around 4.5% at the peak to just under 7% at the year end. Our investment process only allows us to invest in stocks that yield at least 4% and, from a sector perspective, this proved to be a drag on performance last year as we were unable to invest in the best performing areas of oil and gas and mining. We largely avoided the worst of the sell-off in the consumer services and real estate sectors, but we were adversely affected by our exposure to small financials.

Our yield requirements preclude us from investing in the vast majority of IPO's but last year we were able to purchase Hansard Global and Hilton Food.

During the last twelve months your Fund benefited from bids for Hitachi Capital, Salvesen and Alpha Airports. In the earlier part of 2007 some valuations at the larger end of the market were undoubtedly being supported by bid speculation. At the time the trend was for venture capitalists to do large, highly-g geared deals and it is fair to say that, given the current liquidity environment, these deals have been put on hold. However, we believe that we will soon start to see venture capitalists begin to invest some of their substantial funds at the smaller end of the market, where deals will be struck using a higher proportion of equity with a view to increasing gearing when liquidity conditions improve.

As managers we focus on tangible cash flow measures when we determine which stocks we want to buy and sell and we try to invest in stocks that we can hold across the cycle. Occasionally, however, after extreme periods of relative performance, it is appropriate to look for catalysts that may signal a turn in direction. At the moment, whilst it is difficult for us to predict when investor confidence will return we can look to the corporate sector for guidance. History has shown us that after a shakeout we can expect a combination of Director purchases, share buybacks and corporate activity to lead the recovery and begin to highlight relative value. We will benefit when sentiment moves from a fear inspired 'flight to liquidity' to a longer term, investment driven 'flight to cash flow'.

CHELVERTON ASSET MANAGEMENT LIMITED

Investment Adviser

24 January 2008

CF CHELVERTON UK EQUITY INCOME FUND
NET ASSET VALUE PER SHARE AND COMPARATIVE TABLE

PRICE AND INCOME HISTORY

Retail income

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2006#	103.72	99.16	–
2007	108.76	82.65	3.0000
2008	–	–	2.7136*

Institutional income

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2006#	103.77	99.17	–
2007	109.12	83.23	3.0000
2008	–	–	2.7247*

Retail accumulation

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007##	105.12	83.40	1.0000
2008	–	–	2.6120*

Institutional accumulation

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007##	105.54	83.92	1.0000
2008	–	–	2.6120*

From 1 December 2006.

From 2 July 2007.

* Payable 29 February 2008, in relation to year ended 31 December 2007.

NET ASSET VALUE

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.12.07	Retail Income	946,001	1,175,133	80.50
	Institutional Income	5,838,318	7,260,402	80.41
	Retail Accumulation	207	250	82.80
	Institutional Accumulation	208	250	83.20

PRICE PER SHARE (EX-DISTRIBUTION)

Date	Share Class	Price P	Yield %	Total Expense Ratio %
02.01.08	Retail Income	80.50	6.78	1.25
	Institutional Income	81.08	6.74	1.00
	Retail Accumulation	83.95	8.63	1.25
	Institutional Accumulation	84.52	8.57	1.00

FUND PERFORMANCE

The performance of the Fund is shown in the Investment Adviser's Report on page 6.

Details of the distributions per share for the period are set out in the Distribution Table on page 27.

FUND STATUS

CF Chelverton UK Equity Fund is an umbrella Fund. CF Chelverton UK Equity Income Fund is a sub-fund of CF Chelverton UK Equity Fund with investment powers equivalent to a 'UCITS scheme', which complies with the COLL Sourcebook.

The first issue of shares was on 1 December 2006.

CF CHELVERTON UK EQUITY INCOME FUND
STATEMENT OF TOTAL RETURN
FOR THE PERIOD FROM 1 DECEMBER 2006 TO 31 DECEMBER 2007

	Notes	£	31.12.07 £
Net losses on investments during the period	2	(1,826,518)	
Income	3	361,864	
Expenses	4	(79,652)	
Finance costs: Interest	6	(1,396)	
Net income before taxation		280,816	
Taxation	5	–	
Net income after taxation		280,816	
Total return before distributions		(1,545,702)	
Finance costs: Distributions	6	(355,360)	
Change in net assets attributable to shareholders		(1,901,062)	

STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	£	31.12.07 £
Net assets at the start of the period			–
<i>Movement due to sales/repurchases of shares:</i>			
Amounts receivable on issue of shares		9,708,813	
Less: Amounts payable on cancellation of shares		(1,020,790)	
			8,688,023
Stamp duty reserve tax	1(f)	(2,245)	
Change in net assets attributable to shareholders (See Statement of Total Return above)		(1,901,062)	
Retained distribution on Accumulation shares			18
Net assets at the end of the period			<u>6,784,734</u>

This is the first reporting period of the Fund since it launched on 1 December 2006, therefore no comparative figures are provided in the Statement of Total Return or related notes.

PORTFOLIO STATEMENT
AS AT 31 DECEMBER 2007

Holding	Portfolio of Investments	Total Net Assets Value £	31.12.07 %
	UNITED KINGDOM		
	EQUITIES		
	BASIC MATERIALS		
	<i>CHEMICALS</i>		
76,000	Zotefoams	70,680	1.04
	<i>INDUSTRIAL METALS</i>		
200,000	Acertec	80,000	1.18
	<i>MINING</i>		
67,000	ATH Resources	147,400	2.17
	TOTAL BASIC MATERIALS	298,080	4.39
	INDUSTRIALS		
	<i>CONSTRUCTION & MATERIALS</i>		
40,000	Alumasc Group	70,800	1.04
125,000	T Clarke	212,500	3.13
60,000	Low & Bonar	71,400	1.05
50,000	Marshalls	120,500	1.78
80,000	Titon Holdings	48,800	0.72
39,500	Tolent	69,125	1.02,
		593,125	8.74
	<i>GENERAL INDUSTRIALS</i>		
20,000	Cosalt	60,600	0.89
	<i>ELECTRONIC & ELECTRICAL EQUIPMENT</i>		
220,000	Abacus Group	136,400	2.01
225,000	Stadium Group	130,500	1.92
155,000	TT Electronics	174,762	2.58
		441,662	6.51

CF CHELVERTON UK EQUITY INCOME FUND

Portfolio Statement (continued)

Holding	Portfolio of Investments	Total Net Assets	
		Value £	31.12.07 %
	<i>SUPPORT SERVICES</i>		
42,000	Acal	63,840	0.94
185,000	Dawson Holdings	210,900	3.11
30,000	Electrocomponents	62,175	0.92
160,000	Litho Supplies	78,400	1.16
500,000	Macfarlane Group	145,000	2.14
150,000	Northern Recruitment Group	102,000	1.50
115,000	Office2office	135,125	1.99
140,000	Smiths News	145,600	2.15
		<u>943,040</u>	<u>13.91</u>
	<i>INDUSTRIAL ENGINEERING</i>		
70,000	Chamberlin	133,000	1.96
230,000	Metalrax Group	36,225	0.53
80,000	Trifast	51,600	0.76
		<u>220,825</u>	<u>3.25</u>
	<i>INDUSTRIAL TRANSPORTATION</i>		
48,500	Braemar Shipping Services	224,070	3.30
14,500	Clarkson	146,450	2.16
68,000	TDG	140,760	2.07
		<u>511,280</u>	<u>7.53</u>
	TOTAL INDUSTRIALS	<u>2,770,532</u>	<u>40.83</u>
	CONSUMER GOODS		
	<i>FOOD PRODUCERS</i>		
145,000	Hilton Food Group	268,250	3.95
50,000	Premier Foods	102,000	1.50
		<u>370,250</u>	<u>5.45</u>
	<i>HOUSEHOLD GOODS</i>		
35,000	Portmeirion Group	96,250	1.42
30,000	William Sinclair Holdings	28,500	0.42
30,000	Victoria	78,600	1.16
		<u>203,350</u>	<u>3.00</u>

Holding	Portfolio of Investments	Total Net Assets	
		Value £	31.12.07 %
	<i>BEVERAGES</i>		
25,000	Nichols	56,250	0.83
	<i>PERSONAL GOODS</i>		
120,000	Alexandra	112,800	1.67
	TOTAL CONSUMER GOODS	<u>742,650</u>	<u>10.95</u>
	HEALTH CARE		
	<i>PHARMACEUTICALS & BIOTECHNOLOGY</i>		
450,000	William Ransom & Son	58,500	0.87
	TOTAL HEALTH CARE	<u>58,500</u>	<u>0.87</u>
	CONSUMER SERVICES		
	<i>GENERAL RETAILERS</i>		
80,726	ScS Upholstery	75,075	1.11
	<i>MEDIA</i>		
257,014	Avesco Group	275,005	4.05
	<i>TRAVEL & LEISURE</i>		
75,000	Cineworld Group	94,500	1.39
20,000	Holidaybreak	136,000	2.00
		<u>230,500</u>	<u>3.39</u>
	TOTAL CONSUMER SERVICES	<u>580,580</u>	<u>8.55</u>
	UTILITIES		
	<i>GAS, WATER & MULTIUTILITIES</i>		
10,500	Dee Valley Group	102,900	1.52
	TOTAL UTILITIES	<u>102,900</u>	<u>1.52</u>
	FINANCIALS		
	<i>LIFE INSURANCE</i>		
85,000	Chesnara	141,950	2.10
		<u>141,950</u>	<u>2.10</u>

CF CHELVERTON UK EQUITY INCOME FUND

Portfolio Statement (continued)

Holding	Portfolio of Investments	Total Net Assets	
		Value £	31.12.07 %
	<i>NON LIFE INSURANCE</i>		
31,000	Brit Insurance Holdings	70,448	1.04
140,000	Highway Insurance Holdings	100,800	1.49
65,000	Personal Group Holdings	191,750	2.83
125,000	THB Group	108,750	1.60
		<u>471,748</u>	<u>6.96</u>
	<i>GENERAL FINANCIAL</i>		
25,000	Arbuthnot Banking Group	110,000	1.62
40,000	Cattles	117,500	1.73
35,000	Davenham Group	73,500	1.08
90,000	Jarvis Securities	144,000	2.12
228,436	London Scottish Bank	143,915	2.12
19,000	S&U	78,850	1.16
250,000	Wogen	187,500	2.76
		<u>855,265</u>	<u>12.59</u>
	TOTAL FINANCIALS	<u>1,468,963</u>	<u>21.65</u>
	<i>TECHNOLOGY</i>		
	<i>SOFTWARE & COMPUTER SERVICES</i>		
430,000	Sanderson Group	193,500	2.85
	TOTAL TECHNOLOGY	<u>193,500</u>	<u>2.85</u>
	Portfolio of investments	6,215,705	91.61
	Net other assets	569,029	8.39
	Net assets	<u>6,784,734</u>	<u>100.00</u>

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

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	£	31.12.07 £
ASSETS			
Portfolio of investments			6,215,705
Other assets			
Debtors	7	71,528	
Bank balances		<u>760,054</u>	
Total other assets			831,582
Total assets			<u>7,047,287</u>
LIABILITIES			
Other liabilities			
Creditors	8	(32,840)	
Distribution payable on Income shares		<u>(229,713)</u>	
Total other liabilities			(262,553)
Total liabilities			<u>(262,553)</u>
Net assets attributable to shareholders			<u>6,784,734</u>

CF CHELVERTON UK EQUITY INCOME FUND
SUMMARY OF MATERIAL PORTFOLIO CHANGES
FOR THE YEAR ENDED 31 DECEMBER 2007

Total purchases for the period (note 13) £9,474,097

Major purchases	Cost £
Avesco Group	307,368
TT Electronics	306,536
Acertec	286,326
Abacus Group	285,714
ScS Upholstery	264,551
Braemar Shipping Services	261,632
Clarkson	251,244
Wogen	227,362
Office2office	223,303
London Scottish Bank	217,552
Dawson Holdings	216,397
Sanderson Group	212,047
Macfarlane Group	199,275
Smiths News	194,488
Hilton Food Group	187,500
Personal Group Holdings	177,122
Marshalls	171,093
TDG	164,624
Northern Recruitment Group	160,181
Alexandra	157,431

Total sales for the period (note 13) £1,431,875

Sales	Proceeds £
Hansard Global	209,745
Hitachi Capital UK	172,077
Christian Salvesen	163,123
Johnson Services Group	152,205
Alpha Airports Group	143,000
DS Smith	95,077
Victoria	72,244
Braemar Shipping Services	68,820
CML Microsystems	59,202
F&C Asset management	54,989
Macfarlane Group	44,534
Wagon	44,370
Waterman group	40,917
Highway Insurance Holdings	35,428
Dawson Holdings	26,446
Clarkson	25,947
City lofts Group	23,751

The portfolio changes represent the 20 largest purchases and all the sales during the period.

CF CHELVERTON UK EQUITY INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 AS AT 31 DECEMBER 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.

(b) *Recognition of income*

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

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

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

All income includes withholding taxes but excludes irrecoverable tax credits.

(c) *Treatment of stock and special dividends*

The ordinary element of stocks 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 initially against income.

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

Any income or expense not directly attributable to a particular share class will normally be allocated pro-rata to the net assets of the relevant share classes and sub-funds.

(f) *Taxation*

Corporation tax is provided at 20% on income, other than UK 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.

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 shares is deducted from capital.

1. ACCOUNTING POLICIES (*continued*)

(g) *Distribution policy*

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

Interim distributions may be made at the ACD's discretion and the balance of income is distributed in accordance with the OEIC Regulations.

(h) *Basis of valuation of investments*

Listed investments are valued at closing bid prices 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.

(i) *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.

(j) *Dilution levy*

The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a sub-fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the ACD is the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

(k) *Set up costs*

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

31.12.07
£

2. NET LOSSES ON INVESTMENTS

Non-derivative securities (1,826,518)

3. INCOME

UK dividends 334,956
 Overseas dividends 8,200
 Bank interest 18,708
 Total income 361,864

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

ACD's periodic charge	56,657
Accounting fee	35,209
Printing costs	2,978
Professional fees	1,000
Registration fees	6,140
Refund of expenses from ACD	(54,029)
	<u>47,955</u>

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary's fees	12,717
Transaction charges	5,375
Safe custody and other bank charges	285
	<u>18,377</u>

Other expenses:

FSA fee	240
Audit fee	7,050
Set up costs	6,030
	<u>13,320</u>
Total expenses	<u>79,652</u>

5. TAXATION

a) Analysis of charge for the period

Corporation tax at 20%	—
Current tax charge (note 5b)	—

Deferred tax – origination and reversal of timing differences (note 5c)

	—
Total taxation	<u>—</u>

5. TAXATION (continued)

b) Factors affecting tax charge for the period

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.

	31.12.07
	£
Net income before taxation	<u>280,816</u>
Corporation tax at 20%	56,163
Effects of:	
UK dividends	(66,991)
Expenses not deductible for tax purposes	2,281
Utilisation of excess management expenses	8,547
	<u>—</u>
Corporation tax charge	—
	<u>—</u>
Current tax charge (note 5a)	<u>—</u>

c) Deferred tax

At the period end there are potential deferred tax assets of £8,547 in relation to surplus management expenses and in relation to excess unutilised foreign tax available for double tax relief. It is unlikely 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 period.

6. FINANCE COSTS

Distributions

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

	31.12.07
	£
First Interim	59,900
Half Year	68,955
Third Interim	73,019
Final	<u>229,726</u>
	431,600
Add: Income deducted on cancellation of shares	24,796
Deduct: Income received on issue of shares	(101,036)
Net distributions for the period	<u>355,360</u>

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

6. FINANCE COSTS (continued)

	31.12.07
	£
Interest	1,396
Total finance costs	<u>356,756</u>

Details of the distribution per share are set out in the table on page 27.

	31.12.07
	£
Distributions represented by :	
Net income after taxation	280,816
Expenses charged to capital:	
Transaction charges	5,375
Legal and professional fees	6,030
ACD's periodic charge	56,657
Printing costs	2,978
Registration fees	6,140
Depositary's fees	12,717
Professional fees	1,000
Safe custody and other bank charges	285
Audit fee	7,050
FSA fee	240
Accounting fee	35,209
Refund of expenses from ACD	(54,029)
Tax relief on capitalised expenses	(5,102)
	74,550
Balance carried forward	(6)
Net distributions for the period	<u>355,360</u>

7. DEBTORS

Accrued income:	
UK dividends	14,953
Bank interest	2,467
	17,420
Refund of expenses from ACD	54,029
Prepaid expenses	79
Total debtors	<u>71,528</u>

31.12.07
£

8. CREDITORS

Accrued expenses:	
Amounts payable to the ACD, associates of the ACD and agents of either of them:	
ACD's periodic charge	5,260
Accounting fee	10,834
Printing costs	2,978
Professional fees	1,000
Registration fees	1,808
	21,880
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	2,962
Safe custody and other bank charges	81
	3,043
Other accrued expenses	7,640
Taxation payable	
Stamp duty reserve tax	277
Total creditors	<u>32,840</u>

9. RELATED PARTY TRANSACTIONS

Management fees payable to Capita Financial Managers Limited (the ACD), registration fees payable to Capita Financial Administrators Limited and printing costs payable to Capita Business Services Limited (both companies are associates of the ACD) 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 ACD through the issue and cancellation of shares are disclosed in the Statement of Change in Shareholders' Net Assets on page 10 and amounts due at the period end are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers) had the following unitholdings in the Fund:

	Held at
	31.12.07
Retail Income	13,464
Institutional Income	41,168

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

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

10. SHAREHOLDER FUNDS

The Fund has four share classes. The annual management charge on those shares are as follows:

Retail Income	1.50%
Retail Accumulation	1.50%
Institutional Income	0.75%
Institutional Accumulation	0.75%

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 Table.

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments.

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing the investment objectives 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 purposes.

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 Company's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

i. Credit risk

The Company 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 Company'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 Adviser will seek to invest in those companies most likely to benefit, or be shielded, from anticipated changes in interest rates.

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

ii. Interest rate risk (continued)

The table below shows the interest rate risk profile as at the balance sheet date:

	31.12.07
	£
Floating rate assets:	
Pounds sterling	760,054
Assets on which interest is not paid:	
Pounds sterling	6,287,233
Liabilities on which interest is not paid:	
Pounds sterling	(262,553)
Net assets	<u>6,784,734</u>

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

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 effect 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.

iv. Liquidity risk

The main liability of the Company 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.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The dearth of accurate and meaningful information, and inefficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with low dealing volumes, can restrict the Investment Adviser's ability to execute substantial deals.

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

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

v. Market price risk

Market price risk is the risk that the value of the Company'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 Company holds.

Market price risk represents the potential loss the Company may suffer through holding market positions in the face of price movements. The Company'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 global stocks can mitigate market risk.

vi. Counterparty risk

Transactions in securities entered into by the Company 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 Adviser 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.

31.12.07
£

13. PORTFOLIO TRANSACTION COSTS

Analysis of purchases

Purchases before transaction costs 9,405,685

Transaction costs:

Commissions 23,279

Stamp duty and other charges 45,133

68,412

Total purchase cost 9,474,097

Analysis of sales

Sales before transaction costs 1,435,436

Transaction costs:

Commissions (3,542)

Other charges (19)

(3,561)

Total sales proceeds 1,431,875

DISTRIBUTION TABLE

FOR THE PERIOD FROM 1 DECEMBER 2006 TO 31 DECEMBER 2007 – IN PENCE PER SHARE

First Interim

Group 1 – Shares purchased prior to 1 December 2006

Group 2 – Shares purchased on or after 1 December 2006 and on or before 31 March 2007

Retail Income Shares	Net Income	Equalisation	Paid 31.05.07
Group 1	1.0000		1.0000
Group 2	0.1933	0.8067	1.0000

Institutional Income Shares	Net Income	Equalisation	Paid 31.05.07
Group 1	1.0000	–	1.0000
Group 2	0.2027	0.7973	1.0000

Half Year

Group 1 – Shares purchased prior to 1 April 2007

Group 2 – Shares purchased on or after 1 April 2007 and on or before 30 June 2007

Retail Income Shares	Net Income	Equalisation	Paid 31.08.07
Group 1	1.0000	–	1.0000
Group 2	–	1.0000	1.0000

Institutional Income Shares	Net Income	Equalisation	Paid 31.08.07
Group 1	1.0000	–	1.0000
Group 2	–	1.0000	1.0000

CF CHELVERTON UK EQUITY INCOME FUND

Distribution Table (continued)

Third Interim

Group 1 – Shares purchased prior to 1 July 2007

Group 2 – Shares purchased on or after 1 July 2007 and on or before 30 September 2007

Retail Income Shares	Net Income	Equalisation	Paid 30.11.07
Group 1	1.0000	–	1.0000
Group 2	1.0000	0.0000	1.0000

Institutional Income Shares	Net Income	Equalisation	Paid 30.11.07
Group 1	1.0000	–	1.0000
Group 2	1.0000	0.0000	1.0000

Retail Accumulation Shares	Net Income	Equalisation	Allocated 30.11.07
Group 1	1.0000	–	1.0000
Group 2	1.0000	0.0000	1.0000

Institutional Accumulation Shares	Net Income	Equalisation	Allocated 30.11.07
Group 1	1.0000	–	1.0000
Group 2	1.0000	0.0000	1.0000

Final

Group 1 – Shares purchased prior to 1 October 2007

Group 2 – Shares purchased on or after 1 October 2007 and on or before 31 December 2007

Retail Income Shares	Net Income	Equalisation	Payable 29.02.07
Group 1	2.7136	–	2.7136
Group 2	0.4017	2.3119	2.7136

Institutional Income Shares	Net Income	Equalisation	Payable 29.02.07
Group 1	2.7247	–	2.7247
Group 2	0.5023	2.2224	2.7247

Retail Accumulation Shares	Net Income	Equalisation	Allocation 29.02.07
Group 1	2.6120	–	2.6120
Group 2	2.6120	0.0000	2.6120

Institutional Accumulation Shares	Net Income	Equalisation	Allocation 29.02.07
Group 1	2.6120	–	2.6120
Group 2	2.6120	0.0000	2.6120

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

AUTHORISED STATUS

The CF Chelverton UK Equity Fund is an investment company with variable capital incorporated under the OEIC Regulations. It is a 'UCITS Scheme' as defined in COLL and also an umbrella company for the purposes of the OEIC Regulations. The Company is incorporated in England and Wales with registered number IC000431.

Shareholders are not liable for the debts of the Company.

The Company was authorised by the Financial Services Authority with effect from 1 April 2006.

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 Company of notices or other documents required or authorised to be served on it.

Base Currency: The base currency of the Company is pounds sterling. Each sub-fund and class is designated in pounds sterling.

Share Capital: The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the net asset values of each of the sub-funds.

STRUCTURE OF THE COMPANY

CF Chelverton UK Equity Fund is structured as an umbrella company. Provision exists for an unlimited number of sub-funds, and at the date of this Report two sub-funds, CF Chelverton UK Equity Income Fund and CF Chelverton Growth & Income Fund, are authorised.

CLASSES OF SHARES

The Company can issue different classes of shares in respect of any sub-fund. Holders of Income shares are entitled to be paid the income attributable to such shares in respect of each quarterly accounting period.

Holdings of Accumulation shares are not entitled to be paid the income attributable to such shares, but that income is retained and accumulated for the benefit of shareholders and is reflected in the price of shares.

VALUATION POINT

The valuation point of the Fund is midday on each business 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 prices of shares are available on the website of the Investment Management Association at 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 Company and copies may be obtained upon application. Shareholders who have any complaints about the operation of the Company 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.

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. As a sub-fund is not a legal entity, if the assets of one sub-fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the sub-funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the respective net asset values of the sub-funds.

