



**CF Chelverton UK Equity
Fund**

Annual Report and Financial Statements
31 December 2008

CF Chelverton UK Equity Income Fund

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AUDITORS

Ernst & Young LLP
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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 (the 'COLL' Sourcebook) 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 gains and 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 it 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 it ought to have taken to make itself 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.

CF CHELVERTON UK EQUITY INCOME FUND

REPORT OF THE DEPOSITARY

FOR THE YEAR ENDED 31 DECEMBER 2008

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

17 April 2009

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

17 April 2009

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

We have audited the Company's financial statements for the year ended 31 December 2008 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 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 is responsible for the preparation of 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) as set out in the Statement of ACD's 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 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 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 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 Investment Adviser's Report, Comparative Tables, Fund Performance, Authorised Status, Report of the Depositary, Certification of Accounts by Directors of the ACD 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 2008 and of the net income and the net losses on the scheme property of the Company for the year 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
17 April 2009

CF CHELVERTON UK EQUITY INCOME FUND
INVESTMENT ADVISER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

INVESTMENT OBJECTIVE AND POLICY

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 last year our Fund returned (43.78)% compared to the FTSE Small Cap XIT Index (50.42)% and the FTA All share Index (29.61)%.

The second half of our financial year was dominated by increasing turmoil in Global financial markets and dramatic falls in economic activity and stock markets. At the heart of the problem was the rapid escalation of the crisis in the banking sector despite a co-ordinated effort by monetary authorities globally to get the banks lending again. The scale of the Global economic slowdown was evidenced by the sheer number of cautious trading statements and earnings downgrades in the UK market in the last quarter, which applied across all sectors.

The knock on effects of the lack of liquidity for the corporate sector have severely exaggerated the magnitude of the cyclical downturn as share prices have reacted to the prospect of Companies not being able to 'roll-over' lines of credit. Income stocks have been vulnerable in the face of uncertain short term funding as Companies have sought to preserve cash in many instances by cutting dividend payments. One disappointing effect on our Fund has been that in a number of cases Directors have used the macro background as a one-off opportunity to 'rebase' their dividends downwards. As managers we have spent considerable time engaging with our Companies about the importance of dividend payments and to stress that they cannot be cut with impunity.

In the latter part of the year, against the background of a rapidly deteriorating economy and investor confidence, small cap underperformed and September and October were particularly difficult months. Historically, smaller companies have tended to fall to a level where takeover activity by either larger corporates or management has put a floor under valuations but the lack of available capital has undermined this support for the foreseeable future. Yield support has unusually also proved to be ineffective as there is increasingly widespread uncertainty over dividend sustainability.

In the past six months the level of turnover in our Fund was relatively low and we had higher than normal cash balances to provide a cushion against rapidly falling markets. We bought two new Companies in the period, Severfield, a leading structural steel business and Waterman, an engineering and environmental consultancy. We made additional purchases of Chesnara, Cineworld, Diploma and Marshalls and we raised funds from the partial sale of our holdings in Braemar, Dawson and Chamberlin, the latter after a dividend cut. We have seen a larger proportion of our portfolio cut their dividends than in previous cycles due to the problems associated with bank funding, and will now focus any new monies on those companies where we believe the dividend to be most secure.

Domestic interest rates have fallen to their lowest ever levels highlighting the magnitude of the current economic problems. Companies of all market caps across the whole spectrum of sectors are highlighting an unprecedented uncertainty with regard to their trading outlooks. This uncertainty has led to increased volatility and risk premiums and provides a barrier to a substantial funds flow into equities in the short term. One consequence of the current level of domestic rates is the shortage of income available to the substantial number of investors who require regular income receipts. As a result of this we believe that income stocks with security of dividends will be the first to recover when investor confidence eventually returns.

CHELVERTON ASSET MANAGEMENT LIMITED
Investment Adviser
10 February 2009

CF CHELVERTON UK EQUITY INCOME FUND
COMPARATIVE TABLES

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	80.50	41.82	5.8636
2009*	–	–	1.9300

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	81.08	42.25	5.8747
2009*	–	–	2.0933

Retail accumulation

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007##	105.12	83.40	1.0000
2008	83.95	45.10	5.9607
2009*	–	–	2.1680

Institutional accumulation

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007##	105.54	83.92	1.0000
2008	84.52	46.28	5.9771
2009*	–	–	2.2200

From 1 December 2006.

From 2 July 2007.

* Payable on 28 February 2009.

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
31.12.08	Retail Income	85,781	213,473	40.18
	Institutional Income	3,709,167	9,188,772	40.37
	Retail Accumulation	114	250	45.60
	Institutional Accumulation	117	250	46.80

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.

PRICE PER SHARE (EX-DISTRIBUTION)

Date	Share Class	Price P	Yield %
02.01.09	Retail Income	41.27	12.31
	Institutional Income	41.57	12.61
	Retail Accumulation	46.67	11.83
	Institutional Accumulation	47.89	11.67

CF CHELVERTON UK EQUITY INCOME FUND

Comparative Tables (continued)

TOTAL EXPENSE RATIO

Expense type	31.12.08		31.12.07	
	%		%	
	Retail	Institutional	Retail	Institutional
ACD's periodic charge	1.50	0.75	1.50	0.75
Refund of expenses from Investment Adviser	(1.36)	(0.90)	(0.59)	(0.15)
Other expenses	1.11	1.15	0.34	0.40
Total expense ratio	1.25	1.00	1.25	1.00

The Total Expense Ratio represents the total expenses of the Fund, excluding transaction costs and interest payable, 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.

FUND PERFORMANCE TO 31 DECEMBER 2008 (%)

	1 year	Since launch*
CF Chelverton UK Equity Income Fund		
– Retail Income	(43.78)	(49.03)
– Institutional Income	(43.27)	(48.66)

The performance of the Fund is based on the net asset value per 'Retail' Income and 'Institutional' Income share with income reinvested.

* From 1 December 2006.

Details of the distributions per share for the year are shown in the Distribution Tables on pages 28 to 30.

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.

STATEMENT OF TOTAL RETURN FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	£	31.12.08 £	£	31.12.07* £
Net losses on investments during the year	2		(3,557,931)		(1,826,518)
Income	3	454,949		361,864	
Expenses	4	(66,956)		(79,652)	
Finance costs: Interest	6	–		(1,396)	
Net income before taxation			387,993		280,816
Taxation	5	–		–	
Net income after taxation			387,993		280,816
Total return before distributions			(3,169,938)		(1,545,702)
Finance costs: Distributions	6		(449,920)		(355,360)
Change in net assets attributable to shareholders			<u>(3,619,858)</u>		<u>(1,901,062)</u>

STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	£	31.12.08 £	£	31.12.07 £
Net assets at the start of the year			6,784,734		–
<i>Movement due to sales/repurchases of shares</i>					
Amounts receivable on issue of shares		2,678,013		9,708,813	
Less: Amounts payable on cancellation of shares		(2,045,570)		(1,020,790)	
			632,443		8,688,023
Stamp duty reserve tax	1(f)		(2,168)		(2,245)
Change in net assets attributable to shareholders (see Statement of Total Return above)			(3,619,858)		(1,901,062)
Retained distribution on Accumulation shares			28		18
Net assets at the end of the year			<u>3,795,179</u>		<u>6,784,734</u>

* The comparative figures in the Statement of Total Return and related notes are for the period 1 December 2006 to 31 December 2007.

CF CHELVERTON UK EQUITY INCOME FUND
 PORTFOLIO STATEMENT
 AS AT 31 DECEMBER 2008

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.12.08 %	31.12.07 %
BASIC MATERIALS				
	<i>CHEMICALS</i>			
76,000	Zotefoams	42,560	1.12	1.04
	<i>INDUSTRIAL METALS</i>			
200,000	Acertec	8,000	0.21	1.18
	<i>MINING</i>			
80,000	ATH Resources	52,000	1.37	2.17
	TOTAL BASIC MATERIALS	102,560	2.70	4.39
INDUSTRIALS				
	<i>CONSTRUCTION & MATERIALS</i>			
97,500	Alumasc Group	55,575	1.47	
60,000	Low & Bonar	19,200	0.51	
110,000	Marshalls	98,450	2.59	
125,000	T Clarke	137,500	3.62	
80,000	Titon Holdings	17,600	0.46	
39,500	Tolent	11,060	0.29	
		339,385	8.94	8.74
	<i>GENERAL INDUSTRIALS</i>			
		–	–	0.89
	<i>ELECTRONIC & ELECTRICAL EQUIPMENT</i>			
225,000	Stadium Group	92,250	2.43	
155,000	TT Electronics	53,475	1.41	
		145,725	3.84	6.51
	<i>SUPPORT SERVICES</i>			
42,000	Acal	39,480	1.04	
235,000	Dawson Holdings	185,650	4.89	
100,612	Diploma	122,747	3.24	
50,000	Filtrona	68,250	1.80	
160,000	Litho Supplies	8,000	0.21	
700,000	Macfarlane Group	115,500	3.04	
140,000	Office2Office	88,200	2.32	

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.12.08 %	31.12.07 %
	<i>SUPPORT SERVICES (continued)</i>			
115,000	Smiths News	79,350	2.09	
70,000	Waterman Group	38,500	1.02	
		745,677	19.65	13.91
	<i>INDUSTRIAL ENGINEERING</i>			
50,000	Chamberlin	36,500	0.96	
230,000	Metalrax Group	17,250	0.45	
40,000	Severfield-Rowen	64,700	1.71	
180,000	Trifast	36,000	0.95	
		154,450	4.07	3.25
	<i>INDUSTRIAL TRANSPORTATION</i>			
46,000	Braemar Shipping Services	109,020	2.87	7.53
	TOTAL INDUSTRIALS	1,494,257	39.37	40.83
	CONSUMER GOODS			
	<i>FOOD PRODUCERS</i>			
39,500	Hilton Food Group	59,250	1.56	
50,000	Premier Foods	15,250	0.40	
		74,500	1.96	5.45
	<i>HOUSEHOLD GOODS</i>			
40,000	Headlam Group	82,400	2.17	
10,000	Victoria	11,500	0.31	
30,000	William Sinclair Holdings	12,600	0.33	
		106,500	2.81	3.00
	<i>BEVERAGES</i>			
		–	–	0.83
	<i>PERSONAL GOODS</i>			
180,000	Alexandra	28,800	0.76	1.67
	TOTAL CONSUMER GOODS	209,800	5.53	10.95

CF CHELVERTON UK EQUITY INCOME FUND

Portfolio Statement (continued)

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.12.08 %	31.12.07 %
HEALTH CARE				
<i>PHARMACEUTICALS & BIOTECHNOLOGY</i>				
450,000	William Ransom & Son	33,750	0.89	0.87
CONSUMER SERVICES				
<i>GENERAL RETAILERS</i>				
200,000	Pendragon	3,200	0.09	1.11
<i>MEDIA</i>				
60,000	4Imprint Group	87,000	2.29	
307,014	Avesco Group	55,263	1.46	
		142,263	3.75	4.05
<i>TRAVEL & LEISURE</i>				
175,000	Cineworld Group	178,500	4.70	
35,000	Holidaybreak	66,762	1.76	
100,000	Restaurant Group	106,250	2.80	
		351,512	9.26	3.39
TOTAL CONSUMER SERVICES				
		496,975	13.10	8.55
TELECOMMUNICATIONS				
<i>FIXED LINE TELECOMMUNICATIONS</i>				
75,000	BT Group	101,400	2.67	-
UTILITIES				
<i>GAS, WATER & MULTIUTILITIES</i>				
10,500	Dee Valley Group	97,650	2.57	1.52
FINANCIALS				
<i>LIFE INSURANCE</i>				
180,000	Chesnara	235,800	6.22	
75,000	Hansard Global	117,000	3.08	
		352,800	9.30	2.10

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.12.08 %	31.12.07 %
<i>NON LIFE INSURANCE</i>				
31,000	Brit Insurance Holdings	68,200	1.80	
125,000	THB Group	66,250	1.74	
		134,450	3.54	6.96
<i>GENERAL FINANCIAL</i>				
25,000	Arbuthnot Banking Group	63,750	1.68	
40,000	Cattles	6,800	0.18	
120,000	Davenham Group	12,000	0.31	
90,000	Jarvis Securities	112,500	2.96	
228,436	London Scottish Bank	5,985	0.16	
19,000	S & U	44,650	1.18	
250,000	Wogen	50,000	1.32	
		295,685	7.79	12.59
TOTAL FINANCIALS				
		782,935	20.63	21.65
TECHNOLOGY				
<i>SOFTWARE & COMPUTER SERVICES</i>				
430,000	Sanderson Group	77,400	2.04	2.85
	Portfolio of investments	3,396,727	89.50	91.61
	Net other assets	398,452	10.50	8.39
	Net assets	3,795,179	100.00	100.00

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

CF CHELVERTON UK EQUITY INCOME FUND
BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	31.12.08		31.12.07	
		£	£	£	£
ASSETS					
Portfolio of investments			3,396,727		6,215,705
Other assets					
Debtors	7	69,671		71,528	
Cash and bank balances		553,404		760,054	
Total other assets			623,075		831,582
Total assets			<u>4,019,802</u>		<u>7,047,287</u>
LIABILITIES					
Other liabilities					
Creditors	8	(28,154)		(32,840)	
Distribution payable on Income shares		(196,469)		(229,713)	
Total other liabilities			(224,623)		(262,553)
Total liabilities			<u>(224,623)</u>		<u>(262,553)</u>
Net assets attributable to shareholders			<u>3,795,179</u>		<u>6,784,734</u>

SUMMARY OF MATERIAL PORTFOLIO CHANGES
FOR THE YEAR ENDED 31 DECEMBER 2008

Total purchases for the year (note 13)		£2,327,156
Major purchases		Cost £
BT Group		287,784
Restaurant Group		154,320
Diploma		151,028
Headlam Group		145,967
Marshalls		131,004
Davenham Group		127,141
Cineworld Group		125,525
Hansard Global		123,114
Chesnara		111,444
Severfield-Rowen		107,549
4Imprint Group		102,418
Alumasc Group		90,522
Filtrona		87,086
Waterman Group		71,650
Holidaybreak		70,794
Pendragon		69,691
Trifast		55,135
Macfarlane Group		52,618
ATH Resources		46,323
Alexandra		44,410

CF CHELVERTON UK EQUITY INCOME FUND

Summary of Material Portfolio Changes (continued)

Total sales for the year (note 13) £1,588,203

Sales	Proceeds £
Hilton Food Group	229,614
Personal Group Holdings	193,858
TDG	183,358
BT Group	127,244
Clarkson	120,108
Abacus Group	113,693
Highway Insurance Holdings	102,690
Portmeirion Group	87,324
Electrocomponents	75,460
Northern Recruitment Group	65,118
Cosalt	61,888
Nichols	61,440
Victoria	46,406
ScS Upholstery	37,059
Smiths News	24,575
ATH Resources	20,059
Chamberlin	14,526
Braemar Shipping Services	13,185
Cattles	10,598

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 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.

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 initially charged against income.

Currently expenses payable out of the property of the sub-fund, which exceeds 1.25% of the net assets attributable to Retail shares and 1.00% in relation to Institutional shares, will be met by the Investment Adviser.

(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.

(f) 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.

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.

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

(g) Distribution policy

Surplus income, 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 Regulations.

(h) Basis of valuation of investments

Listed investments are valued at closing bid prices on the last business day of the accounting year.

(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 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 of the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

	31.12.08 £	31.12.07 £
2. NET LOSSES ON INVESTMENTS		
Non-derivative securities	(3,557,931)	(1,826,518)
3. INCOME		
UK dividends	429,798	334,956
Overseas dividends	5,250	8,200
Bank interest	19,901	18,708
Total income	<u>454,949</u>	<u>361,864</u>

4. EXPENSES

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

ACD's periodic charge	44,163	56,657
Accounting fee	32,500	35,209
Printing costs	6,676	2,978
Legal and professional fees	8,418	1,000
Registration fees	6,815	6,140
Refund of expenses from Investment Adviser	(49,768)	(54,029)
	<u>48,804</u>	<u>47,955</u>

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

Depositary's fees	11,707	12,717
Transaction charges	1,461	5,375
Safe custody and other bank charges	245	285
	<u>13,413</u>	<u>18,377</u>

Other expenses:

FSA fee	111	240
Audit fee	4,628	7,050
Set up costs	-	6,030
	<u>4,739</u>	<u>13,320</u>

Total expenses	<u>66,956</u>	<u>79,652</u>
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5. TAXATION

a) Analysis of charge for the year

Corporation tax at 20%	-	-
Current tax charge (note 5b)	-	-
Deferred tax – origination and reversal of timing differences (note 5c)	-	-
Total taxation	<u>-</u>	<u>-</u>

b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.07 : 20%). The differences are explained below.

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

	31.12.08	31.12.07
	£	£
5. TAXATION (continued)		
Net income before taxation	387,993	280,816
Corporation tax at 20%	77,599	56,163
Effects of:		
UK dividends	(85,960)	(66,991)
Expenses not deductible for tax purposes	292	2,281
Unrelieved excess management expenses	8,069	8,547
Current tax charge (note 5a)	–	–

c) Deferred tax

At the year end there are potential deferred tax assets of £16,616 (31.12.07 : £8,547) in relation to surplus management expenses 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 prior year.

6. FINANCE COSTS

Distributions

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

	31.12.08	31.12.07
	£	£
First Interim	82,215	59,900
Second Interim	87,351	68,955
Third Interim	104,205	73,019
Final	196,480	229,726
	470,251	431,600
Add: Income deducted on cancellation of shares	38,984	24,796
Deduct: Income received on issue of shares	(59,315)	(101,036)
Net distributions for the year	449,920	355,360
Interest	–	1,396
Total finance costs	449,920	356,756

Details of the distribution per share are set out in the tables on pages 28 to 30.

	31.12.08	31.12.07
	£	£
6. FINANCE COSTS (continued)		
Distributions represented by:		
Net income after taxation	387,993	280,816
Expenses charged to capital:	66,956	79,652
Tax relief on capitalised expenses	(5,030)	(5,102)
Balance brought forward	6	–
Balance carried forward	(5)	(6)
Net distributions for the year	449,920	355,360
7. DEBTORS		
Amounts receivable for issue of shares	11,287	–
Accrued income:		
UK dividends	23,568	14,953
Bank interest	544	2,467
	24,112	17,420
Refund of expenses from ACD	34,272	54,029
Prepaid expenses	–	79
Total debtors	69,671	71,528
8. CREDITORS		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,695	5,260
Accounting fee	5,417	10,834
Printing costs	8,986	2,978
Registration fees	1,326	1,808
	18,424	20,880
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	974	2,962
Safe custody and other bank charges	23	81
	997	3,043

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

	31.12.08	31.12.07
	£	£
8. CREDITORS (continued)		
Other accrued expenses	8,687	8,640
Taxation payable:		
Stamp duty reserve tax	46	277
Total creditors	<u>28,154</u>	<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 year 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 11 and amounts due at the year 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 shareholdings in the Fund:

	Held at 31.12.08	Change in year	Held at 31.12.07
Retail Income	17,868	4,404	13,464
Institutional Income	43,184	2,016	41,168

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 Comparative Tables.

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments (31.12.07 : none).

12. 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 purposes.

The main risks from the Fund's holding of financial instruments, together 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. 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 investments 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.

The table below shows the interest rate risk profile:

	31.12.08	31.12.07
	£	£
Floating rate assets:		
Pounds sterling	553,404	760,054
Assets on which interest is not paid:		
Pounds sterling	3,466,398	6,287,233
Liabilities on which interest is not paid:		
Pounds sterling	(224,623)	(262,553)
Net assets	<u>3,795,179</u>	<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

The income and capital value of the Fund's investments are denominated in sterling and, therefore, the financial statements are not subject to the risk of currency movements.

CF CHELVERTON UK EQUITY INCOME FUND

Notes to the Financial Statements (continued)

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

31.12.08

iv. Liquidity risk

The main liability of the Fund is the cancellation of any shares 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 Adviser 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 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 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 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.

viii. Sensitivity analysis

The Fund held no derivatives during the current or prior year.

£

13. PORTFOLIO TRANSACTION COSTS

Analysis of purchases

Purchases before transaction costs 2,309,163

Transaction costs:

Commissions 6,998

Stamp duty and other charges 10,995

17,993

Total purchase cost 2,327,156

Analysis of sales

Sales before transaction costs 1,593,214

Transaction costs:

Commissions (4,985)

Other charges (26)

(5,011)

Total sales proceeds 1,588,203

CF CHELVERTON UK EQUITY INCOME FUND
DISTRIBUTION TABLE
FOR THE YEAR ENDED 31 DECEMBER 2008 – IN PENCE PER SHARE

First Interim

Group 1 – Shares purchased prior to 1 January 2008

Group 2 – Shares purchased on or after 1 January 2008 and on or before 31 March 2008

Retail Income Shares	Net Income	Equalisation	Paid 31.05.08	Paid 31.05.07
Group 1	1.0500	–	1.0500	1.0000
Group 2	0.3388	0.7112	1.0500	1.0000

Institutional Income Shares	Net Income	Equalisation	Paid 31.05.08	Paid 31.05.07
Group 1	1.0500	–	1.0500	1.0000
Group 2	0.5175	0.5325	1.0500	1.0000

Retail Accumulation Shares	Net Income	Equalisation	Allocated 31.05.08	
Group 1	1.0647	–	1.0647	
Group 2	1.0647	0.0000	1.0647	

Institutional Accumulation Shares	Net Income	Equalisation	Allocated 31.05.08	
Group 1	1.0729	–	1.0729	
Group 2	1.0729	0.0000	1.0729	

Second Interim

Group 1 – Shares purchased prior to 1 April 2008

Group 2 – Shares purchased on or after 1 April 2008 and on or before 30 June 2008

Retail Income Shares	Net Income	Equalisation	Paid 31.08.08	Paid 31.08.07
Group 1	1.0500	–	1.0500	1.0000
Group 2	–	1.0500	1.0500	1.0000

Institutional Income Shares	Net Income	Equalisation	Paid 31.08.08	Paid 31.08.07
Group 1	1.0500	–	1.0500	1.0000
Group 2	0.6308	0.4192	1.0500	1.0000

Retail Accumulation Shares	Net Income	Equalisation	Allocated 31.08.08	
Group 1	1.1579	–	1.1579	
Group 2	1.1579	0.0000	1.1579	

Institutional Accumulation Shares	Net Income	Equalisation	Allocated 31.08.08	
Group 1	1.1620	–	1.1620	
Group 2	1.1620	0.0000	1.1620	

Third Interim

Group 1 – Shares purchased prior to 1 July 2008

Group 2 – Shares purchased on or after 1 July 2008 and on or before 30 September 2008

Retail Income Shares	Net Income	Equalisation	Paid 30.11.08	Paid 30.11.07
Group 1	1.0500	–	1.0500	1.0000
Group 2	–	1.0500	1.0500	1.0000

Institutional Income Shares	Net Income	Equalisation	Paid 30.11.08	Paid 30.11.07
Group 1	1.0500	–	1.0500	1.0000
Group 2	–	1.0500	1.0500	1.0000

Retail Accumulation Shares	Net Income	Equalisation	Allocated 30.11.08	Allocated 30.11.07
Group 1	1.1261	–	1.1261	1.0000
Group 2	1.1261	0.0000	1.1261	1.0000

Institutional Accumulation Shares	Net Income	Equalisation	Allocated 30.11.08	Allocated 30.11.07
Group 1	1.1302	–	1.1302	1.0000
Group 2	1.1302	0.0000	1.1302	1.0000

CF CHELVERTON UK EQUITY INCOME FUND

Distribution Table (continued)

Final

Group 1 – Shares purchased prior to 1 October 2008

Group 2 – Shares purchased on or after 1 October 2008 and on or before 31 December 2008

Retail Income Shares	Net Income	Equalisation	Payable 28.02.09	Paid 29.02.08
Group 1	1.9300	–	1.9300	2.7136
Group 2	1.9300	0.0000	1.9300	2.7136

Institutional Income Shares	Net Income	Equalisation	Payable 28.02.09	Paid 29.02.08
Group 1	2.0933	–	2.0933	2.7247
Group 2	0.0683	2.0250	2.0933	2.7247

Retail Accumulation Shares	Net Income	Equalisation	Allocation 28.02.09	Allocated 29.02.08
Group 1	2.1680	–	2.1680	2.6120
Group 2	2.1680	0.0000	2.1680	2.6120

Institutional Accumulation Shares	Net Income	Equalisation	Allocation 28.02.09	Allocated 29.02.08
Group 1	2.2200	–	2.2200	2.6120
Group 2	2.2200	0.0000	2.2200	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: Ibex House, 42 – 47 Minories, London EC3N 1DX.

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.

