



the specialist investment service from Abbey National

Inscape Investment Fund

Report and Accounts for the Year
Ended 31st October 2005

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Introduction

I am pleased to present the Final Report and Accounts of the Inscape Investment Fund for the year ended 31 October 2005.

I hope you find the Report and Accounts informative. If you have any questions about your investment with us, or would like further information, please call 0845 605 5600. Our lines are open between 8am and 9pm Monday to Friday, 9am and 6pm on Saturday and 10am and 4pm on Sunday. To help us improve our services we may monitor or record telephone calls.

Thank you for investing with Inscape.

Kerr Luscombe
18 January 2006

Report of the Authorised Corporate Director

The Inscape Investment Fund (the Company) is an open-ended investment company with variable capital, incorporated in England and Wales.

The Company is an "umbrella company" which, under the Regulations of the Financial Services Authority, is a category of company that comprises various sub-funds, each of which is operated as a distinct sub-fund with its own portfolio of investments. Its investment and borrowing powers are prescribed by the Open-Ended Investment Companies Regulations 2001 and Collective Investment Schemes Sourcebook as issued by the FSA.

The Authorised Corporate Director ("ACD") of the Company is Inscape Investments Limited, which is a private limited liability company incorporated in England and Wales. Up to 12 November 2004 the ultimate holding Company of the ACD was Abbey National plc, a company incorporated in the UK. From this date, the ultimate holding company is Banco Santander Central Hispano, S.A., a company incorporated in Spain.

The Company has no other directors.

The ACD is authorised and regulated by the Financial Services Authority.

The sub-funds in which shares are currently available are as follows:

UK Equities Fund
Europe (excluding UK) Equities Fund
United States Equities Fund
Japan Equities Fund
Pacific Basin (excluding Japan) Equities Fund
Sterling Bond Fund

In the future, the Company may launch other sub-funds.

Each sub-fund in an umbrella company, in usual circumstances, is treated as having its own assets and liabilities. However, the assets of each sub-fund are not 'ring fenced' and, if the Company is unable to meet liabilities attributable to any particular sub-fund out of the assets attributable to that sub-fund, the excess liabilities may have to be met out of the assets attributable to the other sub-funds. Assets may be transferred between sub-funds if it is necessary to do so to satisfy any creditors proceeding against certain of the assets of the Company.

The assets of each sub-fund will be invested with the aim of achieving the investment objective and policy of that sub-fund. They must be invested so as to comply with the investment and borrowing powers and restrictions set out in the FSA regulations, the Instrument of Incorporation and the Prospectus. Each sub-fund has the investment powers equivalent to that of a securities company.

Shareholders are not liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after he or she has paid the purchase price of the shares.

Financial details and fund managers' reviews of the individual sub-funds for the year ended 31 October 2005 are given in pages 15 to 115 of this report. Pages 7 to 14 provide a summary of the financial results and position of the company as a whole.

On 20 February 2005, Citigroup Trustee Company Limited resigned as Depository and was replaced on 21 February 2005 by the Royal Bank of Scotland Trustee and Depository Services.

Due to the change in the Open Ended Investment Company (OEIC) regulations (as amended), set by the Treasury, we hereby give notice that we will no longer be holding an AGM for Inscape Investment Fund. We will, however, hold Extraordinary General Meetings.

James Bevan
On behalf of the Authorised Corporate Director
January 2006

Investment Market Review

The Company seeks to achieve the objective on behalf of each sub-fund by the selection of investment advisers. The ACD is responsible for the selection and appointment of one or more investment advisers to each sub-fund to provide investment management and advisory services in respect of the assets of the sub-fund. Where there is more than one investment adviser appointed to a sub-fund, the ACD is responsible for deciding the portion of the assets of the sub-fund for which each investment adviser is appointed. The ACD monitors the performance of the investment adviser(s) to each sub-fund in order to assess the need, if any, to make changes or replacements.

Over the period covered by this report investment markets have enjoyed support from a number of important fundamental factors including continued economic growth, a low interest environment and controlled inflation. In addition, company profits have expanded and new money inflows from investors have created a good level of demand. Company balance sheets have continued to strengthen and there has been an increased tendency for this strength to be used, either to raise dividends, buy back shares or to engage in merger and acquisition activity. Currency markets have been quiet with a prevailing trend of a strong US dollar supported by relatively higher interest rates and strong demand from emerging economies in the Far East and from Middle Eastern oil producers, enriched by the higher oil price. Oil was the main concern for investors. Higher demand at a time of flat production growth, compounded by supply shortages in oil based products, sent prices sharply higher and fuelled concerns of future inflation. Although it captured most of the headlines, oil was not the only commodity to rise strongly in price. Base metals also performed well as demand from China, now accounting for 20% of global some cases, exposed the under investment in new productive capacity in recent years.

Equity markets have performed best against this background. Japan, after a prolonged period of dull performance, revived on hopes that an economic recovery long anticipated was finally on its way. Other Far Eastern markets also rose strongly and there was a pick - up in Europe, again on hopes of higher growth and higher company profits. The main disappointment was the United States where share prices were little changed, held back by rising borrowing costs and poor news from some high profile companies including Ford and General Motors.

The sentiment changes, which helped equities served to hold bonds back. Higher rates of economic expansion help profits growth but also threaten future rises in interest rates and inflation. In addition, the period has also seen increased levels of supply, both from governments with an increased need to finance spending, such as the UK, and from companies seeking to finance growth.

Please refer to the relevant sub-fund report for the individual sub-fund's investment objective and policy.

The ACD has appointed the following to act as investment advisers in respect of some or all of the assets in the sub-funds as listed below.

Investment Manager	Appointment Effective
UK Equities Fund	
AXA Rosenberg Investment Management	18.12.2000
State Street Global Advisors Limited	18.12.2000
JP Morgan Fleming Asset Management (UK) Limited	23.10.2003
Europe (excluding UK) Equities Fund	
State Street Global Advisors Limited	18.12.2000
AXA Rosenberg Investment Management	28.06.2002

Investment Market Review (continued)

United States Equities Fund

Goldman Sachs Asset Management International	18.12.2000
Deutsche Asset Management	09.03.2005

Alliance Capital Limited (16.09.2003 to 08.03.2005) was replaced by Deutsche Asset Management as investment adviser with effect from 9 March 2005.

Japan Equities Fund

Schroder Investment Management Limited	18.12.2000
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Pacific Basin (excluding Japan) Equities Fund

RCM (UK) Limited	18.12.2000
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Sterling Bond Fund

Merrill Lynch Investment Managers Limited	18.12.2000
Western Asset Management Company Limited	22.07.2002
Barclays Global Investors Limited	22.07.2002

The appointment of an investment adviser provides that the adviser will be responsible, subject to the overall control of the ACD, for the day-to-day investment of assets in accordance with relevant investment objectives.

Any appointment can be terminated by either party giving not less than 90 days prior notice in writing to the other party and may terminate automatically in certain events. These events include the insolvency of the adviser, or the adviser ceasing to be permitted to provide fund management and advisory services to the Company for regulatory or legal reasons.

Performance against benchmark

The table below shows the performance of the Inscope sub-funds against the comparative benchmarks for the year ended 31 October 2005.

Sub-fund	Sub-fund Performance	Benchmark Index	Benchmark Performance
UK Equities Fund	19.40%	FTSE All Share	19.80%
Europe (excluding UK) Equities Fund	21.60%	FTSE World Europe ex-UK	22.10%
United States Equities Fund	12.30%	FTSE World USA	13.90%
Japan Equities Fund	22.80%	FTSE World Japan	26.80%
Pacific Basin (excluding Japan) Equities Fund	24.60%	FTSE All World Asia Pacific ex-Japan	26.80%
Sterling Bond Fund	7.40%	20% FTSE Actuaries Government Securities All Stocks 80% iBoxx Non Gilts All Maturities	8.10%

Sub-fund performance includes the reinvestment of income and is calculated after the deduction of the annual management charge.

Source of benchmark index is Thomson Financial Datastream.

Aggregated Financial Statements for Inscape Investment Fund

Aggregated statement of total return

for the year ended 31 October 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		107,450,457		37,574,680
Other gains / (losses)	2		81,403		(109,227)
Income	3	39,583,156		31,371,589	
Expenses	4	(10,616,980)		(8,203,783)	
Net income before taxation		<u>28,966,176</u>		<u>23,167,806</u>	
Taxation	5	(955,126)		(487,438)	
Net income after taxation			<u>28,011,050</u>		<u>22,680,368</u>
Total return for the period			135,542,910		60,145,821
Distributions	6		(28,154,291)		(22,917,570)
Net increase in shareholders' funds from investment activities			<u><u>107,388,619</u></u>		<u><u>37,228,251</u></u>

Aggregated statement of movements in shareholders' funds

for the year ended 31 October 2005

		2005		2004	
		£	£	£	£
Net assets at the start of the period			871,479,500		635,403,332
Movement due to sales / repurchases of shares:					
Share exchange issues on inspecie transfer*		15,730,434		9,119,755	
Amounts receivable on issue of shares		215,001,856		189,332,467	
Less: Amounts payable on redemption of shares		<u>(29,446,355)</u>		<u>(21,839,625)</u>	
			201,285,935		176,612,597
Dilution levy			2,750,403		2,673,038
Net increase in shareholders' funds from investment activities (see above)			107,388,619		37,228,251
Stamp duty reserve tax			(392,576)		(277,680)
Retained distribution on accumulation shares			24,742,994		19,839,962
Net assets at the end of the period			<u><u>1,207,254,875</u></u>		<u><u>871,479,500</u></u>

*relating to the inspecie transfer from Scottish Mutual Assurance plc in November 2004.

Aggregated balance sheet

as at 31 October 2005

	Notes	2005 £	2004 £
Portfolio of investments		1,160,898,075	851,005,515
Net current assets			
Debtors	7	19,100,321	17,493,151
Cash and bank balances	8	40,145,608	14,952,793
		<u>59,245,929</u>	<u>32,445,944</u>
less			
Bank overdrafts	8	725,579	80,184
Creditors	9	12,163,550	11,891,775
		<u>12,889,129</u>	<u>11,971,959</u>
Net current assets		<u>46,356,800</u>	<u>20,473,985</u>
Net assets		<u>1,207,254,875</u>	<u>871,479,500</u>
Shareholders' funds		<u>1,207,254,875</u>	<u>871,479,500</u>

Accounting policies

The accounting policies are applicable to the aggregated and sub-fund financial statements.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Instrument of Incorporation. They have also been prepared in accordance with the Statement of Recommended Practice (SORP) for authorised funds issued by the IMA in November 2003, the OEIC Regulations 2001, the Collective Investment Schemes Sourcebook 2001, and UK Generally Accepted Accounting Principles.

b) Recognition of income

Income is included in the Statement of total return on the following basis:

Dividends are recognised as income on the date when the securities are quoted ex-dividend.

Special dividends are treated as a repayment of capital unless there is sufficient evidence to suggest that they should be treated as income.

Ordinary scrip dividends are recognised wholly as income on the basis of the market values of shares on the date that they are quoted ex-dividend. Where an enhancement is offered the amount by which the market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is taken to capital. The ordinary element of scrip dividends is treated as income and forms part of the sub-funds' distributions.

Interest on debt securities, bank deposits and short term deposits is recognised on an earned basis. Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the income of the sub-funds. In the case of debt securities issued at a significant premium or discount to the maturity value, the premium or discount is amortised over the life of the security and accounted for as income.

Any commission arising from stocklending is recognised as income on an accruals basis.

c) Treatment of expenses

All sub-funds charge management fees and other expenses excluding transaction charges to the relevant share class against income.

d) Allocation of income and expenses to multiple share classes

All income and expenses which are directly attributable to a particular share class are allocated to that share class. All income and expenses which are attributable to a particular sub-fund are allocated to that sub-fund and are normally allocated among the share classes pro rata to the net asset value of each class on a daily basis.

e) Deferred tax

Provision is made for any taxation liability arising in respect of the income recognised in the accounting period. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

f) Distribution policy

The distribution policy of each sub-fund is to distribute all available income after deduction of expenses payable from income. Distributions attributable to accumulation shares are transferred to and retained as part of the capital assets of the sub-fund.

Accounting policies (continued)

g) Basis of valuation of investments

Listed investments are valued at the mid-market value at 12 noon on 31 October 2005, net of any accrued interest which is included in the balance sheet as an income related item. Suspended securities are valued initially at the suspended price but are subject to constant review.

Holdings in unit trusts are valued using the last quoted price.

Currency hedges are valued at the forward market value ruling at the balance sheet date.

The mid-market value of investments and closing market value of futures contracts are not materially different from their fair value.

All other financial assets/liabilities are stated at their fair value.

h) Exchange rates

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate ruling on that date.

i) Efficient portfolio management

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts are used for efficient portfolio management purposes. Where such instruments are used to protect or enhance income, the income or expenses derived therefrom are included in the Statement of total return as income related items. Where such instruments are used to protect or enhance capital, the gains or losses derived therefrom are included in the Statement of total return as capital related items.

Notes to the aggregated financial statements
as at 31 October 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	1,236,729,619	717,216,493
Original cost of investments sold during the period	<u>(1,194,514,265)</u>	<u>(710,148,039)</u>
Gains realised on investments sold during the period	42,215,354	7,068,454
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(9,078,653)</u>	<u>2,208,409</u>
	33,136,701	9,276,863
Net unrealised appreciation for the period	74,313,756	28,297,817
Net gains on investments	<u>107,450,457</u>	<u>37,574,680</u>
Included in net gains on investments are gains of £467,549 relating to futures contracts (2004 - £621,840), and gains of £79,069 relating to forward currency hedges (2004 - £466,265).		
2. Other gains / (losses)	2005	2004
	£	£
Realised currency gains / (losses)	72,009	(118,542)
Unrealised currency gains	<u>9,394</u>	<u>9,315</u>
	<u>81,403</u>	<u>(109,227)</u>
3. Income	2005	2004
	£	£
Franked income	11,739,889	8,860,232
Scrip dividends	146,089	136,962
Interest on debt securities	20,572,779	18,464,477
Overseas income	5,788,671	3,197,610
Unfranked income	175,555	30,462
Stocklending commission	35,166	-
Bank and deposit interest	<u>1,125,007</u>	<u>681,846</u>
	<u>39,583,156</u>	<u>31,371,589</u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>10,183,531</u>	<u>7,617,343</u>
	10,183,531	7,617,343
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	65,726	192,828
Depository's fee (RBS)	<u>78,270</u>	<u>-</u>
	143,996	192,828
Other expenses:		
Audit fees	39,480	36,938
Publication fees	21,796	5,416
Transaction charges	142,961	237,311
Safe custody fees	78,164	110,195
FSA fee	894	(923)
Printing fees	558	-
Overdraft interest	<u>5,600</u>	<u>4,675</u>
	289,453	393,612
Total expenses	<u>10,616,980</u>	<u>8,203,783</u>

Notes to the aggregated financial statements (continued)

as at 31 October 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Corporation tax	668,363	284,038
Double taxation relief	(520,114)	(242,525)
Overseas withholding tax	752,941	412,556
Income tax	4,051	1,771
Prior year adjustment	7,645	2,801
Current period tax charge (note 5b)	912,886	458,641
Increase in deferred tax during the period (note 5c)	42,240	28,797
	<u>955,126</u>	<u>487,438</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>28,966,176</u>	<u>23,167,806</u>
Corporation tax @ 20%	5,793,236	4,633,562
Tax effect of:		
Scrip dividends (not included for tax purposes)	(29,219)	(27,393)
UK dividends (not included for tax purposes)	(2,347,904)	(1,774,837)
Transaction charges (not deductible for tax purposes)	28,592	47,462
Management expenses not relieved	701,767	544,010
Management expenses now relieved	(20,071)	-
Timing differences on income	(19,482)	(53,746)
Interest distributions	(3,411,297)	(3,077,614)
Prior year tax adjustment	7,645	2,801
Overseas withholding tax	726,037	405,155
Double taxation relief	(520,114)	(242,525)
Non taxable exchange rate differences on foreign tax	(355)	(5)
Irrecoverable income tax	4,051	1,771
Current period tax charge (note 5a)	<u>912,886</u>	<u>458,641</u>
c. Deferred tax		
Deferred tax provision at the start of the period	36,039	7,242
Deferred tax charge in statement of total return for the period (note 5a)	42,240	28,797
Deferred tax provision at the end of the period	<u>78,279</u>	<u>36,039</u>
Timing differences on UK tax	36,846	1,865
Timing differences on overseas tax	41,433	34,174
Provision for deferred tax	<u>78,279</u>	<u>36,039</u>
6. Distributions		
Reconciliation between net income and distributions:	2005	2004
	£	£
Net income after taxation per Statement of total return	28,011,050	22,680,368
Add:		
Undistributed income brought forward	493	384
Expenses paid from capital	142,961	237,311
Deduct:		
Undistributed income carried forward	(213)	(493)
Total accumulation distributions per Statement of total return	<u>28,154,291</u>	<u>22,917,570</u>
7. Debtors		
	2005	2004
	£	£
Amounts receivable on issue of shares	727,324	517,202
Sales awaiting settlement	7,211,347	7,301,020
Accrued income	11,069,669	9,547,648
Overseas withholding tax recoverable	72,024	123,159

Notes to the aggregated financial statements (continued)

as at 31 October 2005

7. Debtors (continued)	2005	2004
	£	£
Prepaid expenses	4,343	-
Sundry debtor	10,831	-
Income tax debtor	4,783	4,122
	<u>19,102,326</u>	<u>17,495,155</u>
8. Cash and bank balances	2005	2004
	£	£
Amounts held at futures clearing houses	1,061,774	164,273
Cash and bank balances	31,583,834	10,988,520
Certificates of deposit	7,500,000	3,800,000
	<u>40,145,608</u>	<u>14,952,793</u>
Bank overdrafts	<u>725,579</u>	<u>80,184</u>
9. Creditors	2005	2004
	£	£
Amounts payable on redemption of shares	-	657,592
Purchases awaiting settlement	9,132,561	8,766,983
Accrued expenses	1,103,055	783,424
Corporation tax	148,249	41,512
Income tax payable	1,701,406	1,606,225
Deferred tax	78,279	36,039
	<u>12,163,550</u>	<u>11,891,775</u>

10. Dilution levy and stamp duty reserve tax

The ACD reserves the right to charge a dilution levy in the following circumstances:

Where the sub-funds are experiencing large levels of net sales relative to their size;

- On deals of 3% or greater of a sub-fund's value;
- Where a sub-fund is in continual decline;
- In any other case where the ACD is of the opinion that the interests of shareholders require the imposition of a dilution levy

When charged, the dilution levy is paid to the sub-funds in accordance with FSA regulations.

It is the policy of the ACD to charge a dilution levy in the majority of cases.

Stamp duty reserve tax (SDRT)

The ACD reserves the right to make provision for the payment of SDRT as an addition to the price of shares issued or as a deduction from the price of shares redeemed. The ACD will make a provision for SDRT as it deems appropriate and will account for such provision as a dealing expense of the sub-fund and deduct it from the capital property of the relevant sub-fund.

11. Related party transactions

The following are considered by the Directors of the ACD to be related parties:

The ACD

The fees received by the ACD are set out in note 4. The ACD is related to the Company as defined by Financial Reporting Standard 8 'Related Party Disclosures' and is named on page 4.

Amounts payable to / receivable (from) the ACD as at 31 October 2005 are as follows:

UK Equities Fund	24,958
Europe (excluding UK) Equities Fund	2,345
United States Equities Fund	(7,569)
Japan Equities Fund	23,366
Pacific Basin (excluding Japan) Equities Fund	(26,373)
Sterling Bond Fund	239,260
	<u>255,987</u>

Notes to the aggregated financial statements (continued)

as at 31 October 2005

11. Related party transactions (continued)

As at 31 October 2005, 7.79% (2004 - 2.93%) of the shares in issue were held by Santander Group of Companies.

The proportion of shares in issue held by Santander Group of Companies as at 31 October 2005 per sub-fund is as follows:

UK Equities Fund	3.93%
Europe (excluding UK) Equities Fund	2.56%
United States Equities Fund	2.66%
Japan Equities Fund	35.19%
Pacific Basin (excluding Japan) Equities Fund	50.87%
Sterling Bond Fund	7.14%

As at 31 October 2005 100% of the B class shares in each sub-fund were held in a nominee company name on behalf of a Director of Inscape Investments as follows:

	2005	2004
UK Equities Fund	386,381	1,545,522
Europe (excluding UK) Equities Fund	145,566	582,261
United States Equities Fund	496,075	1,984,300
Japan Equities Fund	64,994	259,975
Pacific Basin (excluding Japan) Equities Fund	161,350	645,401
Sterling Bond Fund	61,611	246,446

The movement in shares relates to redemptions by the nominee company for each sub-fund on 27 January 2005.

The Depository

The fees received by the Depository are set out in note 4.

Amounts payable to the Depository as at 31 October 2005 are as follows:

UK Equities Fund	3,623
Europe (excluding UK) Equities Fund	761
United States Equities Fund	721
Japan Equities Fund	545
Pacific Basin (excluding Japan) Equities Fund	412
Sterling Bond Fund	3,844
	<u>9,906</u>

12. Derivatives and other financial instruments

The notes to the sub-funds give details of each sub-funds' market price risk, credit risk, interest rate risk, liquidity risk and foreign currency risk, weighted average interest rate and period to maturity for fixed interest securities.

13. Authorised share capital

All shares rank for income allocation based upon the income available for distribution in the relevant share class in each distribution period.

Shares may normally be dealt with the ACD, priced forward at the next valuation point.

In the event of the Company being wound up, shareholders will receive an amount equal to their proportion of the assets of the Company.

The voting rights attached to each share are a proportion of the total voting rights attached to all shares in issue. Total shares are taken to be those shares in issue at the date, seven days before the notice of a shareholders' meeting is deemed served.

UK Equities Fund

Investment objective and policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in UK equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

Investment advisers

The ACD has appointed JP Morgan Fleming Asset Management (UK) Limited, AXA Rosenberg Investment Management Limited and State Street Global Advisors Limited as investment advisers to the sub-fund. These investment advisers provide investment management and advisory services in relation to, in aggregate, all the assets of the sub-fund (unless and until the ACD makes changes in respect of investment advisers to the sub-fund). The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion.

Review of investment activities

JP Morgan Fleming Asset Management (UK) have an active team-based investment approach, applying a proprietary multi-factor model to screen for the best value and growth stocks from companies listed on the UK market. This is supplemented by the judgement of portfolio managers to help tailor the construction of the portfolio.

Their disciplined investment approach aims to give equal attention to all stages of the investment process: stock selection, portfolio construction and implementation.

Risk control is central to the process, with investment spread across a highly diversified selection of 100-200 stocks.

AXA Rosenberg has an active investment management approach based on rigorous and detailed examination of published financial information on companies, using mathematical techniques (quantitative analysis).

Their approach is based on an assessment of the underlying financial and business characteristics of companies.

They aim to identify inconsistencies in the market, investing in companies that appear cheap relative to other companies with similar characteristics.

They control risk by investing in a broad selection of stocks (around 100-120) and by the use of sophisticated mathematical techniques.

State Street Global Advisors have an active investment management approach based on rigorous and detailed examination of published financial information on companies, using mathematical techniques (quantitative analysis).

They aim to select stocks that offer good value and reasonable growth prospects.

All investment decisions are subject to a review by analysts with knowledge of UK companies.

They control risk by investing in a broad selection of stocks (around 130), restricting the size of investments relative to the benchmark at an industry and stock level, and using sophisticated mathematical techniques.

During the period under review the ACD has reviewed the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

No changes have been made in the management of the UK Equities Fund during the period.

The manager's policy is to be fully invested in markets. Cash exposure is therefore kept to a practical minimum. This may involve the use of financial future contracts to equitise cash flows for short periods ahead of direct investment in securities.

Comparative table

Number of shares in issue	31.10.05	31.10.04	31.10.03
A shares	278,194,534	239,515,600	186,007,100
B shares	386,381	1,545,522	1,545,522
Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	446,148,986	324,348,101	225,211,764
NAV attributable to A shareholders	445,530,263	322,269,118	223,356,376
NAV attributable to B shareholders	618,723	2,078,983	1,855,388
Net asset value per share	p	p	p
A shares	160.2	134.6	120.1
B shares	160.1	134.5	120.0

Performance record

Calendar year	Net distribution per share	Highest share price	Lowest share price
	p	p	p
2000 A shares	-	151.8	148.9
2000 B shares	-	151.8	148.9
2001 A shares	-	153.4	112.1
2001 B shares	-	153.4	112.1
2002 A shares	1.9652	139.6	99.33
2002 B shares	2.4296	139.6	99.33
2003 A shares	2.3828	125.6	91.37
2003 B shares	2.5212	125.6	91.37
2004 A shares	2.6946	142.2	123.8
2004 B shares	2.8315	142.2	123.8
2005* A shares	3.0990	166.4	141.5
2005* B shares	4.0836	166.4	141.5

* To 31 October 2005

Statement of total return
for the year ended 31 October 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		55,855,978		23,768,741
Other (losses)	2		(57,565)		-
Income	3	12,268,601		9,173,278	
Expenses	4	(3,962,445)		(2,950,103)	
Net income before taxation		<u>8,306,156</u>		<u>6,223,175</u>	
Taxation	5	<u>(30,317)</u>		<u>(7,356)</u>	
Net income after taxation			<u>8,275,839</u>		<u>6,215,819</u>
Total return for the period			64,074,252		29,984,560
Distributions	6		(8,294,387)		(6,261,598)
Net increase in shareholders' funds from investment activities			<u>55,779,865</u>		<u>23,722,962</u>

Statement of movements in shareholders' funds
for the year ended 31 October 2005

		2005		2004	
		£	£	£	£
Net assets at the start of the period			324,348,101		225,211,764
Movement due to sales / repurchases of shares:					
Amounts receivable on issue of shares		63,722,437		71,652,883	
Less: Amounts payable on redemption of shares		<u>(6,881,179)</u>		<u>(3,536,079)</u>	
			56,841,258		68,116,804
Dilution levy			1,277,951		1,312,615
Net increase in shareholders' funds from investment activities (see above)			55,779,865		23,722,962
Stamp duty reserve tax			(392,576)		(277,642)
Retained distribution on accumulation shares			8,294,387		6,261,598
Net assets at the end of the period			<u>446,148,986</u>		<u>324,348,101</u>

Portfolio statement

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Aerospace & Defence 1.91% (2.20%)			
BAE Systems	1,651,889	5,414,066	1.21
Rolls-Royce Group	342,779	1,240,432	0.28
Rolls-Royce Group 'B' *	23,140,021	23,140	0.01
Smiths Group	164,521	1,495,085	0.33
Ultra Electronics Holdings	37,566	337,061	0.08
		<u>8,509,784</u>	<u>1.91</u>
Automobiles & Parts 0.58% (0.68%)			
GKN	99,562	272,924	0.07
Inchcape	109,862	2,240,636	0.50
Wagon	37,127	63,673	0.01
		<u>2,577,233</u>	<u>0.58</u>
Banks 15.33% (19.77%)			
Barclays	1,649,447	9,162,678	2.05
HBOS	1,777,125	14,825,665	3.32
HSBC Holdings	2,701,365	23,812,532	5.34
Lloyds TSB Group	286,865	1,308,463	0.30
Northern Rock	194,953	1,533,305	0.35
Royal Bank of Scotland Group	815,324	12,641,599	2.83
Standard Chartered	437,357	5,099,583	1.14
		<u>68,383,825</u>	<u>15.33</u>
Beverages 1.97% (2.31%)			
Diageo	347,993	2,913,571	0.65
SABMiller	415,568	4,332,296	0.97
Scottish & Newcastle	340,517	1,580,425	0.35
		<u>8,826,292</u>	<u>1.97</u>
Chemicals 0.89% (0.74%)			
Croda International	167,695	736,600	0.17
Elementis	30,776	19,658	0.00
Imperial Chemical Industries	846,431	2,416,561	0.54
Victrex	132,101	782,368	0.18
		<u>3,955,187</u>	<u>0.89</u>
Construction & Building Materials 3.51% (3.48%)			
Barratt Developments	497,117	3,738,320	0.84
Bellway	49,414	423,849	0.10
Berkeley Group Holdings	31,800	273,639	0.06
Bovis Homes Group	123,052	737,081	0.16
BPB	104,000	757,380	0.16
Galliford Try	273,000	220,448	0.05
George Wimpey	97,000	396,003	0.08

Portfolio statement (continued)

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Construction & Building Materials (continued)			
Hanson	255,163	1,419,982	0.33
Kier Group	22,800	247,095	0.06
Mccarthy & Stone	196,736	1,229,600	0.28
MJ Gleeson Group	54,489	168,916	0.04
Mowlem	70,000	126,263	0.03
Persimmon	311,714	2,638,659	0.59
Pilkington	312,345	484,525	0.11
Redrow	68,000	286,195	0.06
Taylor Woodrow	144,000	448,920	0.10
Ultraframe	120,000	43,950	0.01
Westbury	106,917	462,416	0.10
Wilson Bowden	46,688	514,735	0.12
Wolseley	92,511	1,053,238	0.23
		<u>15,671,214</u>	<u>3.51</u>
Electronic & Electrical Equipment 0.22% (0.56%)			
Laird Group	172,313	620,758	0.14
Spectris	33,539	185,051	0.04
TT Electronics	117,530	170,565	0.04
		<u>976,374</u>	<u>0.22</u>
Electricity 1.64% (1.04%)			
British Energy Group	587,468	2,582,656	0.58
Scottish & Southern Energy	184,274	1,804,964	0.40
Scottish Power	542,464	2,951,004	0.66
		<u>7,338,624</u>	<u>1.64</u>
Engineering & Machinery 1.20% (1.58%)			
Aga Foodservice Group	413,045	1,173,048	0.26
Bodycote International	501,352	1,109,868	0.25
Charter	703,299	2,701,547	0.61
Senior	232,000	120,060	0.03
Spirax-Sarco Engineering	30,353	238,726	0.05
		<u>5,343,249</u>	<u>1.20</u>
Food & Drug Retailers 1.66% (2.03%)			
Greggs	22,288	1,068,932	0.24
Somerfield	144,000	280,080	0.06
Tesco	2,044,741	6,049,877	1.36
		<u>7,398,889</u>	<u>1.66</u>
Food Producers & Processors 1.55% (2.06%)			
Dairy Crest Group	181,148	832,828	0.19
Premier Foods	834,136	2,379,373	0.53
RHM	153,996	406,357	0.09
Sygen International	185,645	114,868	0.03
Unilever	561,680	3,188,938	0.71
Uniq	2,146	2,618	0.00
		<u>6,924,982</u>	<u>1.55</u>

Portfolio statement (continued)

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Forestry & Paper nil (0.25%)			
Health 0.49% (0.65%)			
Alliance Unichem	129,782	989,263	0.22
Whatman	424,721	1,199,837	0.27
		<u>2,189,100</u>	<u>0.49</u>
Household Goods & Textiles 0.12% (0.29%)			
Headlam Group	139,652	549,007	0.12
		<u>549,007</u>	<u>0.12</u>
Information Technology & Hardware 0.13% (0.21%)			
ARM Holdings	519,497	557,810	0.13
		<u>557,810</u>	<u>0.13</u>
Insurance 0.93% (0.44%)			
Amlin	558,569	1,230,248	0.28
Atrium Underwriting	14,516	29,286	0.01
Benfield Group	88,000	280,610	0.06
Brit Insurance Holdings	276,000	229,425	0.05
Catlin Group	318,325	1,526,766	0.34
Hiscox	248,560	513,276	0.11
Wellington Underwriting	319,839	338,630	0.08
		<u>4,148,241</u>	<u>0.93</u>
Investment Companies 0.45% (0.35%)			
3i Group	267,224	1,998,167	0.45
		<u>1,998,167</u>	<u>0.45</u>
Leisure & Hotels 1.92% (2.24%)			
De Vere Group	45,000	265,725	0.06
Enterprise Inns	333,039	2,595,206	0.58
First Choice Holidays	417,024	821,016	0.19
Greene King	151,073	940,052	0.21
Hilton Group	286,000	974,188	0.22
Intercontinental Hotels Group	96,000	676,320	0.15
Luminar	41,931	200,430	0.04
Punch Taverns	197,006	1,447,502	0.32
Whitbread	60,599	571,752	0.13
Wolverhampton & Dudley Breweries	6,939	79,972	0.02
		<u>8,572,163</u>	<u>1.92</u>
Life Assurance 3.53% (3.37%)			
Aviva	839,683	5,552,404	1.24
Friends Provident	750,504	1,306,815	0.29
Legal & General Group	1,020,000	1,085,025	0.24
Old Mutual	4,031,976	5,297,008	1.19
Prudential	309,696	1,454,797	0.33
Resolution	179,107	1,059,866	0.24
		<u>15,755,915</u>	<u>3.53</u>

Portfolio statement (continued)

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Media & Entertainment 2.26% (2.84%)			
Aegis Group	171,448	213,667	0.05
British Sky Broadcasting	769,150	3,941,894	0.88
Emap	67,552	552,744	0.12
Informa	217,932	811,252	0.18
St Ives Group	69,270	221,231	0.05
Trinity Mirror	109,898	651,970	0.15
United Business Media	141,644	761,337	0.17
WPP Group	401,254	2,227,963	0.50
Yell Group	159,014	703,438	0.16
		<u>10,085,496</u>	<u>2.26</u>
Mining 5.82% (4.27%)			
Anglo American	208,411	3,435,655	0.77
Antofagasta	57,877	847,898	0.19
Avocet Mining	95,036	92,185	0.02
BHP Billiton	1,015,134	8,377,393	1.88
Rio Tinto	265,374	5,720,137	1.28
UK Coal	132,000	188,760	0.04
Vedanta Resources	161,637	926,988	0.21
Xstrata	487,296	6,378,705	1.43
		<u>25,967,721</u>	<u>5.82</u>
Oil & Gas 17.84% (13.34%)			
Abbot Group	116,088	289,204	0.06
BG Group	660,704	3,285,351	0.74
BP	5,124,478	32,027,988	7.18
Burren Energy	455,358	3,581,391	0.80
Dana Petroleum	177,733	1,464,520	0.33
Expro International Group	981	4,777	0.00
Hunting	81,433	233,102	0.05
Paladin Resources	769,531	2,696,244	0.61
Royal Dutch Shell 'A'	484,006	8,358,784	1.87
Royal Dutch Shell 'B'	1,444,089	26,260,758	5.89
Venture Production	288,786	1,387,617	0.31
		<u>79,589,736</u>	<u>17.84</u>
Personal Care & Household Products 0.69% (1.29%)			
Mcbride	186,000	283,185	0.06
Reckitt Benckiser	166,601	2,793,899	0.63
		<u>3,077,084</u>	<u>0.69</u>
Pharmaceutical & Biotechnology 7.53% (7.18%)			
AstraZeneca	568,494	14,283,412	3.20
Cambridge Antibody Technology Group	101,682	679,490	0.15
GlaxoSmithKline	1,214,087	17,889,572	4.02
Goldshield Group	11,390	40,833	0.01
Shire Pharmaceuticals	102,000	682,635	0.15
		<u>33,575,942</u>	<u>7.53</u>

Portfolio statement (continued)

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Real Estate 1.61% (1.42%)			
British Land	79,151	704,642	0.16
DTZ Holdings	3,402	13,574	0.00
Land Securities Group	268,854	3,704,808	0.83
Savills	262,639	2,166,772	0.49
ST Modwen Properties	143,675	586,553	0.13
		<u>7,176,349</u>	<u>1.61</u>
Retailers General 1.88% (3.66%)			
Body Shop International	105,261	220,917	0.05
GUS	58,981	494,556	0.11
Halfords Group	311,065	853,485	0.19
HMV Group	546,643	1,033,155	0.23
Marks & Spencer Group	504,118	2,098,391	0.47
Next	90,632	1,194,530	0.27
Signet Group	670,964	668,448	0.15
WH Smith	497,391	1,834,751	0.41
		<u>8,398,233</u>	<u>1.88</u>
Software & Computer Services 0.43% (0.24%)			
Autonomy Corp	211,689	693,017	0.16
Sage Group	547,295	1,167,107	0.26
Systems Union Group	34,197	42,233	0.01
		<u>1,902,357</u>	<u>0.43</u>
Speciality & Other Finance 1.85% (1.18%)			
Amvescap	166,000	579,548	0.13
Close Brothers Group	106,351	813,053	0.18
Henderson Group	786,209	490,398	0.11
Investec	118,138	2,398,792	0.54
Man Group	152,715	2,340,357	0.52
Paragon Group	221,062	1,126,035	0.26
Provident Financial	82,572	494,813	0.11
RT Group **	3,237	-	0.00
		<u>8,242,996</u>	<u>1.85</u>
Steel & Other Metals 0.42% (0.14%)			
Corus Group	3,981,085	1,866,133	0.42
		<u>1,866,133</u>	<u>0.42</u>

Portfolio statement (continued)

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Support Services 2.32% (2.19%)			
Aggreko	404,695	950,527	0.21
Alfred Mcalpine	70,680	240,665	0.05
Amec	88,000	294,140	0.07
Ashtead Group	1,347,501	1,881,448	0.42
Atkins WS	145,903	1,036,641	0.23
Babcock International Group	477,214	878,074	0.20
Brambles Industries	258,083	835,866	0.19
Bunzl	108,468	613,115	0.14
Hays	995,675	1,141,292	0.26
Homeserve	76,438	768,202	0.17
Intertek Group	2,923	20,848	0.00
Michael Page International	271,772	623,377	0.14
Mitie Group	582,139	969,989	0.22
Tribal Group	49,693	98,641	0.02
		<u>10,352,825</u>	<u>2.32</u>
Telecom Services 8.19% (9.38%)			
BT Group	1,258,539	2,650,798	0.59
Cable & Wireless	991,068	1,126,101	0.25
Kingston Communications	220,401	123,149	0.03
O2	3,878,402	7,984,660	1.79
Virgin Mobile Holdings UK	31,909	101,830	0.02
Vodafone Group	16,752,489	24,563,337	5.51
		<u>36,549,875</u>	<u>8.19</u>
Tobacco 3.03% (1.63%)			
British American Tobacco	895,043	11,156,711	2.50
Gallaher Group	112,127	976,066	0.22
Imperial Tobacco Group	87,256	1,404,385	0.31
		<u>13,537,162</u>	<u>3.03</u>
Transport 1.59% (2.08%)			
Arriva	56,000	317,240	0.07
Autologic Holdings	11,099	14,262	0.00
British Airways	1,468,262	4,344,220	0.97
Exel	26,000	313,170	0.07
Firstgroup	107,031	353,336	0.08
Go-Ahead Group	47,551	660,483	0.15
Stagecoach Group	1,031,337	1,104,820	0.25
		<u>7,107,531</u>	<u>1.59</u>
Semiconductors nil (0.14%)			
		-	-
Utilities Other 2.05% (2.90%)			
Centrica	2,120,627	5,023,235	1.13
National Grid	285,573	1,479,982	0.33
Northumbrian Water Group	1,017,445	2,413,888	0.54
Severn Trent	21,782	211,394	0.05
		<u>9,128,499</u>	<u>2.05</u>

Portfolio statement (continued)

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Unit Trusts 0.95% (0.98%)			
JPMorgan Fund II ICVC - UK Smaller Companies Fund	1,538,807	4,230,181	0.95
		<u>4,230,181</u>	<u>0.95</u>
Equity Futures -0.01% (-0.01%)			
FTSE 100 December 2005		(23,250)	(0.01)
		<u>(23,250)</u>	<u>(0.01)</u>
<hr/>			
Portfolio Of Investments		430,440,926	96.48
Net Current Assets		15,708,060	3.52
Net Assets		<u>446,148,986</u>	<u>100.00</u>

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

* Rolls Royce B shares will convert to Rolls Royce ordinary shares on 6 December 2005.

** stock suspended.

Balance sheet
as at 31 October 2005

	Notes	2005 £	2004 £
Portfolio of investments		430,440,926	321,454,081
Net current assets			
Debtors	7	5,457,784	1,637,508
Cash and bank balances	8	14,604,852	3,364,611
		<u>20,062,636</u>	<u>5,002,119</u>
less			
Creditors	9	4,354,576	2,108,099
		<u>4,354,576</u>	<u>2,108,099</u>
Net current assets		<u>15,708,060</u>	<u>2,894,020</u>
Net assets		<u>446,148,986</u>	<u>324,348,101</u>
Shareholders' funds		<u>446,148,986</u>	<u>324,348,101</u>

Summary of material portfolio changes

for the year ended 31 October 2005

Major purchases	Cost £	Major sales	Proceeds £
Shell Transport & Trading	11,730,890	Barclays	7,585,933
Royal Dutch Petroleum	9,530,838	Lloyds TSB Group	5,892,640
Royal Bank of Scotland Group	8,912,097	BG Group	5,858,766
Rio Tinto	6,600,742	Royal Bank of Scotland Group	5,832,326
British American Tobacco	6,578,051	BT Group	5,005,352
BAE Systems	6,274,293	Rolls-Royce Group	4,976,976
BP	6,247,831	SABMiller	4,759,874
HSBC Holdings	6,060,483	HSBC Holdings	4,414,964
AstraZeneca	5,969,826	Rio Tinto	4,008,306
Standard Chartered	5,416,246	GlaxoSmithKline	3,939,247
Barclays	5,281,751	Reuters Group	3,935,004
GlaxoSmithKline	4,976,855	Yell Group	3,712,267
Vodafone Group	4,842,051	William Hill	3,630,077
British Sky Broadcasting	4,351,492	National Grid	3,576,042
Centrica	3,724,170	BAE Systems	3,163,124
British Airways	3,660,059	Legal & General Group	3,103,605
BHP Billiton	3,644,021	Associated British Foods	3,095,057
BG Group	3,557,472	BAA	3,024,166
Lloyds TSB Group	3,323,180	GUS	2,932,354
Unilever	3,210,534	Next	2,884,879
Other purchases for the period	190,035,911	Other sales for the period	164,674,649
Total cost of purchases for the period	303,928,793	Total proceeds from sales for the period	250,005,608

Notes to the financial statements

as at 31 October 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	250,005,608	189,116,017
Original cost of investments sold during the period	<u>(225,745,158)</u>	<u>(183,060,180)</u>
Gains realised on investments sold during the period	24,260,450	6,055,837
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(6,532,627)</u>	<u>699,717</u>
	17,727,823	6,755,554
Net unrealised appreciation for the period	<u>38,128,155</u>	<u>17,013,187</u>
Net gains on investments	<u><u>55,855,978</u></u>	<u><u>23,768,741</u></u>
Included in net gains on investments are gains of £375,012 relating to futures contracts (2004 - £528,995).		
2. Other (losses)	2005	2004
	£	£
Realised currency (losses)	(57,552)	-
Unrealised currency (losses)	<u>(13)</u>	-
	<u><u>(57,565)</u></u>	<u><u>-</u></u>
3. Income	2005	2004
	£	£
Franked income	11,739,889	8,860,232
Scrip dividends	28,243	89,609
Unfranked income	155,300	21,607
Stocklending commission	14,250	-
Bank interest	<u>330,919</u>	<u>201,830</u>
	<u><u>12,268,601</u></u>	<u><u>9,173,278</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>3,875,722</u>	<u>2,811,384</u>
	<u><u>3,875,722</u></u>	<u><u>2,811,384</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	20,740	69,486
Depository's fee (RBS)	<u>29,304</u>	-
	<u><u>50,044</u></u>	<u><u>69,486</u></u>

Notes to the financial statements (continued)

as at 31 October 2005

4. Expenses (continued)	2005 £	2004 £
Other expenses:		
Audit fees	6,580	5,863
Publication fees	3,114	520
Transaction charges	18,398	45,815
Safe custody fees	8,345	17,035
FSA fees	149	-
Printing fees	93	-
	<u>36,679</u>	<u>69,233</u>
Total expenses	<u>3,962,445</u>	<u>2,950,103</u>
5. Taxation	2005 £	2004 £
a. Analysis of charge in year		
Overseas withholding tax	<u>26,384</u>	<u>5,012</u>
Current period tax charge (note 5b)	26,384	5,012
Increase in deferred taxation during the period	3,933	2,344
	<u>30,317</u>	<u>7,356</u>
b. Factors affecting tax charge for year		
Net income before taxation	<u>8,306,156</u>	<u>6,223,175</u>
Corporation tax @20%	1,661,231	1,244,635
Tax effect of:		
Scrip dividends (not included for tax purposes)	(5,649)	(17,922)
UK dividends (not included for tax purposes)	(2,347,904)	(1,774,837)
Transaction charges (not deductible for tax purposes)	3,680	9,163
Management expenses not relieved	696,285	541,303
Timing differences on income	(1,582)	(871)
Overseas withholding tax	20,321	3,539
Non taxable exchange rate differences on foreign tax	2	2
Current period tax charge (note 5a)	<u>26,384</u>	<u>5,012</u>
c. Deferred Tax		
Deferred tax provision at the start of the period	2,344	-
Deferred tax charge in Statement of total return for the period (note 5a)	3,933	2,344
Deferred tax provision at the end of the period	<u>6,277</u>	<u>2,344</u>
Timing differences on overseas tax	<u>6,277</u>	<u>2,344</u>
Provision for deferred tax	<u>6,277</u>	<u>2,344</u>

At 31 October 2005 the sub-fund had surplus management expenses of £8,722,849 (2004 - £5,253,686). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

Notes to the financial statements (continued)*as at 31 October 2005***6. Distributions**

Reconciliation between net income and distributions:	2005	2004
	£	£
Net income after taxation per Statement of total return	8,275,839	6,215,819
Add:		
Undistributed income brought forward	203	167
Expenses paid from capital	18,398	45,815
Deduct:		
Undistributed income carried forward	(53)	(203)
Total accumulation distribution per Statement of total return	<u>8,294,387</u>	<u>6,261,598</u>

Details of the distribution per share are set out in the table on page 32.

7. Debtors

	2005	2004
	£	£
Amounts receivable on issue of shares	341,198	145,669
Sales awaiting settlement	4,320,438	611,873
Accrued income	782,814	879,170
Overseas withholding tax recoverable	9,000	796
Prepaid expenses	554	-
Sundry debtor	3,780	-
	<u>5,457,784</u>	<u>1,637,508</u>

8. Cash and bank balances

	2005	2004
	£	£
Amount held at futures clearing houses	720,356	146,946
Cash and bank balances	13,884,496	3,217,665
	<u>14,604,852</u>	<u>3,364,611</u>

As at 31 October 2005, the weighted average of the floating interest rate on bank balances was 4.00% (2004 - 3.69%).

9. Creditors

	2005	2004
	£	£
Amounts payable on redemption of shares	-	26,043
Purchases awaiting settlement	3,963,187	1,805,627
Accrued expenses	385,112	274,085
Deferred tax	6,277	2,344
	<u>4,354,576</u>	<u>2,108,099</u>

10. Stocklending

There were no securities on loan at the balance sheet date.

Notes to the financial statements (continued)

as at 31 October 2005

11. Derivatives and other financial instruments

A discussion of the sub-fund's objective and its policy for achieving it has been included in the ACD's report and in the investment commentary. The sub-fund's investment activities expose it to various types of risk, the principal items being as follows:

a) Market price risk

The sub-fund invests principally in shares. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio. The sub-fund seeks to minimise these risks by holding a diversified portfolio of investments spread across various market sectors in line with the Financial Services Authority Collective Investment Schemes Sourcebook, which includes rules limiting the size of investment in any particular investment holding.

b) Interest rate risk

Substantially all of the sub-fund's investment portfolio comprises of equity shares which neither pay interest nor have a maturity date. The remainder of the sub-funds' assets and liabilities are also non-interest bearing with the exception of cash which attracts a floating interest rate.

c) Liquidity risk

The sub-fund's assets comprise readily realisable securities. The main liability of the sub-fund is the redemption of any shares that investors wish to sell.

d) Foreign currency risk

During the period, all of the sub-fund's financial assets and liabilities were denominated in Sterling.

Notes to the financial statements (continued)

as at 31 October 2005

12. Reconciliation of market value per portfolio statement to economic exposure:

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 11.

During the period the sub-fund entered into derivative contracts for the purpose of efficient portfolio management.

	2005		2004	
	Market value £	Economic exposure £	Market value £	Economic exposure £
UK - Investments	430,464,176	430,464,176	321,454,716	321,454,716
FTSE 100 December 2005	(23,250)	11,603,050	(635)	1,020,470
Total UK	<u>430,440,926</u>	<u>442,067,226</u>	<u>321,454,081</u>	<u>322,475,186</u>
<i>% of net assets</i>	96.48%	99.09%	99.11%	99.42%
Net current assets	15,708,060	15,708,060	2,894,020	2,894,020
Cash required to back positions	-	(11,626,300)	-	(1,021,105)
Total net assets	<u><u>446,148,986</u></u>	<u><u>446,148,986</u></u>	<u><u>324,348,101</u></u>	<u><u>324,348,101</u></u>

Distribution table*for the six months ended 31 October 2005***Final distribution in pence per share**

	Net Income	Distribution Payable 2005	Distribution Paid 2004
Accumulation A shares	1.5313	1.5313	1.3152
Accumulation B shares	1.6226	1.6226	1.3434

Corporate shareholders

Corporate shareholders should note that of the final accumulation distribution:-

A shares

96.74% of the accumulation distribution together with the tax credit is received as franked investment income.

3.26% of the accumulation distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked income.

B shares

96.85% of the accumulation distribution together with the tax credit is received as franked investment income.

3.15% of the accumulation distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked income.

Accumulation distributions

Holder of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

Europe (excluding UK) Equities Fund

Investment objective and policy

The aim of this sub-fund is to obtain a long term total return of capital appreciation and income receipts from investments primarily in Europe (excluding UK) equities, with the appointment of sub-fund advisers, and the selection of securities, to achieve high risk-adjusted returns over the longer term.

Investment advisers

The ACD has appointed State Street Global Advisors Limited and AXA Rosenberg Investment Management Limited as investment advisers to the sub-fund. The investment advisers to the sub-fund provide investment management and advisory services in relation to, in aggregate, all the assets of the sub-fund (unless and until the ACD makes changes in respect of investment advisers to the sub-fund). However, the portion of the assets under the management of each investment adviser will be chosen by the ACD and varies at the ACD's discretion.

Review of investment activities

State Street Global Advisors have an active investment management approach based on rigorous and detailed examination of published financial information on companies, using mathematical techniques (quantitative analysis).

They select stocks on the basis of those that offer good value and reasonable growth prospects.

All investment decisions are subject to a review by analysts with knowledge of continental European companies.

They control risk by investing in a broad selection of stocks (around 130), restricting the size of investments relative to the benchmark at an industry and stock level and using sophisticated mathematical techniques.

AXA Rosenberg have an active investment management approach based on rigorous and detailed examination of published financial information on companies, using mathematical techniques (quantitative analysis).

Their approach is based on an assessment of the underlying financial and business characteristics of companies.

They aim to identify inconsistencies in the market, investing in companies that appear cheap relative to other companies with similar characteristics.

They control risk by investing in a broad selection of stocks (around 100-120) and by the use of sophisticated mathematical techniques.

During the period under review the ACD has reviewed the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

No changes have been made in the management of the Europe (excluding UK) Equities Fund during the period.

The manager's policy is to be fully invested in markets. Cash exposure is therefore kept to a practical minimum. This may involve the use of financial future contracts to equitise cash flows for short periods ahead of direct investment in securities.

Comparative table

Number of shares in issue	31.10.05	31.10.04	31.10.03
A shares	57,077,705	50,221,605	37,433,200
B shares	145,566	582,261	582,261
Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	84,792,656	61,991,312	40,224,816
NAV attributable to A shareholders	84,577,662	61,281,057	39,608,651
NAV attributable to B shareholders	214,994	710,256	616,165
Net asset value per share	p	p	p
A shares	148.2	122.0	105.8
B shares	147.7	122.0	105.8

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	153.8	148.4
2000	B shares	-	153.8	148.4
2001	A shares	-	157.9	97.30
2001	B shares	-	157.9	97.30
2002	A shares	0.8554	126.7	78.92
2002	B shares	-	126.7	78.92
2003	A shares	1.2104	114.6	104.9
2003	B shares	1.4473	114.6	104.9
2004	A shares	1.6266	131.4	108.3
2004	B shares	1.7119	131.4	108.4
2005*	A shares	1.9916	155.6	127.6
2005*	B shares	1.4434	155.2	127.4

* To 31 October 2005

Statement of total return
for the year ended 31 October 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		12,649,392		6,490,481
Other gains / (losses)	2		1,015		(25,617)
Gross income	3	2,221,605		1,476,458	
Expenses	4	(808,724)		(651,549)	
Net income before taxation		<u>1,412,881</u>		<u>824,909</u>	
Taxation	5	<u>(331,389)</u>		<u>(235,177)</u>	
Net income after taxation			<u>1,081,492</u>		<u>589,732</u>
Total return for the period			13,731,899		7,054,596
Distributions	6		(1,108,638)		(677,558)
Net increase in shareholders' funds from investment activities			<u><u>12,623,261</u></u>		<u><u>6,377,038</u></u>

Statement of movements in shareholders' funds
for the year ended 31 October 2005

	2005		2004	
	£	£	£	£
Net assets at the start of the period		61,991,312		40,224,816
Movement due to sales / repurchases of shares:				
Amounts receivable on issue of shares	11,862,659		15,294,836	
Less: Amounts payable on redemption of shares	<u>(2,916,462)</u>		<u>(700,151)</u>	
		8,946,197		14,594,685
Dilution levy		123,248		117,215
Net increase in shareholders' funds from investment activities (see above)		12,623,261		6,377,038
Retained distribution on accumulation shares		1,108,638		677,558
Net assets at the end of the period		<u><u>84,792,656</u></u>		<u><u>61,991,312</u></u>

Portfolio statement
as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Austria 0.82% (0.78%)			
OMV	20,648	616,160	0.73
Voestalpine	1,700	78,565	0.09
		<u>694,725</u>	<u>0.82</u>
Belgium 1.49% (4.68%)			
Almancora Comm	1,962	106,862	0.13
Delhaize Group	5,200	168,736	0.20
Fortis	40,000	641,127	0.75
KBC Groep	7,545	344,755	0.41
		<u>1,261,480</u>	<u>1.49</u>
Denmark 1.78% (1.51%)			
AP Moller - Maersk	185	927,644	1.10
Codan	1,708	48,015	0.06
Danske Bank	3,986	70,633	0.08
TDC	14,800	461,723	0.54
		<u>1,508,015</u>	<u>1.78</u>
Finland 3.65% (3.61%)			
Fortum	14,200	139,821	0.16
Kemira	4,925	36,617	0.04
Kesko	17,861	274,724	0.32
M-real	5,795	15,605	0.02
Nokia	159,036	1,465,762	1.73
Rautaruukki	53,500	604,713	0.72
Sampo	61,900	528,151	0.62
Wartsila	2,155	33,409	0.04
		<u>3,098,802</u>	<u>3.65</u>
France 23.15% (22.43%)			
Air France-KLM	15,936	150,599	0.18
Alcatel	13,000	85,337	0.10
Arcelor	89,952	1,180,957	1.39
AXA	8,260	133,288	0.16
BNP Paribas	60,218	2,567,980	3.03
Bouygues	30,982	842,054	0.99
Business Objects	10,697	206,020	0.24
Cap Gemini	16,575	341,123	0.40
Carrefour	3,809	95,112	0.11
Casino Guichard Perrachon	4,400	167,815	0.20
Christian Dior	11,196	504,376	0.59
Cie de Saint-Gobain	20,394	630,547	0.74
Ciments Francais	1,632	102,819	0.12
CNP Assurances	4,800	188,599	0.22
Compagnie Generale des Etablissements Michelin	6,000	181,933	0.21
Credit Agricole	40,154	656,380	0.77
Eramet	1,000	56,227	0.07
European Aeronautic Defence and Space	32,284	625,056	0.74
France Telecom	68,532	1,012,555	1.19
Gaz de France	1,120	19,355	0.02
Lafarge	2,803	129,597	0.15
Lagardere	2,729	105,008	0.12

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
France (continued)			
Natexis Banques Populaires	1,970	165,218	0.19
Nexans	787	20,825	0.02
Peugeot	7,481	252,382	0.30
Rallye	1,800	44,691	0.05
Renault	14,885	719,469	0.85
Sa des Ciments Vicat	34	3,397	0.01
Sanofi-Aventis	23,240	1,041,443	1.23
Societe Fonciere Financiere et de Participations	540	63,359	0.07
Societe Generale	34,135	2,174,845	2.57
Sodexo Alliance	8,346	182,564	0.22
STMicroelectronics	5,173	47,730	0.06
Suez	28,913	436,001	0.51
Technip	3,300	99,191	0.12
Thomson	4,477	47,768	0.06
Total	15,308	2,143,524	2.53
Valeo	2,491	52,481	0.06
Vallourec	845	217,296	0.26
Veolia Environnement	12,000	281,841	0.34
Vinci	9,043	395,132	0.47
Vivendi Universal	71,618	1,260,950	1.49
		<u>19,632,844</u>	<u>23.15</u>
Greece 0.44% (0.30%)			
Bank of Greece	681	42,731	0.05
Hellenic Telecommunications Organization	8,000	93,486	0.11
OPAP	14,701	240,909	0.28
		<u>377,126</u>	<u>0.44</u>
Germany 17.68% (16.64%)			
Adidas-Salomon	770	72,360	0.09
Allianz	25,482	2,029,981	2.39
Altana	9,214	290,530	0.34
AMB Generali Holding	2,600	131,546	0.16
BASF	33,904	1,376,808	1.62
Bayer	22,800	438,886	0.52
Bilfinger Berger	1,047	25,392	0.03
Celesio	6,225	297,576	0.35
DaimlerChrysler	17,087	478,874	0.56
Degussa	6,905	161,498	0.19
Deutsche Bank	22,089	1,165,316	1.37
Deutsche Boerse	3,813	198,858	0.23
Deutsche Post	21,188	266,761	0.31
Deutsche Telekom	149,519	1,484,403	1.75
E.ON	29,711	1,499,689	1.77
Energie Baden-Wuerttemberg	961	30,800	0.04
Fresenius	2,200	160,751	0.19
Fresenius Medical Care	6,735	342,145	0.40
Henkel	6,377	287,800	0.34
Henkel (Pref.)	5,766	279,169	0.33
Koelnische Rueckversicherungs Gesellschaft	600	31,663	0.04
MAN	7,361	191,262	0.23
Merck	2,400	111,013	0.13
Muenchener Rueckversicherungs	4,478	296,941	0.35

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Germany (continued)			
RWE	27,591	984,652	1.16
SAP	4,530	437,073	0.52
Schering	11,663	406,386	0.48
Siemens	18,781	784,943	0.93
Suedzucker	12,045	143,163	0.17
ThyssenKrupp	2,800	32,123	0.04
TUI	27,999	307,939	0.36
Volkswagen	8,063	245,389	0.29
		<u>14,991,690</u>	<u>17.68</u>
Ireland 1.72% (0.98%)			
Allied Irish Banks	75,104	885,282	1.05
Anglo Irish Bank	13,114	99,011	0.12
CRH	18,400	257,960	0.30
Fyffes	74,185	118,974	0.14
Greencore Group	45,500	96,631	0.11
		<u>1,457,858</u>	<u>1.72</u>
Italy 6.98% (5.94%)			
Banca Intesa	362,399	951,630	1.12
Banca Monte dei Paschi di Siena	88,289	224,064	0.26
Banca Popolare Italiana	6,000	24,825	0.03
Banche Popolari Unite	28,197	335,140	0.40
Benetton Group	18,826	113,601	0.13
Buzzi Unicem	5,247	41,339	0.05
CIR-Compagnie Industriali Riunite	32,620	51,654	0.06
Cofide	20,734	14,503	0.02
Edison	77,664	88,678	0.10
Enel	44,756	202,003	0.24
ENI	148,381	2,237,049	2.64
Fondiaria-Sai	8,400	130,027	0.15
Fondiaria-Sai RNC	17,431	205,526	0.24
IFIL - Investments	97,991	225,121	0.27
Italcementi	13,328	122,387	0.14
Italmobiliare	1,236	44,708	0.05
Snam Rete Gas	21,000	65,085	0.08
Telecom Italia	468,000	755,746	0.90
Terna	57,712	77,763	0.09
Vianini Lavori	2,064	10,780	0.01
		<u>5,921,629</u>	<u>6.98</u>
Luxembourg 0.22% (nil)			
Gemplus International	133,418	185,284	0.22
		<u>185,284</u>	<u>0.22</u>
Netherlands 7.33% (10.99%)			
ABN AMRO Holding	9,914	132,711	0.16
Aegon	82,203	699,434	0.82
Akzo Nobel	1,654	40,113	0.05
ASML Holding	13,491	127,859	0.15
Koninklijke BAM Groep	542	24,931	0.03

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Netherlands (continued)			
Buhrmann	44,108	270,119	0.32
Heineken	13,600	243,780	0.29
ING Groep	108,343	1,758,560	2.07
Koninklijke DSM	35,422	717,727	0.85
Royal KPN	154,670	804,705	0.95
Stork	300	6,296	0.01
Unilever	30,346	1,194,393	1.40
VNU	10,800	193,005	0.23
		<hr/> 6,213,633	<hr/> 7.33
Norway 2.12% (3.40%)			
Norsk Hydro	11,760	648,430	0.76
Orkla	22,694	451,399	0.53
Statoil	56,812	701,801	0.83
		<hr/> 1,801,630	<hr/> 2.12
Portugal 0.47% (0.78%)			
Energias de Portugal	152,000	240,436	0.28
Jeronimo Martins	19,966	162,647	0.19
		<hr/> 403,083	<hr/> 0.47
Spain 9.95% (7.51%)			
Acciona	2,800	172,137	0.20
ACS Actividades	26,103	419,533	0.49
Altadis	30,258	721,424	0.85
Banco Bilbao Vizcaya Argentaria	61,817	612,035	0.72
Banco Santander Central Hispano	295,328	2,115,702	2.50
Cia Espanola de Petroleos	3,481	95,057	0.11
Cintra Concesiones de Infraestructuras de Transport	4,000	26,786	0.03
Corp Financiera Alba	1,497	36,412	0.04
Endesa	53,673	747,201	0.88
Fadesa Inmobiliaria	7,614	144,012	0.17
Fomento de Construcciones y Contratas	6,000	184,941	0.22
Gestevisión Telecinco	26,692	330,633	0.39
Iberdrola	26,274	395,138	0.47
Metrovacesa	5,452	212,555	0.25
Repsol YPF	72,919	1,209,018	1.43
Telefonica	89,660	827,266	0.98
Union Fenosa	10,000	185,449	0.22
		<hr/> 8,435,299	<hr/> 9.95
Sweden 5.48% (5.36%)			
Atlas Copco	18,725	170,390	0.20
Telefonaktiebolaget LM Ericsson	331,602	610,549	0.72
ForeningsSparbanken	21,700	297,540	0.35
Gambro	20,000	159,288	0.19
Hennes & Mauritz	8,300	150,612	0.18
Hexagon	110	1,458	0.00
NCC	4,900	49,282	0.06
Nordea Bank	123,661	676,696	0.80
Ratos	3,900	49,047	0.06
Saab	15,300	149,266	0.18
Securitas	20,000	168,511	0.20

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Sweden (continued)			
Skanska	22,000	170,534	0.20
SKF	78,508	550,765	0.65
Ssab Svenskt Stal	13,800	230,587	0.27
Tele2	24,000	128,352	0.15
TeliaSonera	114,000	315,858	0.37
Volvo A	14,740	327,869	0.39
Volvo B	16,700	384,204	0.45
Vostok Nafta Investment	2,400	46,956	0.06
		<u>4,637,764</u>	<u>5.48</u>
Switzerland 14.07% (13.93%)			
ABB	75,000	321,044	0.38
Ascom Holding	2,407	18,930	0.02
Baloise Holding	3,200	91,097	0.11
Banque Cantonale Vaudoise	10	1,469	0.01
Barry Callebaut	280	44,057	0.05
Charles Voegelé Holding	2,827	116,336	0.14
Ciba Specialty Chemicals	4,200	135,574	0.16
Compagnie Financière Richemont	33,638	715,161	0.84
Credit Suisse Group	40,020	987,612	1.16
Daetwyler Holding	12	19,385	0.02
Helvetia Patria Holding	131	13,284	0.02
Holcim	5,132	179,206	0.21
Logitech International	8,941	191,755	0.23
Nestlé	7,525	1,260,678	1.49
Novartis	70,975	2,127,788	2.51
Roche Holding	17,429	1,452,035	1.71
Saurer	480	17,429	0.02
Serono	480	173,712	0.20
SIG Holding	159	22,075	0.03
Sulzer	210	55,642	0.07
Swiss Life Holding	1,700	147,663	0.17
Swiss Reinsurance	10,800	410,844	0.48
Syngenta	2,000	120,181	0.14
UBS	42,771	2,039,793	2.41
Unaxis Holding	485	36,613	0.04
Vetropack Holding	43	17,799	0.02
Zehnder Group	31	21,732	0.03
Zurich Financial Services	12,471	1,189,236	1.40
		<u>11,928,130</u>	<u>14.07</u>
Future Contracts -0.01% (0.01%)			
Euro Stoxx Dec 05	71	(9,885)	-0.01
		<u>(9,885)</u>	<u>-0.01</u>
<hr/>			
Portfolio Of Investments		82,539,107	97.34
Net Current Assets		2,253,549	2.66
Net Assets		<u>84,792,656</u>	<u>100.00</u>

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet
as at 31 October 2005

	Notes	2005 £	2004 £
Portfolio of investments		82,539,107	61,278,121
Net current assets			
Debtors	7	202,030	291,675
Cash and bank balances	8	2,328,311	511,562
		<u>2,530,341</u>	<u>803,237</u>
less			
Creditors	9	276,792	90,046
		<u>276,792</u>	<u>90,046</u>
Net current assets		<u>2,253,549</u>	<u>713,191</u>
Net assets		<u>84,792,656</u>	<u>61,991,312</u>
Shareholders' funds		<u>84,792,656</u>	<u>61,991,312</u>

Summary of material portfolio changes*for the year ended 31 October 2005*

Major purchases	Cost	Major sales	Proceeds
	£		£
ING Groep	1,660,190	ING Groep	1,535,152
Allianz	1,624,810	Unilever	1,518,198
Unilever	1,609,281	Credit Suisse Group	1,245,333
Nokia	1,535,824	Nordea Bank	1,240,314
AP Moller - Maersk	937,730	Royal Dutch Petroleum	1,118,313
Altadis	917,412	ABN AMRO Holding	961,166
Banca Intesa	887,362	Telefonica	929,500
Novartis	874,457	Peugeot	906,330
Banco Bilbao Vizcaya Argentaria	843,675	Koninklijke Philips Electronics	828,188
Banco Santander Central Hispano	843,319	Dexia	804,147
Allied Irish Banks	839,408	DaimlerChrysler	771,328
France Telecom	765,618	Anglo Irish Bank	747,242
Royal KPN	744,209	Nestle	745,265
Arcelor	728,991	Nokia	741,153
Credit Agricole	670,233	ThyssenKrupp	692,325
Vivendi Universal	667,623	Banca Intesa	669,176
Credit Suisse Group	637,295	Alcatel	654,190
Roche Holding	627,892	Akzo Nobel	642,936
Aegon	626,795	Sampo	558,030
ThyssenKrupp	612,615	Danisco	545,742
Other purchases for the period	36,913,961	Other sales for the period	29,041,894
Total cost of purchases for the period	55,568,700	Total proceeds from sales for the period	46,895,922

Notes to the financial statements

as at 31 October 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	46,895,922	37,565,285
Original cost of investments sold during the period	<u>(41,998,376)</u>	<u>(35,789,509)</u>
Gains realised on investments sold during the period	4,897,546	1,775,776
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(965,168)</u>	<u>10,971</u>
	3,932,378	1,786,747
Net unrealised appreciation for the period	<u>8,717,014</u>	<u>4,703,734</u>
Net gains on investments	<u><u>12,649,392</u></u>	<u><u>6,490,481</u></u>
Included in net gains on investments are gains of £49,683 relating to futures contracts (2004 - £92,845).		
2. Other gains / (losses)	2005	2004
	£	£
Realised currency losses	(7,287)	(28,033)
Unrealised currency gains	<u>8,302</u>	<u>2,416</u>
	<u><u>1,015</u></u>	<u><u>(25,617)</u></u>
3. Gross income	2005	2004
	£	£
Overseas income	2,186,803	1,449,983
Stock dividends	-	1,890
Stocklending commission	10,002	-
Bank interest	<u>24,800</u>	<u>24,585</u>
	<u><u>2,221,605</u></u>	<u><u>1,476,458</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>741,958</u>	<u>520,095</u>
	<u><u>741,958</u></u>	<u><u>520,095</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	6,135	14,446
Depository's fee (RBS)	<u>6,206</u>	<u>-</u>
	<u><u>12,341</u></u>	<u><u>14,446</u></u>
Other expenses:		
Audit fee	6,580	6,374
Publication fee	3,114	522
Transaction charges	27,126	87,843
Safe custody fees	13,391	21,311
FSA fee	149	-
Printing fee	93	-
Overdraft interest	<u>3,972</u>	<u>958</u>
	<u><u>54,425</u></u>	<u><u>117,008</u></u>
Total expenses	<u><u>808,724</u></u>	<u><u>651,549</u></u>

Notes to the financial statements (continued)

as at 31 October 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Corporation tax	298,467	167,302
Double taxation relief	(298,467)	(167,302)
Overseas withholding tax	332,846	233,065
Current period tax charge (note 5b)	<u>332,846</u>	<u>233,065</u>
(Decrease) / increase in deferred taxation during the period (note 5c)	<u>(1,457)</u>	<u>2,112</u>
	<u><u>331,389</u></u>	<u><u>235,177</u></u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>1,412,881</u>	<u>824,909</u>
Corporation tax @ 20%	282,576	164,982
Tax effect of:		
Stock dividends	-	(378)
Transaction charges (not deductible for tax purposes)	5,425	17,569
Timing differences on income	16,913	(14,863)
Overseas withholding tax	326,756	233,064
Double taxation relief	(298,467)	(167,302)
Non taxable exchange rate differences on foreign tax	(357)	(7)
Current period tax charge (note 5a)	<u>332,846</u>	<u>233,065</u>
c. Deferred tax		
Deferred tax provision at the start of the year	2,112	-
Deferred tax charge per Statement of total return for the period (note 5a)	<u>(1,457)</u>	<u>2,112</u>
Deferred tax provision at the end of the year	<u>655</u>	<u>2,112</u>
Timing differences on overseas tax	<u>655</u>	<u>2,112</u>
Provision for deferred tax	<u>655</u>	<u>2,112</u>

At 31 October 2005 the sub-fund had surplus overseas withholding tax of £42,705 (2004 - £39,162). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise this withholding tax and, therefore, no deferred tax asset has been recognised.

6. Distributions	2005	2004
	£	£
Reconciliation between net income and distributions:		
Net income after taxation per Statement of total return	1,081,492	589,732
Add:		
Undistributed income brought forward	47	30
Expenses paid from capital	27,126	87,843
Deduct:		
Undistributed income carried forward	<u>(27)</u>	<u>(47)</u>
Total accumulation distribution per Statement of total return	<u>1,108,638</u>	<u>677,558</u>

Details of the distribution per share are set out in the table on page 48.

Notes to the financial statements (continued)

as at 31 October 2005

7. Debtors	2005	2004
	£	£
Amounts receivable on issue of shares	67,530	28,267
Sales awaiting settlement	64,594	51,171
Accrued income	5,205	89,923
Overseas withholding tax recoverable	63,024	122,314
Prepaid expenses	1,123	-
Sundry debtor	554	-
	<u>202,030</u>	<u>291,675</u>

8. Cash and bank balances	2005	2004
	£	£
Amounts held at futures clearing houses	141,826	17,327
Cash and bank balances	2,186,485	494,235
	<u>2,328,311</u>	<u>511,562</u>

As at 31 October 2005, the weighted average of the floating interest rate on bank balances was 2.42% (2004 - 1.88%).

9. Creditors	2005	2004
	£	£
Purchases awaiting settlement	181,798	24,855
Accrued expenses	94,339	63,079
Deferred tax	655	2,112
	<u>276,792</u>	<u>90,046</u>

10. Stocklending

The total value of securities on loan at the balance sheet date was £812,589. Collateral of £933,024 in the form of Certificates of Deposit, is held by Bank of New York.

11. Derivatives and other financial instruments

A discussion of the sub-fund's objective and its policy for achieving it has been included in the ACD's report and in the investment commentary. The sub-fund's investment activities expose it to various types of risk, the principal items being as follows:

a) Market price risk

The sub-fund invests principally in shares. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio. The sub-fund seeks to minimise these risks by holding a diversified portfolio of investments spread across various market sectors in line with the Financial Services Authority Collective Investment Schemes Sourcebook, which includes rules limiting the size of investment in any particular investment holding.

b) Interest rate risk

Substantially all of the sub-fund's investment portfolio comprises of equity shares which neither pay interest nor have a maturity date. The remainder of the sub-funds' assets and liabilities are also non-interest bearing with the exception of cash which attracts a floating interest rate.

c) Liquidity risk

The sub-fund's assets comprise readily realisable securities. The main liability of the sub-fund is the redemption of any shares that investors wish to sell.

d) Foreign currency risk

A substantial proportion of the net assets of the sub-fund are denominated in currencies other than Sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

Notes to the financial statements (continued)

as at 31 October 2005

12. Currency exposure

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 11.

	2005	2004
	£	£
Net assets denominated in Euros:		
Investments	62,544,593	46,273,173
Cash and bank balances	533,826	229,572
Amounts held at futures clearing house	141,826	17,327
Sales awaiting settlement	31,955	18,922
Purchases awaiting settlement	(72,397)	(24,855)
Other net assets	5,204	89,923
	<u>63,185,007</u>	<u>46,604,062</u>
Net assets denominated in Sterling:		
Investments	118,974	-
Cash and bank balances	1,205,108	159,946
Purchases awaiting settlement	(39,745)	-
Other net assets	37,236	85,390
	<u>1,321,573</u>	<u>245,336</u>
Net assets denominated in Swiss Francs:		
Investments	11,928,130	8,629,138
Cash and bank balances	142,423	71,113
	<u>12,070,553</u>	<u>8,700,251</u>
Net assets denominated in other foreign currencies *:		
Investments	7,947,410	6,375,810
Cash and bank balances	305,128	33,604
Sales awaiting settlement	32,639	32,249
Purchases awaiting settlement	(69,654)	-
	<u>8,215,523</u>	<u>6,441,663</u>
Total net assets	<u><u>84,792,656</u></u>	<u><u>61,991,312</u></u>

* Each individual currency included within 'other foreign currencies' above amounts to less than 5.6% (2004 - 5.4%) of the net asset value of the sub-fund.

Notes to the financial statements (continued)

as at 31 October 2005

13. Reconciliation of market value per portfolio statement to economic exposure:

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 11.

During the period the sub-fund entered into derivative contracts for the purpose of efficient portfolio management.

	2005		2004	
	Market Value £	Economic Exposure £	Market Value £	Economic Exposure £
Europe - Investments	82,548,992	82,548,992	61,276,506	61,276,506
Euro Stoxx Dec 05	(9,885)	1,595,778	1,615	196,227
Total Europe	<u>82,539,107</u>	<u>84,144,770</u>	<u>61,278,121</u>	<u>61,472,733</u>
<i>% of net assets</i>	<i>97.34%</i>	<i>99.24%</i>	<i>98.85%</i>	<i>99.16%</i>
Net current assets	2,253,549	2,253,549	713,191	713,191
Cash required to back positions	-	(1,605,663)	-	(194,612)
	<u>84,792,656</u>	<u>84,792,656</u>	<u>61,991,312</u>	<u>61,991,312</u>

Distribution table*for the six months ended 31 October 2005***Final distribution in pence per share**

	Net Income	Distribution Payable 2005	Distribution Paid 2004
Accumulation A shares	1.1555	1.1555	0.9611
Accumulation B shares	1.1217	1.1217	0.9477

Corporate shareholders

Corporate shareholders should note that of the final accumulation distribution:-
100% of the accumulation distribution is received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

Accumulation distributions

Holders of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

United States Equities Fund

Investment objective and policy

The aim of this sub-fund is to obtain a long term total return of capital appreciation and income receipts from investments primarily in United States equities, with the appointment of sub-fund advisers, and the selection of securities, to achieve high risk-adjusted returns over the longer term.

Investment advisers

The ACD has appointed Goldman Sachs Asset Management International and Alliance Capital Limited as investment advisers to the sub-fund. These investment advisers provide investment management and advisory services in relation to, in aggregate, all the assets of the sub-fund (unless and until the ACD makes changes in respect of investment advisers to the sub-fund). However, the portion of the assets under the management of each investment adviser will be chosen by the ACD and varies at the ACD's discretion.

Review of investment activities

Goldman Sachs Asset Management International have an active investment management approach based on rigorous and detailed examination of published financial information on companies, using mathematical techniques (quantitative analysis).

They forecast returns from shares based on a number of factors including value, growth, share price, momentum and risk. In addition, they apply a judgemental assessment to analysts' forecasts.

The portfolio is highly diversified, typically holding around 200 positions with the use of sophisticated mathematical techniques to control risk.

Deutsche Asset Management has an investment approach offering an appealing, insight-driven alternative to more traditional, fundamentally based asset management strategies. Their investment process is based on the development and implementation of quantitative tools and techniques that analyse market fundamentals, market sentiment and technical market indicators. They take risk only in stock selection, an area in which they believe they have the ability to add value, and do not make bets on style, sector or market capitalisation.

Deutsche Asset Management replaced Alliance Capital as investment adviser with effect from 9 March 2005.

During the period under review the ACD has reviewed the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

The manager's policy is to be fully invested in markets. Cash exposure is therefore kept to a practical minimum. This may involve the use of financial future contracts to equitise cash flows for short periods ahead of direct investment in securities.

Comparative table

Number of shares in issue	31.10.05	31.10.04	31.10.03
A shares	68,450,700	53,037,800	36,125,600
B shares	496,075	1,984,300	1,984,300

Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	81,824,760	57,933,814	39,836,239
NAV attributable to A shareholders	81,235,779	55,843,847	37,762,117
NAV attributable to B shareholders	588,981	2,089,968	2,074,122

Net asset value per share	p	p	p
A shares	118.7	105.3	104.5
B shares	118.7	105.3	104.5

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	151.2	143.6
2000	B shares	-	151.2	143.6
2001	A shares	-	156.9	111.2
2001	B shares	-	156.9	111.2
2002	A shares	0.1087	138.1	83.21
2002	B shares	0.1139	138.1	83.21
2003	A shares	0.2939	107.4	102.6
2003	B shares	0.2155	107.4	102.6
2004	A shares	0.3281	110.3	98.53
2004	B shares	0.4083	110.3	98.54
2005*	A shares	0.5907	123.1	101.7
2005*	B shares	1.8689	123.2	101.7

* To 31 October 2005

Statement of total return
for the year ended 31 October 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		7,825,475		144,765
Other gains / (losses)	2		27,826		(53,897)
Gross income	3	1,284,131		823,956	
Expenses	4	(735,557)		(559,035)	
Net income before taxation		<u>548,574</u>		<u>264,921</u>	
Taxation	5	<u>(186,182)</u>		<u>(120,934)</u>	
Net income after taxation			<u>362,392</u>		<u>143,987</u>
Total return for the period			8,215,693		234,855
Distributions	6		(382,177)		(173,053)
Net increase in shareholders' funds from investment activities			<u><u>7,833,516</u></u>		<u><u>61,802</u></u>

Statement of movements in shareholders' funds
for the year ended 31 October 2005

	2005		2004	
	£	£	£	£
Net assets at the start of the period		57,933,814		39,836,239
Movement due to sales / repurchases of shares:				
Amounts receivable on issue of shares	18,127,005		18,078,023	
Less: Amounts payable on redemption of shares	<u>(2,541,015)</u>		<u>(302,915)</u>	
		15,585,990		17,775,108
Dilution levy		89,263		87,612
Net increase in shareholders' funds from investment activities (see above)		7,833,516		61,802
Retained distribution on accumulation shares		382,177		173,053
Net assets at the end of the period		<u><u>81,824,760</u></u>		<u><u>57,933,814</u></u>

Portfolio statement

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Aerospace & Defence 3.35% (2.55%)			
Boeing	22,300	823,593	1.01
General Dynamics	100	6,563	0.01
Lockheed Martin	27,400	945,349	1.16
Northrop Grumman	12,200	371,361	0.44
Raytheon	13,800	290,628	0.36
Rockwell Collins	11,300	290,686	0.36
United Technologies	400	11,564	0.01
		<u>2,739,744</u>	<u>3.35</u>
Automobiles & Parts 1.15% (1.54%)			
Autonation	26,800	296,756	0.36
Ford Motor	25,500	115,068	0.14
Genuine Parts	5,500	134,552	0.16
Goodyear Tire & Rubber	7,600	65,169	0.08
TRW Automotive Holdings	22,100	332,252	0.41
		<u>943,797</u>	<u>1.15</u>
Banks 8.74% (9.76%)			
Bank of America	37,496	927,854	1.13
Bank of Hawaii	3,200	90,564	0.11
Citigroup	69,400	1,792,303	2.19
IndyMac Bancorp	2,800	58,889	0.07
JPMorgan Chase	34,800	713,505	0.87
Keycorp	7,000	126,507	0.15
PNC Financial Services Group	10,100	339,205	0.41
SunTrust Banks	5,300	217,093	0.27
UnionBanCal	8,400	319,543	0.39
US Bancorp	36,336	604,544	0.74
Wachovia	38,900	1,096,326	1.34
Washington Mutual	20,800	455,252	0.57
Wells Fargo	12,100	412,978	0.50
		<u>7,154,563</u>	<u>8.74</u>
Beverages 1.07% (1.27%)			
Coca-Cola	7,100	171,098	0.21
PepsiAmericas	4,700	61,986	0.07
Pepsi	19,500	645,465	0.79
		<u>878,549</u>	<u>1.07</u>
Chemicals 0.87% (0.83%)			
Ashland	5,800	174,623	0.22
Monsanto	15,700	534,876	0.65
		<u>709,499</u>	<u>0.87</u>
Construction & Building Materials 0.23% (0.67%)			
Florida Rock Industries	6,000	187,025	0.23
		<u>187,025</u>	<u>0.23</u>

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Market value £	Percentage of total net assets %
Diversified Industrials 1.18 % (2.81%)			
Corning	22,400	239,968	0.29
Loews	7,100	362,530	0.44
Teleflex	6,200	227,586	0.28
Tyco International	9,200	138,468	0.17
		<u>968,552</u>	<u>1.18</u>
Electronic & Electrical Equipment 3.53% (3.53%)			
Emerson Electric	600	23,155	0.03
Energizer Holdings	9,900	279,069	0.34
General Electric	135,100	2,588,283	3.16
		<u>2,890,507</u>	<u>3.53</u>
Electricity 2.94% (2.25%)			
Allegheny Energy	2,000	31,081	0.04
Duke Energy	28,800	427,795	0.52
Edison International	14,300	346,698	0.42
Exelon	8,900	262,498	0.32
FirstEnergy	6,400	169,029	0.21
PG&E	16,800	340,953	0.42
TXU	15,300	830,038	1.01
		<u>2,408,092</u>	<u>2.94</u>
Engineering & Machinery 0.60% (0.05%)			
Cummins	7,500	351,981	0.43
ITT Industries	1,800	101,277	0.12
Joy Global	1,600	40,695	0.05
		<u>493,953</u>	<u>0.60</u>
Food & Drug Retailers 0.81% (0.94%)			
Kroger	31,400	346,278	0.42
Safeway	3,100	39,943	0.05
Supervalu	15,900	276,526	0.34
		<u>662,747</u>	<u>0.81</u>
Food Producers & Processors 2.14% (1.86%)			
Archer-Daniels-Midland	49,400	675,418	0.83
Dean Foods	9,000	183,312	0.22
General Mills	800	21,943	0.03
Kellogg	7,900	206,512	0.25
Pilgrim's Pride	17,500	309,177	0.38
Hershey	2,900	92,957	0.11
Tyson Foods 'A'	26,400	259,945	0.32
		<u>1,749,264</u>	<u>2.14</u>
Forestry & Paper nil (0.44%)			
		-	-

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Market value £	Percentage of total net assets %
Health 7.17% (5.53%)			
AmerisourceBergen	16,500	699,437	0.85
Amgen	24,200	1,029,858	1.26
Baxter International	16,500	361,695	0.44
Cardinal Health	6,000	211,501	0.26
Cerner	5,600	262,686	0.32
Community Health Systems	16,100	334,265	0.41
Express Scripts 'A'	1,600	66,717	0.08
Genentech	6,200	306,006	0.37
Genzyme	6,600	266,462	0.33
Gilead Sciences	12,700	336,668	0.41
Guidant	1,800	63,967	0.08
HCA	9,000	240,635	0.29
Humana	7,700	190,280	0.23
LifePoint Hospitals	1,700	37,509	0.05
McKesson	5,100	129,674	0.17
Medtronic	12,000	383,436	0.47
Pharmaceutical Product Development	5,200	163,976	0.20
St Jude Medical	13,700	363,679	0.44
UnitedHealth Group	13,100	418,142	0.51
		<hr/> 5,866,593	<hr/> 7.17
Household Goods & Textiles 0.59% (1.45%)			
Coach	19,500	347,364	0.41
Newell Rubbermaid	11,500	148,433	0.18
		<hr/> 495,797	<hr/> 0.59
Information Technology Hardware 8.81% (7.26%)			
Advanced Micro Devices	20,100	252,423	0.31
Apple Computer	15,400	471,410	0.58
Broadcom 'A'	11,500	267,975	0.33
Cisco Systems	47,800	460,303	0.56
Dell	14,100	246,371	0.30
Freescale Semiconductor 'A'	9,400	121,011	0.15
Freescale Semiconductor 'B'	38,435	500,198	0.61
Hewlett-Packard	45,419	714,519	0.87
Ingram Micro 'A'	11,200	111,792	0.14
Intel	117,400	1,543,381	1.89
Jabil Circuit	3,300	54,737	0.07
Lam Research	10,900	202,324	0.25
Micron Technology	53,000	377,826	0.46
Motorola	25,000	296,658	0.36
National Semiconductor	19,200	241,121	0.29
Qualcomm	4,600	106,388	0.13
Tellabs	59,200	313,604	0.38
Texas Instruments	48,500	764,080	0.93
Western Digital	24,000	159,613	0.20
		<hr/> 7,205,734	<hr/> 8.81

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Market value £	Percentage of total net assets %
Insurance 4.21% (3.04%)			
Allstate	1,300	38,540	0.05
American Financial Group	4,100	79,033	0.10
American International Group	6,394	231,325	0.28
Berkshire Hathaway	10	479,379	0.59
Chubb	4,300	223,674	0.27
CNA Financial	6,300	107,653	0.13
Fremont General	3,600	42,354	0.05
Genworth Financial	39,300	681,498	0.83
Philadelphia Consolidated Holding	4,500	241,002	0.30
St Paul Travelers	19,400	485,300	0.59
WR Berkley	34,650	838,127	1.02
		<u>3,447,885</u>	<u>4.21</u>
Investment Companies 0.61% (0.26%)			
Goldman Sachs Group	7,100	497,595	0.61
		<u>497,595</u>	<u>0.61</u>
Investment Entities 0.33% (0.72%)			
SPDR Trust Series 1	4,000	269,622	0.33
		<u>269,622</u>	<u>0.33</u>
Leisure & Hotels 1.66% (1.14%)			
CBRL Group	5,300	104,446	0.13
Choice Hotels International	3,400	62,556	0.08
Darden Restaurants	11,000	197,311	0.24
International Game Technology	5,200	77,797	0.10
Marriott International 'A'	1,700	56,817	0.07
MGM Mirage	8,000	168,345	0.20
Yum! Brands	24,400	687,945	0.84
		<u>1,355,217</u>	<u>1.66</u>
Life Assurance 1.04% (1.51%)			
Cigna	600	38,799	0.05
Conseco	9,800	111,052	0.13
Metlife	9,800	270,185	0.33
Prudential Financial	10,800	432,109	0.53
		<u>852,145</u>	<u>1.04</u>

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Market value £	Percentage of total net assets %
Media & Entertainment 5.48% (4.04%)			
American Greetings 'A'	10,800	151,126	0.18
Comcast 'A'	31,996	495,791	0.61
Comcast Special 'A'	26,300	400,057	0.49
John Wiley & Sons 'A'	11,500	243,614	0.30
Liberty Media	67,800	298,697	0.37
McGraw-Hill	33,800	926,728	1.13
Regal Entertainment Group	4,200	43,907	0.05
RH Donnelley	6,600	229,828	0.28
RR Donnelley & Sons	2,000	39,206	0.05
Telewest Global	21,300	271,688	0.33
Time Warner	57,600	575,255	0.70
Viacom 'A'	800	13,873	0.02
Viacom 'B'	45,895	795,086	0.97
		<hr/> 4,484,856	<hr/> 5.48
Mining 0.52% (0.06%)			
Freeport-McMoRan Copper & Gold	14,300	397,146	0.48
Newmont Mining	1,300	32,279	0.04
		<hr/> 429,425	<hr/> 0.52
Oil & Gas 9.14% (6.95%)			
Anadarko Petroleum	7,400	377,599	0.46
Apache	8,700	308,242	0.38
Burlington Resources	17,300	699,378	0.85
Chevron	6,856	221,345	0.27
ConocoPhillips	37,190	1,323,715	1.62
Devon Energy	27,000	917,572	1.12
EOG Resources	9,000	334,316	0.41
Exxon Mobil	66,900	2,119,585	2.59
Helmerich & Payne	3,800	116,461	0.14
Marathon Oil	1,800	60,706	0.07
Schlumberger	3,000	150,869	0.18
Sunoco	8,900	360,897	0.44
Transocean	5,600	182,529	0.23
Valero Energy	5,500	307,911	0.38
		<hr/> 7,481,125	<hr/> 9.14
Personal Care & Household Products 1.59% (3.00%)			
Colgate-Palmolive	2,400	71,758	0.09
Kimberly-Clark	10,400	335,471	0.41
Procter & Gamble	28,260	889,157	1.09
		<hr/> 1,296,386	<hr/> 1.59

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Market value £	Percentage of total net assets %
Pharmaceutical & Biotechnology 5.68% (7.34%)			
Allergan	7,200	358,805	0.44
Barr Pharmaceuticals	6,600	212,412	0.26
Johnson & Johnson	51,000	1,806,364	2.21
Kos Pharmaceuticals	1,800	61,531	0.08
Merck	38,500	596,573	0.73
Pfizer	123,580	1,494,947	1.83
Watson Pharmaceuticals	5,600	107,066	0.13
		<hr/>	<hr/>
		4,637,698	5.68
Real Estate 1.18% (0.91%)			
Camden Property Trust	3,100	97,676	0.12
Equity Office Properties Trust	15,600	271,220	0.33
Liberty Property Trust	2,700	62,407	0.08
Prologis	13,900	332,934	0.40
Public Storage	2,300	84,738	0.10
Simon Property Group	3,000	119,592	0.15
		<hr/>	<hr/>
		968,567	1.18
Retailers General 3.19% (6.16%)			
Amazon.com	500	10,962	0.01
American Eagle Outfitters	24,700	310,817	0.38
Autozone	900	40,374	0.05
Circuit City Stores	29,387	284,230	0.35
Dillard's 'A'	8,500	94,120	0.12
eBay	5,500	118,724	0.15
Federated Department Stores	5,700	190,855	0.23
Home Depot	22,700	517,529	0.63
Lowe's	2,800	94,242	0.12
Michaels Stores	3,100	56,705	0.07
Nordstrom	5,600	103,253	0.13
Office Depot	6,000	89,191	0.11
Payless Shoesource	8,000	77,106	0.08
Target	6,600	202,423	0.25
Wal-Mart Stores	16,200	414,730	0.51
		<hr/>	<hr/>
		2,605,261	3.19

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Market value £	Percentage of total net assets %
Software & Computer Services 5.63% (7.84%)			
Affiliated Computer Services	5,900	176,107	0.22
Autodesk	14,400	356,172	0.44
BMC Software	10,700	116,735	0.14
Cadence Design Systems	16,700	150,340	0.18
Computer Sciences	13,600	380,690	0.47
Compuware	14,500	63,799	0.08
Google 'A'	4,350	877,281	1.07
International Business Machines	2,600	119,109	0.15
McAfee	17,100	283,348	0.35
Microsoft	120,400	1,729,823	2.11
Sybase	3,600	44,967	0.05
Symantec	13,400	173,598	0.21
Yahoo!	6,700	134,147	0.16
		<hr/> 4,606,116	<hr/> 5.63
Speciality & Other Finance 5.10% (6.08%)			
American Express	8,900	248,076	0.30
AmeriCredit	23,500	293,271	0.36
Ameritrade Holding	18,200	209,772	0.26
Fannie Mae	5,500	148,664	0.18
Franklin Resources	2,300	112,095	0.14
Golden West Financial	16,000	526,101	0.64
Lehman Brothers Holdings	8,600	571,220	0.70
MBIA	10,900	358,652	0.44
Mellon Financial	10,400	183,739	0.22
Merrill Lynch	20,600	745,972	0.91
Moody's	12,700	378,149	0.46
Morgan Stanley	1,900	57,653	0.07
Nationwide Financial Services	1,700	37,543	0.05
Nuveen Investments 'A'	2,400	53,947	0.07
Principal Financial Group	8,900	248,176	0.30
		<hr/> 4,173,030	<hr/> 5.10
Steel & Other Metals 1.10% (0.80%)			
Nucor	2,400	80,914	0.10
Phelps Dodge	6,500	443,769	0.54
Southern Copper	12,200	379,049	0.46
		<hr/> 903,732	<hr/> 1.10
Support Services 1.96% (1.32%)			
Alliance Data Systems	7,900	154,373	0.19
Brink's	8,000	173,657	0.21
Cendant	20,000	198,503	0.24
Checkfree	4,800	113,849	0.14
Coporate Executive Board	5,600	260,733	0.32
Global Payments	12,800	618,286	0.76
Paychex	1,900	41,099	0.05
Republic Services 'A'	2,100	41,071	0.05
		<hr/> 1,601,571	<hr/> 1.96

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Market value £	Percentage of total net assets %
Telecom Services 2.02% (3.42%)			
Alltel	12,900	445,944	0.54
CenturyTel	15,800	284,832	0.35
Sprint Nextel	16,300	213,231	0.26
US Cellular	2,100	59,303	0.08
Verizon Communications	36,200	645,665	0.79
		<u>1,648,975</u>	<u>2.02</u>
Tobacco 1.37% (1.00%)			
Altria Group	19,600	828,310	1.01
Loews - Carolina Group	2,800	63,757	0.08
Reynolds American	4,800	225,160	0.28
		<u>1,117,227</u>	<u>1.37</u>
Transport 2.15% (0.73%)			
Burlington Northern Santa Fe	19,400	659,183	0.81
CSX	10,200	255,904	0.31
Laidlaw International	8,900	109,366	0.13
Norfolk Southern	14,400	322,143	0.39
Overseas Shipholding Group	7,000	188,184	0.24
Ryder System	10,300	221,728	0.27
		<u>1,756,508</u>	<u>2.15</u>
Utilities Other nil (0.27%)			
		-	-
Equity Futures (0.03%) (nil)			
Dec 05 IMM S&P 500		(28,669)	(0.03)
		<u>(28,669)</u>	<u>(0.03)</u>
Portfolio Of Investments		79,458,688	97.11
Net Current Assets		2,366,072	2.89
Net Assets		<u>81,824,760</u>	<u>100.00</u>

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet
as at 31 October 2005

	Notes	2005 £	2004 £
Portfolio of investments		79,458,688	57,545,972
Net current assets			
Debtors	7	115,793	288,672
Cash and bank balances	8	3,062,698	446,133
		<u>3,178,491</u>	<u>734,805</u>
less			
Bank overdrafts	8	725,579	-
Creditors	9	86,840	346,963
		<u>812,419</u>	<u>346,963</u>
Net current assets		<u>2,366,072</u>	<u>387,842</u>
Net assets		<u>81,824,760</u>	<u>57,933,814</u>
Shareholders' funds		<u>81,824,760</u>	<u>57,933,814</u>

Summary of material portfolio changes

for the year ended 31 October 2005

Major purchases	Cost £	Major sales	Proceeds £
SPDR Trust Series 1	6,897,364	SPDR Trust Series 1	7,081,421
Citigroup	1,712,346	Walt Disney	1,352,802
McGraw-Hill	1,392,348	Bank of America	1,328,685
Exxon Mobil	1,329,598	International Business Machines	1,297,898
Walt Disney	1,246,672	Freddie Mac	1,245,632
Burlington Resources	1,230,605	Sunoco	1,145,483
Devon Energy	1,128,636	Occidental Petroleum	1,111,047
Pepsi	1,116,593	Citigroup	1,053,270
TXU	1,112,620	Microsoft	933,602
Verizon Communications	1,091,222	Burlington Resources	901,284
ConocoPhillips	1,022,883	Valero Energy	888,913
Computer Sciences	983,675	UnitedHealth Group	837,508
Pfizer	983,530	Boeing	828,540
Lockheed Martin	982,194	Wal-Mart Stores	824,106
Goldman Sachs Group	980,245	Nucor	816,898
Boeing	969,430	3M	804,547
Yum! Brands	950,928	Advanced Micro Devices	786,001
Advanced Micro Devices	946,958	Gillette	780,818
Bank of America	945,215	Pepsi	774,628
Golden West Financial	944,452	Becton Dickinson	765,524
Other purchases for the period	111,333,572	Other sales for the period	99,583,714
Total cost of purchases for the period	139,301,086	Total proceeds from sales for the period	125,142,321

Notes to the financial statements

as at 31 October 2005

1. Net gains on investments

	2005 £	2004 £
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	125,142,321	36,005,174
Original cost of investments sold during the period	<u>(121,666,104)</u>	<u>(36,615,362)</u>
Gains / (losses) realised on investments sold during the period	3,476,217	(610,188)
Net realised depreciation thereon already recognised in earlier periods	<u>121,294</u>	<u>623,405</u>
	3,597,511	13,217
Net unrealised appreciation for the period	<u>4,227,964</u>	<u>131,548</u>
Net gains on investments	<u><u>7,825,475</u></u>	<u><u>144,765</u></u>

Included in net gains on investments are gains of £42,854 (2004 - nil) relating to forward futures contracts.

2. Other gains / (losses)

	2005 £	2004 £
Realised currency gains / (losses)	22,016	(53,129)
Unrealised currency gains / (losses)	<u>5,810</u>	<u>(768)</u>
	<u><u>27,826</u></u>	<u><u>(53,897)</u></u>

3. Gross income

	2005 £	2004 £
Overseas income	1,250,151	816,794
Stocklending commission	6,073	-
Bank interest	<u>27,907</u>	<u>7,162</u>
	<u><u>1,284,131</u></u>	<u><u>823,956</u></u>

4. Expenses

	2005 £	2004 £
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>690,213</u>	<u>500,805</u>
	690,213	500,805
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	5,595	13,823
Depository's fee (RBS)	<u>5,817</u>	<u>-</u>
	<u><u>11,412</u></u>	<u><u>13,823</u></u>

Notes to the financial statements (continued)

as at 31 October 2005

4. Expenses (continued)	2005	2004
	£	£
Other expenses:		
Audit fees	6,580	5,885
Publication fees	3,114	554
Transaction charges	19,770	29,092
Safe custody fees	4,226	7,875
FSA fees	149	(143)
Printing fees	93	-
Overdraft interest	-	1,144
	<u>33,932</u>	<u>44,407</u>
 Total expenses	 <u>735,557</u>	 <u>559,035</u>
 5. Taxation	 2005	 2004
	£	£
a. Analysis of charge in period		
Corporation tax	117,285	55,579
Double taxation relief	(117,285)	(55,579)
Overseas withholding tax	<u>188,424</u>	<u>118,944</u>
Current period tax charge (note 5b)	188,424	118,944
(Decrease) / increase in deferred taxation during the period (note 5c)	<u>(2,242)</u>	<u>1,990</u>
	<u>186,182</u>	<u>120,934</u>
 b. Factors affecting tax charge for the period		
Net income before taxation	<u>548,574</u>	<u>264,921</u>
Corporation tax @ 20%	109,715	52,984
Tax effect of:		
Transaction charges (not deductible for tax purposes)	3,954	5,818
Timing differences on income	3,626	(3,223)
Overseas withholding tax	188,414	118,944
Double tax relief	(117,285)	(55,579)
Current period tax charge (note 5a)	<u>188,424</u>	<u>118,944</u>
 c. Deferred tax		
Deferred tax provision at the start of the period	8,347	6,357
Deferred tax charge per Statement of total return for the period (note 5a)	<u>(2,242)</u>	<u>1,990</u>
Deferred tax provision at the end of the period	<u>6,105</u>	<u>8,347</u>
 Timing differences on UK tax	430	-
Timing differences on overseas tax	<u>5,675</u>	<u>8,347</u>
Provision for deferred tax	<u>6,105</u>	<u>8,347</u>

At 31 October 2005 the sub-fund had surplus overseas withholding tax of £217,587 (31 October 2004 - £148,493). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise this withholding tax and, therefore, no deferred tax asset has been recognised.

Notes to the financial statements (continued)

as at 31 October 2005

6. Distributions

	2005	2004
	£	£
Reconciliation between net income and distributions:		
Net income after taxation per Statement of total return	362,392	143,987
Add:		
Undistributed income brought forward	49	23
Expenses paid from capital	19,770	29,092
Deduct:		
Undistributed income carried forward	(34)	(49)
Total accumulation distribution per Statement of total return	<u>382,177</u>	<u>173,053</u>

Details of the distribution per share are set out in the table on page 67.

7. Debtors

	2005	2004
	£	£
Amounts receivable on issue of shares	73,733	52,564
Sales awaiting settlement	-	177,426
Accrued income	40,506	58,633
Prepaid expenses	554	-
Recoverable withholding tax	-	49
Sundry debtor	1,000	-
	<u>115,793</u>	<u>288,672</u>

8. Cash and bank balances

	2005	2004
	£	£
Amount held at futures clearing houses	199,592	-
Cash and bank balances	2,863,106	446,133
	<u>3,062,698</u>	<u>446,133</u>

As at 31 October 2005, the weighted average of the floating interest rate on cash and bank balances was 2.14% (2004 - 4.25%).

Bank overdrafts	<u>725,579</u>	<u>-</u>
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As at 31 October 2005, the weighted average of the floating interest rate bank overdraft balances was 7.21% (2004 - nil).

9. Creditors

	2005	2004
	£	£
Purchases awaiting settlement	-	281,651
Accrued expenses	80,735	56,965
Deferred tax	6,105	8,347
	<u>86,840</u>	<u>346,963</u>

10. Stocklending

The total value of securities on loan at the balance sheet date was £12,909,883. Collateral of £13,427,896 in the form of holdings in government bonds and certificates of deposit, is held by Bank of New York.

Notes to the financial statements (continued)

as at 31 October 2005

11. Derivatives and other financial instruments

A discussion of the sub-fund's objective and its policy for achieving it has been included in the ACD's report and in the investment commentary. The sub-fund's investment activities expose it to various types of risk, the principal items being as follows:

a) Market price risk

The sub-fund invests principally in shares. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio. The sub-fund seeks to minimise these risks by holding a diversified portfolio of investments spread across various market sectors in line with the Financial Services Authority Collective Investment Schemes Sourcebook, which includes rules limiting the size of investment in any particular investment holding.

b) Interest rate risk

Substantially all of the sub-fund's investment portfolio comprises of equity shares which neither pay interest nor have a maturity date. The remainder of the sub-funds' assets and liabilities are also non-interest bearing with the exception of cash which attracts a floating interest rate.

c) Liquidity risk

The sub-fund's assets comprise readily realisable securities. The main liability of the sub-fund is the redemption of any shares that investors wish to sell.

d) Foreign currency risk

A substantial proportion of the net assets of the sub-fund are denominated in currencies other than Sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

12. Currency exposure

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 11.

Currency exposure:	2005 £	2004 £
Net assets denominated in US Dollars:		
Investments	79,458,688	57,545,972
Cash and bank balances	2,097,512	329,370
Bank overdrafts	(725,579)	-
Sales awaiting settlement	-	177,426
Purchases awaiting settlement	-	(281,651)
Other net assets	39,969	58,681
	<u>80,870,590</u>	<u>57,829,798</u>
Net assets denominated in Sterling:		
Cash and bank balances	965,186	116,763
Other net liabilities	(11,016)	(12,747)
	<u>954,170</u>	<u>104,016</u>
Total net assets	<u>81,824,760</u>	<u>57,933,814</u>

Notes to the financial statements (continued)

as at 31 October 2005

13. Reconciliation of market value per portfolio statement to economic exposure

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 11.

During the period the sub-fund entered into derivative contracts for the purpose of efficient portfolio management.

	2005		2004	
	Market value £	Economic exposure £	Market value £	Economic exposure £
North America - Investments	79,487,357	79,487,357	57,545,972	57,545,972
Dec 05 IMM S&P 500	(28,669)	2,050,276	-	-
Total North America	<u>79,458,688</u>	<u>81,537,633</u>	<u>57,545,972</u>	<u>57,545,972</u>
<i>% of net assets</i>	97.11%	99.65%	99.33%	99.33%
Net current assets	2,366,072	2,366,072	387,842	387,842
Cash required to back positions	-	(2,078,945)	-	-
	<u><u>81,824,760</u></u>	<u><u>81,824,760</u></u>	<u><u>57,933,814</u></u>	<u><u>57,933,814</u></u>

Distribution table*for the six months ended 31 October 2005***Final distribution in pence per share**

	Net Income	Distribution Payable 2005	Distribution Paid 2004
Accumulation A shares	0.1566	0.1566	0.1653
Accumulation B shares	0.1445	0.1445	0.1870

Corporate shareholders

Corporate shareholders should note that of the final accumulation distribution:-
100% of the accumulation distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked income.

Accumulation distributions

Holders of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

Japan Equities Fund

Investment objective and policy

The aim of this sub-fund is to obtain a long term total return of capital appreciation and income receipts from investments primarily in Japanese equities, with the appointment of sub-fund advisers, and the selection of securities, to achieve high risk-adjusted returns over the longer term.

Investment adviser

The ACD has appointed Schroder Investment Management Limited as investment adviser to the sub-fund. Schroder provide investment management and advisory services in relation to all the assets of the sub-fund (unless and until the ACD makes changes in respect of investment advisers to the sub-fund).

Review of investment activities

Schroder Investment Management have an active, research driven investment process.

Company-level research is carried out by Tokyo and London based analysts who monitor stocks on an industry-by-industry basis. They focus on investing in companies, which offer good growth prospects.

The portfolio is diversified, typically holding around 60 stocks and uses a disciplined approach to risk management using mathematical techniques.

During the period under review the ACD has reviewed the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

No changes have been made in the management of the Japan Equities Fund during the period.

Comparative table

Number of shares in issue	31.10.05	31.10.04	31.10.03
A shares	34,720,900	26,854,500	19,736,500
B shares	64,994	259,975	259,975
D shares [^]	19,047,458	10,076,514	307,900

[^] Increase in number of shares due to investment by Scottish Mutual Assurance plc on 18 November 2004

Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	73,678,573	41,427,459	21,965,674
NAV attributable to A shareholders	47,362,857	29,876,246	21,351,250
NAV attributable to B shareholders	88,844	289,418	281,212
NAV attributable to D shareholders	26,226,872	11,261,795	333,212

Net asset value per share	p	p	p
A shares	136.4	111.3	108.2
B shares	136.7	111.3	108.2
D Shares	137.7	111.8	108.2

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	150.0	142.8
2000	B shares	-	150.0	142.8
2001	A shares	0.0623	153.8	111.7
2001	B shares	-	153.8	111.7
2002	A shares	-	129.2	93.15
2002	B shares	-	129.2	93.15
2003	A shares	0.0837	114.4	83.87
2003	B shares	0.3197	114.4	83.87
2003	D shares	-	114.5	103.0
2004	A shares	0.1303	121.2	101.1
2004	B shares	0.0795	121.2	101.1
2004	D shares	0.2992	121.5	101.3
2005*	A shares	0.1732	140.6	106.6
2005*	B shares	-	140.7	106.7
2005*	D shares	0.7617	141.8	107.2

* To 31 October 2005

Statement of total return

for the year ended 31 October 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		13,048,960		862,953
Other (losses) / gains	2		(1,670)		9,806
Gross income	3	782,565		375,884	
Expenses	4	(491,567)		(320,841)	
Net income before taxation		<u>290,998</u>		<u>55,043</u>	
Taxation	5	(95,844)		(15,535)	
Net income after taxation			<u>195,154</u>		<u>39,508</u>
Total return for the period			13,242,444		912,267
Distributions	6		(203,832)		(52,581)
Net increase in shareholders' funds from investment activities			<u>13,038,612</u>		<u>859,686</u>

Statement of movements in shareholders' funds

for the year ended 31 October 2005

	2005		2004	
	£	£	£	£
Net assets at the start of the period		41,427,459		21,965,674
Movement due to sales / repurchases of shares:				
Share exchange issues on inspecie transfer*	7,536,704		5,966,174	
Amounts receivable on issue of shares	17,842,844		15,991,859	
Less: Amounts payable on redemption of shares	<u>(6,507,677)</u>		<u>(3,516,482)</u>	
		18,871,871		18,441,551
Dilution levy		136,799		108,000
Stamp duty reserve tax		-		(33)
Net increase in shareholders' funds from investment activities (see above)		13,038,612		859,686
Retained distribution on accumulation shares		203,832		52,581
Net assets at the end of the period		<u>73,678,573</u>		<u>41,427,459</u>

*2005 - relating to the inspecie transfer from Scottish Mutual Assurance plc on 18 November 2004.

*2004 - relating to the inspecie transfer from SP Dedicated Fund on 29 September 2004.

Portfolio statement

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Automobiles & Parts 12.94% (13.99%)			
Bridgestone	142,000	1,628,978	2.21
Honda Motor	69,500	2,140,692	2.91
Toyota Motor	223,200	5,765,134	7.82
		<u>9,534,804</u>	<u>12.94</u>
Banks 11.54% (1.53%)			
Mitsubishi Tokyo Financial Group	647	4,550,592	6.18
Sumitomo Mitsui Financial Group	579	3,019,136	4.10
Sumitomo Trust & Banking	195,000	930,733	1.26
		<u>8,500,461</u>	<u>11.54</u>
Chemicals 5.09% (4.73%)			
Kaneka	156,000	1,086,612	1.47
Nitto Denko	49,800	1,695,751	2.30
Shin-etsu Chemical	36,200	971,901	1.32
		<u>3,754,264</u>	<u>5.09</u>
Construction & Building Materials 6.45% (4.88%)			
Asahi Glass	231,000	1,405,653	1.91
Mitsubishi	139,800	1,527,452	2.07
Mitsui	263,000	1,817,247	2.47
		<u>4,750,352</u>	<u>6.45</u>
Electronic & Electrical Equipment 10.23% (17.90%)			
Hoya	4,600	90,478	0.12
Hoya new 17/11/05	13,800	256,630	0.35
Matsushita Electric Industrial	78,000	801,150	1.09
Murata Manufacturing	27,700	779,298	1.06
Omron	169,500	2,250,709	3.05
Ricoh	227,000	2,027,651	2.75
Rohm	20,900	961,059	1.31
Ushio	35,300	370,705	0.50
		<u>7,537,680</u>	<u>10.23</u>
Electricity 2.06% (1.37%)			
Electric Power Development	54,200	1,000,345	1.36
Tokyo Electric Power	36,800	516,317	0.70
		<u>1,516,662</u>	<u>2.06</u>
Engineering & Machinery 3.35% (1.56%)			
Daikin Industries	38,600	563,572	0.76
SMC	18,100	1,357,763	1.84
THK	24,900	315,538	0.43
Yokogawa Electric	28,300	233,980	0.32
		<u>2,470,853</u>	<u>3.35</u>
Food & Drug Retailers 2.23% (0.47%)			
Seven & I Holding	89,020	1,640,842	2.23
		<u>1,640,842</u>	<u>2.23</u>
Food Producers & Processors 0.58% (0.47%)			
Ajinomoto	78,000	427,910	0.58
		<u>427,910</u>	<u>0.58</u>

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Forestry & Paper 1.34% (2.37%)			
Nippon Paper Group	512	987,194	1.34
		<u>987,194</u>	<u>1.34</u>
Household Goods & Textiles 1.45% (2.55%)			
Funai Electric	13,900	640,522	0.87
Sankyo	14,500	429,036	0.58
		<u>1,069,558</u>	<u>1.45</u>
Information Technology Hardware 3.00% (0.95%)			
Mitsubishi Electric	532,000	1,794,752	2.43
Tokyo Electron	14,800	416,376	0.57
		<u>2,211,128</u>	<u>3.00</u>
Insurance 1.56% (3.71%)			
Sompo Japan Insurance	137,000	1,153,296	1.56
		<u>1,153,296</u>	<u>1.56</u>
Life Assurance 1.99% (0.41)			
T&D Holdings	41,300	1,464,411	1.99
		<u>1,464,411</u>	<u>1.99</u>
Media & Entertainment 1.34% (2.17%)			
Fuji Photo Film	16,000	285,215	0.39
Nippon Television Network	3,520	321,847	0.43
Toho	35,700	383,564	0.52
		<u>990,626</u>	<u>1.34</u>
Oil & Gas 0.00% (1.65%)			
Pharmaceutical & Biotechnology 6.64% (10.44%)			
Astellas Pharma	115,800	2,333,862	3.17
Takeda Pharmaceutical	82,800	2,558,382	3.47
		<u>4,892,244</u>	<u>6.64</u>
Real Estate 3.85% (0.19%)			
Mitsubishi Estate	280,000	2,328,580	3.16
TOC	157,050	508,493	0.69
		<u>2,837,073</u>	<u>3.85</u>
Retailers General 1.80% (3.36%)			
Marui	96,500	896,613	1.22
Takashimaya	57,000	429,380	0.58
		<u>1,325,993</u>	<u>1.80</u>
Software & Computer Services nil (0.36%)	-	-	-

Portfolio statement (continued)*as at 31 October 2005*

Investment	Holding	Mid-market value £	Percentage of total net assets %
Speciality & Other Finance 4.60% (3.66%)			
Nomura Holdings	327,970	2,811,035	3.82
Promise	16,250	575,797	0.78
		<u>3,386,832</u>	<u>4.60</u>
Steel & Other Metals 1.48% (2.81%)			
Sumitomo Electric Industries	147,400	1,087,125	1.48
		<u>1,087,125</u>	<u>1.48</u>
Telecom Services 4.92% (5.23%)			
KDDI	656	2,119,209	2.88
NTT DoCoMo	567	1,504,409	2.04
		<u>3,623,618</u>	<u>4.92</u>
Transport 4.88% (5.59%)			
East Japan Railway	689	2,312,709	3.14
West Japan Railway	641	1,279,450	1.74
		<u>3,592,159</u>	<u>4.88</u>
Unit Trusts 4.08% (4.24%)			
Schroder Institutional Japanese Smaller Companies Fund Income Units	7,023,955	3,006,253	4.08
		<u>3,006,253</u>	<u>4.08</u>
<hr/>			
Portfolio of Investments		71,761,338	97.40
Net Current Assets		1,917,235	2.60
Net Assets		<u>73,678,573</u>	<u>100.00</u>

All shares are ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet
as at 31 October 2005

	Notes	2005 £	2004 £
Portfolio of investments		71,761,338	39,822,261
Net current assets			
Debtors	7	474,496	341,360
Cash and bank balances	8	1,699,132	2,063,249
		<u>2,173,628</u>	<u>2,404,609</u>
less			
Creditors	9	256,393	799,411
		<u>256,393</u>	<u>799,411</u>
Net current assets		<u>1,917,235</u>	<u>1,605,198</u>
Net assets		<u>73,678,573</u>	<u>41,427,459</u>
Shareholders' funds		<u>73,678,573</u>	<u>41,427,459</u>

Summary of material portfolio changes

for the year ended 31 October 2005

Major purchases	Cost £	Major sales	Proceeds £
Mitsubishi Tokyo Financial Group	3,411,590	Canon	1,659,623
Sumitomo Mitsui Financial Group	1,823,253	Millea Holdings	1,132,950
Toyota Motor	1,739,948	Sumitomo Electric Industries	1,037,098
Mitsubishi Estate	1,735,249	Takeda Pharmaceuticals	932,896
Asahi Glass	1,353,102	Showa Shell Sekiyu	866,231
Mitsubishi Electric	1,304,086	Kuraray	833,562
Nomura Holdings	1,295,318	East Japan Railway	757,135
Omron	1,272,528	Matsushita Electric Industrial	731,346
Takeda Pharmaceutical	979,951	Mitsui	699,161
Nitto Denko	938,568	Sony	580,674
KDDI	938,445	Shimamura	543,465
Astellas Pharma	934,106	Sompo Japan Insurance	541,990
Ricoh	919,272	Astellas Pharma	530,882
T&D Holdings	895,988	Bridgestone	484,040
East Japan Railway	894,914	World	456,152
West Japan Railway	855,434	Rohm	454,680
Ito Yokado	772,316	Mitsui Chemicals	430,403
Shin-etsu Chemical	744,381	Ricoh	430,033
Schroder Institutional Japanese Smaller Companies Fund Income Units	729,118	Murata Manufacturing	407,273
Kaneka	697,620	Dainippon Pharmaceutical	366,169
Other purchases for the period	14,298,180	Other sales for the period	5,764,047
Total cost of purchases for the period	38,533,367	Total proceeds from sales for the period	19,639,810

Total purchases include portfolio investments acquired by the sub-fund as a result of the in specie transfer from Scottish Mutual Assurance plc on 18 November 2004.

Notes to the financial statements

as at 31 October 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	19,639,810	5,271,536
Original cost of investments sold during the period	<u>(18,632,954)</u>	<u>(4,950,070)</u>
Gains realised on investments sold during the period	1,006,856	321,466
Net realised depreciation thereon already recognised in earlier periods	<u>499,527</u>	<u>175,679</u>
	1,506,383	497,145
Net unrealised appreciation for the period	<u>11,542,577</u>	<u>365,808</u>
Net gains on investments	<u><u>13,048,960</u></u>	<u><u>862,953</u></u>
2. Other (losses) / gains	2005	2004
	£	£
Realised currency (losses) / gains	(1,522)	10,689
Unrealised currency (losses)	<u>(148)</u>	<u>(883)</u>
	<u><u>(1,670)</u></u>	<u><u>9,806</u></u>
3. Gross income	2005	2004
	£	£
Overseas income	675,446	314,362
Unfranked income	20,255	8,855
Bank interest	<u>86,864</u>	<u>52,667</u>
	<u><u>782,565</u></u>	<u><u>375,884</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>455,473</u>	<u>280,530</u>
	<u><u>455,473</u></u>	<u><u>280,530</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	4,713	8,267
Depository's fee (RBS)	<u>4,924</u>	<u>-</u>
	<u><u>9,637</u></u>	<u><u>8,267</u></u>
Other expenses:		
Audit fees	6,580	6,374
Publication fees	4,670	2,783
Transaction charges	8,537	13,080
Safe custody fees	6,428	7,623
FSA fee	149	(385)
Print fee	93	-
Overdraft interest	<u>-</u>	<u>2,569</u>
	<u><u>26,457</u></u>	<u><u>32,044</u></u>
Total expenses	<u><u>491,567</u></u>	<u><u>320,841</u></u>

Notes to the financial statements (continued)

as at 31 October 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Overseas withholding tax	47,732	13,764
Income tax	4,051	1,771
Prior year adjustment	7,645	-
Current period tax charge (note 5b)	<u>59,428</u>	<u>15,535</u>
Increase in deferred taxation during the period (note 5c)	<u>36,416</u>	<u>-</u>
	<u>95,844</u>	<u>15,535</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>290,998</u>	<u>55,043</u>
Corporation tax @ 20%	58,200	11,009
Tax effect of:		
Transaction charges (not deductible for tax purposes)	1,707	2,616
Management expenses not relieved	-	2,589
Management expenses brought forward now relieved	(20,071)	-
Timing differences on income	(32,667)	(13,310)
Prior year adjustment	7,645	-
Overseas withholding tax	40,563	10,860
Irrecoverable income tax	4,051	1,771
Current period tax charge (note 5a)	<u>59,428</u>	<u>15,535</u>
c. Deferred tax		
Deferred tax provision at the start of the period	-	-
Deferred tax charge in Statement of total return for the period (note 5a)	<u>36,416</u>	<u>-</u>
Deferred tax provision at the end of the period	<u>36,416</u>	<u>-</u>
Timing differences on UK tax	36,416	-
Timing differences on overseas tax	-	-
Provision for deferred tax	<u>36,416</u>	<u>-</u>

As at 31 October 2005 the sub-fund had nil surplus management expenses (2004 - £112,672).

6. Distributions	2005	2004
	£	£
Reconciliation between net income and distributions:		
Net income after taxation per Statement of total return	195,154	39,508
Add:		
Undistributed income brought forward	7	-
Expenses paid from capital	8,537	13,080
Deduct:		
Income deficit / (Income carried forward)	134	(7)
Total accumulation distribution per Statement of total return	<u>203,832</u>	<u>52,581</u>

Details of the distribution per share are set out in the table on page 80.

Notes to the financial statements (continued)

as at 31 October 2005

7. Debtors	2005	2004
	£	£
Amounts receivable on issue of shares	27,549	46,273
Sales awaiting settlement	157,749	151,334
Accrued income	287,555	143,753
Prepaid expenses	779	-
Sundry debtor	864	-
	<u>474,496</u>	<u>341,360</u>

8. Cash and bank balances	2005	2004
	£	£
Cash and bank balances	<u>1,699,132</u>	<u>2,063,249</u>

As at 31 October 2005, the weighted average of the floating interest rate on bank balances was 4% (2004 - 3.69%).

9. Creditors	2005	2004
	£	£
Amounts payable on redemption of shares	-	66,067
Purchases awaiting settlement	157,749	695,292
Accrued expenses	62,228	38,052
Deferred tax	36,416	-
	<u>256,393</u>	<u>799,411</u>

10. Derivatives and other financial instruments

The sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations. The sub-fund also enters into derivative transactions in the form of warrants and futures. The purpose of these financial instruments is efficient portfolio management. The sub-fund did not enter into such transactions during the period 1 November 2004 to 31 October 2005.

The main risks arising from the sub-fund's financial instruments are market price, interest rate, liquidity and foreign currency risk.

a) Market price risk

The sub-fund's investment portfolio is exposed to market price fluctuation, which is monitored in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers reduces the risk of excessive exposure to any particular type of security or issuer.

b) Interest rate risk

Substantially all of the sub-fund's investment portfolio comprises of equity shares which neither pay interest nor have a maturity date. The remainder of the sub-funds' assets and liabilities are also non-interest bearing with the exception of cash which attracts a floating interest rate.

c) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities. The main liabilities of the sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. Cash and liability positions are continuously reviewed and, should any increase in liquidity be required, securities are realised.

Notes to the financial statements (continued)*as at 31 October 2005*

d) Foreign currency risk

A substantial proportion of the net assets of the sub-fund are denominated in currencies other than Sterling, with effect that the balance sheet and total return can be significantly affected by currency movements. In certain circumstances where this is significant, exposure may be managed by using foreign currency contracts.

11. Currency exposure

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 10.

	2005	2004
	£	£
Net assets denominated in Japanese Yen:		
Investments	68,755,085	38,067,905
Sales awaiting settlement	76,816	151,334
Purchases awaiting settlement	(76,816)	(589,256)
Other net assets	287,555	143,753
	<u>69,042,640</u>	<u>37,773,736</u>
Net assets denominated in Sterling:		
Investments	3,006,253	1,754,356
Cash and bank balances	1,699,132	2,063,249
Sales awaiting settlement	80,933	-
Purchases awaiting settlement	(80,933)	(106,036)
Other net liabilities	(69,452)	(57,846)
	<u>4,635,933</u>	<u>3,653,723</u>
Total net assets	<u><u>73,678,573</u></u>	<u><u>41,427,459</u></u>

Distribution table*for the six months ended 31 October 2005***Final distribution in pence per share**

	Net Income	Distribution Payable 2005	Distribution Paid 2004
Accumulation A shares	0.0560	0.0560	0.1093
Accumulation B shares	-	-	0.0795
Accumulation D shares	0.3765	0.3765	0.1375

Corporate shareholders

Corporate shareholders should note that of the final accumulation distribution:-
100% of the accumulation distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

Accumulation distributions

Holders of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

Pacific Basin (excluding Japan) Equities Fund

Investment objective and policy

The aim of this sub-fund is to obtain a long term total return of capital appreciation and income receipts from investments primarily in Pacific Basin (excluding Japan) equities, with the appointment of sub-fund advisers, and the selection of securities, to achieve high risk-adjusted returns over the longer term.

Investment adviser

The ACD has appointed RCM (UK) Limited (previously called Allianz Dresdner) as investment adviser to the sub-fund. RCM provide investment management and advisory services in relation to all the assets of the sub-fund (unless and until the ACD makes changes in respect of investment advisers to the sub-fund).

Review of investment activities

RCM have an active, research driven investment process, which emphasises intensive company-level research with a focus on factors that contribute to growth and the quality of businesses.

They benefit from the input of a 'Grassroots' market research network of reporters and researchers.

The portfolio is diversified, typically holding 80-100 stocks. Risks are controlled by limiting the size of positions taken in individual companies and using sophisticated mathematical techniques.

During the period under review the ACD has reviewed the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

No changes have been made in the management of the Pacific Basin (excluding Japan) Equities Fund during the period.

Comparative table

Number of shares in issue	31.10.05	31.10.04	31.10.03
A shares	13,075,600	11,204,300	8,382,800
B shares	161,350	645,401	645,401
D shares [^]	13,178,503	7,401,033	313,800

[^] Increase in number of shares due to investment by Scottish Mutual Assurance plc on 24 November 2004

Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	54,724,393	32,054,991	15,085,435
NAV attributable to A shareholders	26,971,703	18,620,384	13,540,664
NAV attributable to B shareholders	333,190	1,071,597	1,042,587
NAV attributable to D shareholders	27,419,500	12,363,010	502,184

Net asset value per share	p	p	p
A shares	206.3	166.2	161.5
B shares	206.5	166.0	161.5
D Shares	208.1	167.0	160.0

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	151.4	147.0
2000	B shares	-	151.4	147.0
2001	A shares	1.0933	161.0	106.0
2001	B shares	-	161.0	106.0
2002	A shares	1.4356	153.0	109.4
2002	B shares	1.1629	153.0	109.4
2003	A shares	1.4955	166.0	109.1
2003	B shares	1.4464	166.0	109.1
2003	D shares	0.1690	166.0	150.5
2004	A shares	2.3447	177.1	147.4
2004	B shares	2.4591	176.8	147.2
2004	D shares	1.7662	177.9	147.7
2005*	A shares	3.7213	224.7	175.6
2005*	B shares	4.6502	224.9	175.6
2005*	D shares	4.7217	226.5	176.6

* To 31 October 2005

Statement of total return

for the year ended 31 October 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		8,519,245		455,272
Other losses	2		(77,904)		(104,039)
Gross income	3	1,791,810		689,616	
Expenses	4	(427,746)		(246,742)	
Net income before taxation		<u>1,364,064</u>		<u>442,874</u>	
Taxation	5	(306,550)		(107,174)	
Net income after taxation			<u>1,057,514</u>		<u>335,700</u>
Total return for the period			9,498,855		686,933
Distributions	6		(1,108,771)		(364,741)
Net increase in shareholders' funds from investment activities			<u>8,390,084</u>		<u>322,192</u>

Statement of movements in shareholders' funds

for the year ended 31 October 2005

	2005		2004	
	£	£	£	£
Net assets at the start of the period		32,054,991		15,085,432
Movement due to sales / repurchases of shares:				
Share exchange issues on inspecie transfer*	8,193,730	*	3,153,581	
Amounts receivable on issue of shares	13,447,372		15,707,084	
Less: Amounts payable on redemption of shares	<u>(8,790,901)</u>		<u>(2,820,819)</u>	
		12,850,201		16,039,846
Dilution levy		320,346		242,785
Stamp duty reserve tax		-		(5)
Net increase in shareholders' funds from investment activities (see above)		8,390,084		322,192
Retained distribution on accumulation shares		1,108,771		364,741
Net assets at the end of the period		<u>54,724,393</u>		<u>32,054,991</u>

*relating to the inspecie transfer from Scottish Mutual Assurance plc on 24 November 2004.

Portfolio statement
as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Australia 27.60% (30.34%)			
AMP	323,853	995,325	1.82
Australia & New Zealand Banking Group	97,598	967,601	1.77
BHP Billiton	167,853	1,469,028	2.68
Brambles Industries	313,740	1,115,796	2.04
Commonwealth Bank of Australia	59,515	975,952	1.78
CSL	71,412	1,129,017	2.06
Foster's Group	110,035	269,244	0.49
Macquarie Bank	33,456	911,788	1.67
National Australia Bank	113,826	1,583,004	2.89
Oil Search	258,381	360,262	0.66
QBE Insurance Group	111,771	838,866	1.53
Rinker Group	54,542	345,957	0.63
Rio Tinto	29,993	711,691	1.30
St George Bank	35,140	403,754	0.74
Suncorp-Metway	28,630	232,147	0.42
Westfield Group	99,438	696,592	1.27
Westpac Banking	140,690	1,232,191	2.26
Woodside Petroleum	28,916	385,734	0.71
Woolworths	69,626	479,379	0.88
		<u>15,103,328</u>	<u>27.60</u>
China 3.87% (2.77%)			
China Life Insurance	770,000	317,097	0.58
China Shenhua Energy	832,500	515,008	0.95
China Telecom	4,915,000	896,117	1.64
PetroChina	894,000	384,380	0.70
		<u>2,112,602</u>	<u>3.87</u>
Hong Kong 17.98% (16.32%)			
BOC Hong Kong Holdings	728,000	762,047	1.39
Cheung Kong Holdings	42,000	246,032	0.45
China Mobile Hong Kong	457,000	1,143,288	2.09
China Netcom Group	297,500	263,919	0.48
CNOOC	656,500	240,581	0.44
Cnpc Hong Kong	1,720,000	189,717	0.35
Giordano International	1,378,000	446,234	0.82
Hong Kong Exchanges and Clearing	517,000	970,747	1.77
Hong Kong & China Gas	812,000	941,308	1.72
Hopewell Holdings	715,000	981,922	1.79
Hutchison Whampoa	357,000	1,902,161	3.48
Sun Hung Kai Properties	128,000	680,614	1.24
Swire Pacific	213,000	1,074,622	1.96
		<u>9,843,192</u>	<u>17.98</u>

Portfolio statement (continued)

as at 31 October 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
India 3.81% (3.48%)			
Bharti Televentures	79,149	319,642	0.58
ICICI Bank	18,700	237,683	0.43
Infosys Technologies	13,870	436,940	0.80
ITC	188,820	283,577	0.52
Larsen & Toubro	44,093	777,876	1.42
Suzlon Energy	3,804	33,901	0.06
		<u>2,089,619</u>	<u>3.81</u>
Indonesia 1.69% (1.89%)			
Perusahaan Gas Negara	1,307,500	390,886	0.71
Ramayana Lestari Sentosa	5,604,000	222,861	0.41
Telekomunikasi Indonesia	1,136,000	314,341	0.57
		<u>928,088</u>	<u>1.69</u>
Korea 16.00% (11.88%)			
Daewoo Shipbuilding & Marine Engineering	21,630	243,556	0.45
Doosan Heavy Industries and Construction	23,060	281,166	0.51
Hana Bank	27,060	550,871	1.01
Hyundai Motor	18,160	753,128	1.38
Kookmin Bank	40,990	1,282,150	2.34
Korea Electric Power	10,910	199,388	0.36
KT&G	16,770	381,518	0.70
POSCO	2,483	284,287	0.52
S-Oil	6,890	291,143	0.54
Samsung Electronics	10,934	3,278,220	5.99
Shinhan Financial Group	32,430	606,709	1.11
Shinsegae	2,939	597,113	1.09
		<u>8,749,249</u>	<u>16.00</u>
Malaysia 4.60% (6.78%)			
Bumiputra-Commerce Holdings	318,800	262,548	0.48
IOI Corp	344,600	670,322	1.22
Public Bank	490,975	481,186	0.88
Tanjong	133,500	291,525	0.53
Telekom Malaysia	267,500	391,755	0.72
Tenaga Nasional	280,600	420,350	0.77
		<u>2,517,686</u>	<u>4.60</u>
New Zealand 0.57% (1.26%)			
Warehouse Group	201,328	312,414	0.57
		<u>312,414</u>	<u>0.57</u>
Philippines 0.70% (nil)			
SM Investments	166,210	383,564	0.70
		<u>383,564</u>	<u>0.70</u>
Singapore 5.68% (3.67%)			
City Developments	278,000	810,799	1.48
DBS Group Holdings	104,000	530,595	0.97
Jurong Technologies Industrial	545,000	354,131	0.65
Keppel Corp	196,000	752,418	1.38

Portfolio statement (continued)

as at 31 October 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Singapore (continued)			
Singapore Telecommunications	446,000	346,874	0.63
United Overseas Bank	68,280	314,314	0.57
		<u>3,109,131</u>	<u>5.68</u>
Taiwan 12.40% (16.09%)			
Advanced Semiconductor Engineering	1,453,434	500,512	0.91
AU Optronics	377,340	269,587	0.49
Cathay Financial Holding	1,050,000	1,048,900	1.92
Chung Hsin Electric & Machinery Manufacturing	492,000	172,330	0.32
Far EasTone Telecommunications	980,000	641,497	1.17
HON HAI Precision Industry	340,108	832,894	1.52
MediaTek	112,800	550,572	1.01
Mega Financial Holding	2,782,000	1,028,380	1.88
Taiwan Semiconductor Manufacturing	1,511,848	1,326,739	2.42
Zyxel Communications	405,840	412,942	0.76
		<u>6,784,353</u>	<u>12.40</u>
Thailand 1.58% (3.14%)			
Bangkok Bank	164,900	222,438	0.41
PTT Exploration & Production	110,000	640,585	1.17
		<u>863,023</u>	<u>1.58</u>
<hr/>			
Portfolio of Investments		52,796,249	96.48
Net Current Assets		1,928,144	3.52
Net Assets		<u>54,724,393</u>	<u>100.00</u>

All shares are ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet*as at 31 October 2005*

	Notes	2005 £	2004 £
Portfolio of investments		52,796,249	31,293,255
Net current assets			
Debtors	7	203,523	476,436
Cash and bank balances	8	2,073,595	1,013,333
		<u>2,277,118</u>	<u>1,489,769</u>
less			
Bank overdrafts	8	-	69,802
Creditors	9	348,974	658,231
		<u>348,974</u>	<u>728,033</u>
Net current assets		<u>1,928,144</u>	<u>761,736</u>
Net assets		<u>54,724,393</u>	<u>32,054,991</u>
Shareholders' funds		<u>54,724,393</u>	<u>32,054,991</u>

Summary of material portfolio changes*for the year ended 31 October 2005*

Major purchases	Cost £	Major sales	Proceeds £
Samsung Electronics	2,271,761	BHP Billiton	1,585,701
Westpac Banking	1,387,831	LG Electronics	1,383,117
AMP	1,207,420	AMP	1,187,367
Giordano International	1,195,572	Oil & Natural Gas	1,178,267
LG Electronics	1,133,218	Samsung Electronics	1,030,948
Mega Financial Holding	1,099,697	China Steel	965,612
Hutchison Whamoa	1,046,653	Woodside Petroleum	952,699
National Australia Bank	1,043,088	Hyundai Mobis	943,557
Taiwan Semiconductor Manufacturing	929,907	Taiwan Semiconductor Manufacturing	804,568
China Mobile Hong Kong	923,504	POSCO	800,682
Advanced Semiconductor Engineering	915,677	Great Eagle Holding	791,454
City Developments	906,978	CSL	788,326
BOC Hong Kong Holdings	874,158	Giordano International	761,827
Oil & Natural Gas	793,891	Coca-Cola Amatil	761,678
Coca-Cola Amatil	783,140	Westpac Banking	759,768
Shinsegae	760,549	Chinatrust Financial Holding	744,983
POSCO	753,786	Siliconware Precision Industries	724,540
China Steel	748,373	Origin Energy	710,298
Oil Search	742,622	Newcrest Mining	688,735
Hyundai Motor	734,493	Oil Search	641,890
CSL	726,175		
Macquarie Bank	723,566		
Kookmin Bank	720,689		
Woolworths	711,799		
Hana Bank	711,231		
Swire Pacific	704,549		
Westfield Group	695,307		
DBS Group Holdings	668,129		
Far EasTone Telecommunications	646,429		
Shinhan Financial Group	642,894		
Other purchases for the period	30,332,478	Other sales for the period	26,346,521
Total cost of purchases for the period	57,535,564	Total proceeds from sales for the period	44,552,538

Total purchases include portfolio investments acquired by the Sub-fund as a result of the in specie transfer from Scottish Mutual Assurance plc on 24 November 2004.

Notes to the financial statements

as at 31 October 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	44,552,538	10,974,921
Original cost of investments sold during the period	(39,911,023)	(10,840,381)
Gains realised on investments sold during the period	<u>4,641,515</u>	<u>134,540</u>
Net realised appreciation thereon already recognised in earlier periods	(1,961,557)	(333,345)
	<u>2,679,958</u>	<u>(198,805)</u>
Net unrealised appreciation for the period	<u>5,839,287</u>	<u>654,077</u>
Net gains on investments	<u><u>8,519,245</u></u>	<u><u>455,272</u></u>
Included in net gains on investments are losses of £723 relating to forward currency hedges (2004 - nil).		
2. Other losses	2005	2004
	£	£
Realised currency losses	(68,877)	(102,854)
Unrealised currency losses	(9,027)	(1,185)
	<u>(77,904)</u>	<u>(104,039)</u>
3. Gross income	2005	2004
	£	£
Overseas income	1,676,271	616,471
Scrip dividends	85,553	45,463
Stocklending commission	3,564	-
Bank interest	26,422	27,682
	<u>1,791,810</u>	<u>689,616</u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>338,436</u>	<u>190,981</u>
	<u>338,436</u>	<u>190,981</u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	6,718	6,023
Depository's fee (RBS)	<u>1,260</u>	<u>-</u>
	<u>7,978</u>	<u>6,023</u>
Other expenses:		
Audit fees	6,580	5,885
Publication fees	4,670	550
Transaction charges	51,263	29,046
Safe custody fees	16,970	14,257
FSA fees	149	-
Printing fees	93	-
Overdraft interest	<u>1,607</u>	<u>-</u>
	<u>81,332</u>	<u>49,738</u>
Total expenses	<u><u>427,746</u></u>	<u><u>246,742</u></u>

Notes to the financial statements (continued)

as at 31 October 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Corporation tax	252,611	61,157
Double taxation relief	(104,362)	(19,644)
Overseas withholding tax	152,711	39,932
Prior year adjustment	-	3,378
Current period tax charge (note 5b)	<u>300,960</u>	<u>84,823</u>
Increase in deferred taxation during the period (note 5c)	<u>5,590</u>	<u>22,351</u>
 Total tax for period	 <u><u>306,550</u></u>	 <u><u>107,174</u></u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>1,364,064</u>	<u>442,874</u>
 Corporation tax @ 20%	 272,813	 88,575
Tax effect of:		
Scrip dividends (not included for tax purposes)	(17,111)	(9,093)
Transaction charges (not deductible for tax purposes)	10,253	5,809
Timing differences on income	(5,772)	(21,479)
Prior year adjustment	-	3,378
Overseas withholding tax	145,139	37,277
Double taxation relief	(104,362)	(19,644)
Current period tax charge (note 5a)	<u>300,960</u>	<u>84,823</u>
c. Deferred tax		
Deferred tax provision at the start of the period	23,236	885
Deferred tax charge in Statement of total return for the period	5,590	22,351
Deferred tax provision at the end of the period	<u>28,826</u>	<u>23,236</u>
 Timing differences on UK tax	 -	 1,865
Timing differences on overseas tax	28,826	21,371
Provision for deferred tax	<u>28,826</u>	<u>23,236</u>
6. Distributions		
Reconciliation between net income and distributions:	2005	2004
	£	£
Net income after taxation per Statement of total return	1,057,514	335,700
Add:		
Undistributed income brought forward	12	7
Expenses paid from capital	51,263	29,046
Deduct:		
Undistributed income carried forward	(18)	(12)
Total distribution per Statement of total return	<u>1,108,771</u>	<u>364,741</u>

Details of the distribution per share are set out in the table on page 94.

Notes to the financial statements (continued)

as at 31 October 2005

7. Debtors	2005	2004
	£	£
Amounts receivable on the issue of shares	59,801	55,408
Sales awaiting settlement	-	301,523
Accrued income	142,201	119,505
Prepaid expenses	779	-
Sundry debtors	742	-
	<u>203,523</u>	<u>476,436</u>

8. Cash and bank balances	2005	2004
	£	£
Cash and bank balances	<u>2,073,595</u>	<u>1,013,333</u>

As at 31 October 2005, the weighted average of the floating interest rate on bank balances was 3.45% (2004 - 2.07%).

Bank overdraft	<u>-</u>	<u>69,802</u>
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As at 31 October 2005, the weighted average of the floating interest rate on bank overdraft balances was nil (2004 - nil).

9. Creditors	2005	2004
	£	£
Amounts payable on redemption of shares	-	77,260
Purchases awaiting settlement	115,691	485,383
Accrued expenses	56,208	30,840
Corporation tax payable	148,249	41,512
Deferred tax	28,826	23,236
	<u>348,974</u>	<u>658,231</u>

10. Stocklending

There was no stock on loan at the balance sheet date.

11. Derivatives and other financial instruments

The sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations. The sub-fund also enters into derivative transactions in the form of warrants and futures. The purpose of these financial instruments is efficient portfolio management. The sub-fund did not enter into such transactions during the period 1 November 2004 to 31 October 2005.

The main risks arising from the sub-fund's financial instruments are market price, interest rate, liquidity and foreign currency risk.

a) Market price risk

The sub-fund's investment portfolio is exposed to market price fluctuation, which is monitored in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers reduces the risk of excessive exposure to any particular type of security or issuer.

b) Interest rate risk

Substantially all of the sub-fund's investment portfolio comprises of equity shares which neither pay interest nor have a maturity date. The remainder of the sub-funds' assets and liabilities are also non-interest bearing with the exception of cash which attracts a floating interest rate.

Notes to the financial statements (continued)

as at 31 October 2005

11. Derivatives and other financial instruments (continued)

c) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities. The main liabilities of the sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. Cash and liability positions are continuously reviewed and, should any increase in liquidity be required, securities are realised.

d) Foreign currency risk

A substantial proportion of the net assets of the sub-fund are denominated in currencies other than Sterling, with effect that the balance sheet and total return can be significantly affected by currency movements. In certain circumstances where this is significant, exposure may be managed by using foreign currency

12. Currency exposure

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 11.

Currency exposure:	2005 £	2004 £
Net assets denominated in Taiwanese Dollars:		
Investments	6,784,354	5,157,122
Cash and bank balances	332,339	-
Bank overdraft	-	(69,802)
Sales awaiting settlement	-	12,834
Purchases awaiting settlement	(61,983)	-
Other net assets	139,770	105,606
	<u>7,194,480</u>	<u>5,205,760</u>
Net assets denominated in Malaysian Ringitts:		
Investments	2,517,687	2,174,368
Cash and bank balances	-	445,494
Other net assets	2,431	3,117
	<u>2,520,118</u>	<u>2,622,979</u>
Net assets denominated in Australian Dollars:		
Investments	15,103,330	9,730,409
Cash and bank balances	439,871	-
Sales awaiting settlement	-	158,883
Purchases awaiting settlement	-	(158,883)
Other net assets	-	4,942
	<u>15,543,201</u>	<u>9,735,351</u>
Net assets denominated in Hong Kong Dollars:		
Investments	11,955,794	5,717,867
Sales awaiting settlement	-	129,806
Purchases awaiting settlement	-	(161,074)
Other net assets	-	1,767
	<u>11,955,794</u>	<u>5,688,366</u>
Net assets denominated in Korean Won:		
Investments	8,749,247	3,809,333
	<u>8,749,247</u>	<u>3,809,333</u>
Net assets denominated in Singapore Dollars:		
Investments	3,109,131	1,177,683
	<u>3,109,131</u>	<u>1,177,683</u>

Notes to the financial statements (continued)*as at 31 October 2005***12. Currency exposure (continued)**

	2005	2004
	£	£
Net assets denominated in other foreign currencies*:		
Investments	4,576,706	3,526,473
Purchases awaiting settlement	(53,708)	-
Other net assets	-	4,074
	<u>4,522,998</u>	<u>3,530,547</u>
Net assets denominated in Sterling:		
Cash and bank balances	1,301,385	567,838
Purchases awaiting settlement	-	(165,426)
Other net liabilities	(171,961)	(117,440)
	<u>1,129,424</u>	<u>284,972</u>
Total net assets	<u><u>54,724,393</u></u>	<u><u>32,054,991</u></u>

* each individual foreign currency included within 'others' above amounts to less than 4% (2004 - 4%) of the net asset value of the sub-fund.

Distribution table*for the six months ended 31 October 2005***Final distribution in pence per share**

	Net Income	Distribution Payable 2005	Distribution Paid 2004
Accumulation A shares	2.5055	2.5055	1.5281
Accumulation B shares	2.6314	2.6314	1.5928
Accumulation D shares	3.1802	3.1802	1.0237

Corporate shareholders

Corporate shareholders should note that of the final accumulation distribution:-
100% of the accumulation distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

Accumulation distributions

Holders of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

Sterling Bond Fund

Investment objective and policy

The aim of this sub-fund is to obtain a long term total return of capital appreciation and income receipts from investments primarily in Sterling fixed interest securities, with the appointment of sub-fund advisers, and the selection of securities, to achieve high risk-adjusted returns over the longer term.

Investment adviser

The ACD has appointed, Merrill Lynch Investment Managers Limited, Western Asset Management Company Limited and Barclays Global Investors Limited as advisors to the sub-fund. The investment advisers to the sub-fund provide investment management and advisory services in relation to, in aggregate, all the assets of the sub-fund (unless and until the ACD makes changes in respect of investment advisers to the sub-fund). However, the portion of the assets under the management of each investment adviser will be chosen by the ACD and varies at the ACD's discretion.

Review of investment activities

Merrill Lynch Investment Managers have an active, research driven investment process focusing on all aspects of fixed interest opportunities and risk.

Their focus is on research and credit analysis, within a disciplined approach to managing risk through the use of sophisticated mathematical techniques.

Western Asset Management Company's investment approach is based on seeking out the greatest long term value by analysing all sectors of the fixed interest market. They employ multiple investment strategies to add incremental value over time and reduce volatility.

Barclays Global Investors have a rigorous and consistent investment process, driven by in-depth analysis and academic research. They focus on the three elements of investment: return, risk and cost.

During the period under review the ACD has reviewed the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

No changes have been made in the management of the Sterling Bond Fund during the period.

Comparative table

Number of shares in issue	31.10.05	31.10.04	31.10.03
A shares	238,508,300	192,420,500	168,865,800
B shares	61,611	246,446	246,446
C shares	-	-	-
Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	466,085,507	353,723,823	293,079,407
NAV attributable to A shareholders	465,966,048	353,270,159	292,652,304
NAV attributable to B shareholders	119,459	453,664	427,103
NAV attributable to C shareholders	-	-	-
Net asset value per share	p	p	p
A shares	195.4	183.6	173.3
B shares	193.9	184.1	173.3
C Shares	-	-	-

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	150.4	149.4
2000	B shares	-	150.4	149.4
2001	A shares	4.5854	162.7	147.7
2001	B shares	-	162.7	147.7
2002	A shares	4.6918	170.6	157.0
2002	B shares	6.2630	170.6	157.0
2002	C shares	0.9454	172.4	159.5
2003	A shares	5.7617	181.2	166.6
2003	B shares	6.6150	181.2	166.6
2003	C shares	1.2392	183.9	168.2
2004	A shares	6.4172	189.4	173.6
2004	B shares	6.6673	189.7	173.9
2005*	A shares	6.0934	197.7	186.5
2005*	B shares	11.2488	196.3	186.9

* To 31 October 2005

Statement of total return
for the year ended 31 October 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		9,551,407		5,852,468
Other gains	2		189,701		64,520
Gross income	3	21,234,444		18,832,397	
Expenses	4	(4,190,941)		(3,475,513)	
Net income before taxation		<u>17,043,503</u>		<u>15,356,884</u>	
Taxation	5	(4,844)		(1,262)	
Net income after taxation			<u>17,038,659</u>		<u>15,355,622</u>
Total return for the period			26,779,767		21,272,610
Gross distributions	6		(17,056,486)		(15,388,039)
Net increase in shareholders' funds from investment activities			<u>9,723,281</u>		<u>5,884,571</u>

Statement of movements in shareholders' funds
for the year ended 31 October 2005

	2005		2004	
	£	£	£	£
Net assets at the start of the period		353,723,823		293,079,407
Movement due to sales / repurchases of shares:				
Amounts receivable on issue of shares	89,999,539		52,607,782	
Less: Amounts payable on redemption of shares	<u>(1,809,121)</u>		<u>(10,963,179)</u>	
		88,190,418		41,644,603
Dilution levy		802,796		804,811
Net increase in shareholders' funds from investment activities (see above)		9,723,281		5,884,571
Retained distribution on accumulation shares		13,645,189		12,310,431
Net assets at the end of the period		<u>466,085,507</u>		<u>353,723,823</u>

Portfolio statement
as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
UK Government 18.57% (17.17%)				
Treasury 4.25% 2032	£ 11,454,000	11,443,691	2.45	AAA
Treasury 4.25% 2036	£ 628,000	628,879	0.13	AAA
Treasury 4.25% 2055	£ 1,040,000	1,065,688	0.23	AAA
Treasury 4.5% 2007	£ 10,000,000	10,028,750	2.15	AAA
Treasury 4.75% 2015	£ 4,683,000	4,836,134	1.04	AAA
Treasury 4.75% 2010	£ 13,730,000	13,965,813	3.00	AAA
Treasury 4.75% 2020	£ 370,000	385,817	0.08	AAA
Treasury 5% 2008	£ 610,000	619,287	0.13	AAA
Treasury 5% 2012	£ 11,097,000	11,504,260	2.47	AAA
Treasury 5% 2014	£ 13,116,108	13,737,156	2.95	AAA
Treasury 5% 2025	£ 3,078,000	3,352,404	0.72	AAA
Treasury 5.75% 2009	£ 1,048,000	1,103,099	0.24	AAA
Treasury 6% 2028	£ 4,550,281	5,691,946	1.22	AAA
Treasury 7.25% 2007	£ 70,000	74,079	0.02	AAA
Treasury 7.5% 2006	£ 70,000	72,366	0.02	AAA
Treasury 8% 2021	£ 3,930,000	5,539,925	1.19	AAA
Treasury 8.5% 2005	£ 885,000	888,407	0.19	AAA
Treasury 8.75% 2017	£ 1,000,000	1,403,950	0.30	AAA
Treasury Inflation Linked 2% 2035	£ 160,000	207,224	0.04	AAA
		86,548,875	18.57	
Foreign Government 8.59% (3.75%)				
Australia 5.25% 2010	AUD 4,080,000	1,710,438	0.37	AAA
Bundesobligation 4.5% 2007	€ 8,589,000	6,007,907	1.29	AAA
Canada 4% 2031	CAD 1,370,000	977,578	0.21	AAA
Deutsche Bundesrepublik 4% 2037	€ 5,718,000	4,022,336	0.86	AAA
Deutsche Bundesrepublik 4.75% 2034	€ 2,420,000	1,911,540	0.41	AAA
Deutsche Bundesrepublik 5.25% 2011	€ 3,350,000	2,507,592	0.54	AAA
Deutsche Bundesrepublik 5.5% 2031	€ 7,084,000	6,121,567	1.31	AAA
Norway 5% 2015	NOK 4,560,000	431,055	0.09	AAA
Norway 6.5% 2013	NOK 11,560,000	1,181,727	0.25	AAA
Sweden 3.5% 2028	SEK 4,830,000	513,123	0.11	AAA
Sweden 8% 2007	SEK 6,530,000	509,464	0.11	AAA
US Treasury 1.875% 2015	US\$ 3,870,000	2,151,262	0.46	AAA
US Treasury 3.375% 2007	US\$ 1,400,000	808,681	0.17	AAA
US Treasury 3.875% 2029	US\$ 1,970,000	1,689,378	0.36	AAA
US Treasury Principal Strip 0% 2030	US\$ 2,820,000	493,520	0.11	AAA
US Treasury 4% 2015	US\$ 3,759,000	2,020,161	0.43	Aaa
Hungary 5.5% 2014	£ 421,000	440,316	0.10	A-
Bulgaria 8.25% 2015	US\$ 440,000	297,030	0.06	BBB
Russia 5% 2030	US\$ 2,090,000	1,304,530	0.28	BBB
Mexico 6.75% 2024	£ 1,698,000	1,817,429	0.39	BBB-
Colombia 11.75% 2020	US\$ 220,000	166,904	0.04	BB
Colombia 8.125% 2024	US\$ 100,000	58,175	0.01	BB
Panama 10.75% 2020	US\$ 210,000	159,881	0.03	BB
Panama 8.875% 2027	US\$ 40,000	26,169	0.01	BB
Panama 9.375% 2023	US\$ 20,000	13,576	0.00	BB
Panama 9.625% 2011	US\$ 70,000	45,466	0.01	BB
Peru 5% 2017	US\$ 200,000	88,065	0.02	BB
Peru 5% 2017	US\$ 50,000	22,010	0.01	BB
Peru 8.75% 2033	US\$ 210,000	135,802	0.03	BB
Brazil 11% 2040	US\$ 840,000	564,771	0.12	BB-
Brazil 12.25% 2030	US\$ 210,000	157,042	0.03	BB-
Brazil 14.5% 2009	US\$ 420,000	301,761	0.07	BB-
Brazil 5.25% 2012	US\$ 220,000	92,293	0.02	BB-

Portfolio statement (continued)

as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Foreign Government (continued)				
Brazil 8.875% 2024	US\$ 130,000	75,776	0.02	BB-
Brazil 8.875% 2024	US\$ 41,000	23,835	0.01	BB-
OAT France Principal Strip 0% 2032	€ 4,892,500	1,168,594	0.25	Unrated
		40,016,754	8.59	
Corporate Bonds 67.57% (74.87%)				
Anglian Water Services Financing 5.837% 2022	£ 714,000	782,033	0.17	AAA
Annes Gate Property 5.661% 2031	£ 500,000	567,900	0.12	AAA
ASIF II 5.625% 2012	£ 678,000	704,452	0.15	AAA
Autolink Concessionaires 8.39% 2022	£ 300,000	386,520	0.08	AAA
Bank Nederlandse Gemeenten 7.375% 2007	£ 1,300,000	1,361,763	0.29	AAA
British Broadcasting 5.0636% 2033	£ 1,950,000	2,005,287	0.43	AAA
Broadgate Financing 4.821% 2036	£ 1,090,000	1,106,677	0.24	AAA
Broadgate Financing 4.949% 2029	£ 1,380,000	1,381,888	0.30	AAA
Canary Wharf Finance II 6.455% 2030	£ 4,815,000	5,608,031	1.20	AAA
Care Homes No 3 6.125% 2028	£ 1,250,000	1,488,188	0.32	AAA
Chester Asset Receivables Dealings No 12 6% 2013	£ 1,600,000	1,687,760	0.36	AAA
Compagnie de Financement Foncier 0.4% 2006	JPY 252,000,000	1,226,450	0.26	AAA
Connect M77/GSO 5.404% 2034	£ 466,000	501,048	0.11	AAA
Craegmoor Funding 2 5.321% 2018	£ 370,000	385,114	0.08	AAA
Cumbernauld Funding 2004 5.2% 2007	£ 187,000	188,889	0.04	AAA
Depfa ACS Bank 4.875% 2008	£ 820,000	826,548	0.18	AAA
Derby Healthcare 5.564% 2041	£ 1,200,000	1,333,764	0.29	AAA
Dexia Municipal Agency 4.875% 2008	£ 1,000,000	1,007,445	0.22	AAA
Dwr Cymru Financing 6.015% 2028	£ 1,900,000	2,202,005	0.47	AAA
Equity Release Funding 5.7% 2031	£ 1,345,000	1,482,365	0.32	AAA
Equity Release Funding 5.88% 2032	£ 1,338,000	1,515,098	0.33	AAA
European Investment Bank 2.125% 2007	JPY 63,000,000	317,239	0.07	AAA
European Investment Bank 6.25% 2014	£ 325,000	362,278	0.08	AAA
Exchequer Partnership 5.396% 2036	£ 500,000	532,533	0.11	AAA
Fixed-Link Finance 2 5.78% 2028	£ 1,100,000	1,140,810	0.24	AAA
Freshwater Finance 5.182% 2035	£ 1,585,000	1,688,184	0.36	AAA
GE Capital UK Funding 4.75% 2010	£ 1,140,000	1,138,507	0.24	AAA
GE Capital UK Funding 5.125% 2015	£ 550,000	557,923	0.12	AAA
General Electric Capital 1.4% 2006	JPY 190,000,000	933,707	0.20	AAA
General Electric Capital 6.125% 2012	£ 383,000	410,172	0.09	AAA
General Electric Capital 6.25% 2017	£ 94,000	105,054	0.02	AAA
General Electric Capital 6.44% 2022	£ 538,000	630,697	0.14	AAA
GHG Finance 5.941% 2018	£ 230,000	253,061	0.05	AAA
Holmes Financing 6.62% 2013	£ 1,000,000	1,078,199	0.23	AAA
Hoteloc 5.05% 2007	£ 700,000	687,936	0.15	AAA
Housing Association Funding 8.25% 2027	£ 400,000	482,393	0.10	AAA
Juneau Investments 5.9% 2021	£ 534,000	589,397	0.13	AAA
KFW International Finance 5.375% 2011	£ 1,000,000	1,042,325	0.22	AAA
Kreditanstalt fuer Wiederaufbau 4.5% 2008	£ 290,000	289,920	0.06	AAA
Kreditanstalt fuer Wiederaufbau 4.75% 2010	£ 1,100,000	1,109,543	0.24	AAA
Kreditanstalt fuer Wiederaufbau 5.5% 2009	£ 2,075,000	2,143,714	0.46	AAA
Landwirtschaftliche Rentenbank 5.375% 2008	£ 1,129,000	1,150,586	0.25	AAA
Lunar Funding I 5.75% 2033	£ 700,000	795,256	0.17	AAA
Meadowhall CMR Finance 5.26% 2032	£ 1,215,000	1,281,096	0.27	AAA
Metronet Rail BCV Finance 5.305% 2032	£ 1,170,000	1,230,372	0.26	AAA
Metronet Rail SSL Finance 5.309% 2032	£ 480,000	501,936	0.11	AAA
Mitchells & Butlers Finance 5.574% 2030	£ 1,701,000	1,661,575	0.36	AAA
Monument Securitisation 4.9% 2013	£ 528,176	231,214	0.05	AAA

Portfolio statement (continued)

as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
National Air Traffic Services 5.25% 2026	£ 1,411,000	1,465,676	0.31	AAA
Network Rail Infrastructure Finance 4.875% 2015	£ 575,000	588,556	0.13	AAA
Network Rail MTN Finance 4.875% 2009	£ 1,500,000	1,515,203	0.33	AAA
Octagon Healthcare Funding 5.333% 2035	£ 1,940,000	2,058,090	0.44	AAA
Permanent Financing 5.521% 2042	£ 940,000	970,832	0.21	AAA
Punch Taverns Finance 6.82% 2020	£ 900,000	1,040,193	0.22	AAA
Rabobank Nederland 4.60688% 2010	£ 2,000,000	2,000,044	0.43	AAA
RMPA Services 5.337% 2038	£ 1,687,000	1,793,871	0.38	AAA
Romulus Finance 5.441% 2023	£ 509,000	544,121	0.12	AAA
Scotland Gas 4.75% 2017	£ 2,400,000	2,366,548	0.51	AAA
SLM Student Loan Trust 5.15% 2039	£ 400,000	410,960	0.09	AAA
Slough Estates 7% 2022	£ 103,000	117,930	0.03	AAA
South East Water 5.5834% 2029	£ 360,000	395,748	0.08	AAA
South East Water 5.6577% 2019	£ 1,550,000	1,657,279	0.36	AAA
Southern Gas Networks 4.875% 2020	£ 1,069,000	1,063,370	0.23	AAA
Southern Water Services Finance 5% 2021	£ 760,000	762,791	0.16	AAA
Southern Water Services Finance 6.192% 2029	£ 1,450,000	1,715,495	0.37	AAA
Spirit Issuer 5.472% 2034	£ 1,200,000	1,315,860	0.28	AAA
Spirit Issuer 5.86% 2021	£ 264,000	284,038	0.06	AAA
Summit Finance 6.484% 2028	£ 151,000	161,537	0.03	AAA
Telereal Securitisation 5.3887% 2031	£ 2,250,000	2,330,664	0.50	AAA
Telereal Securitisation 5.5534% 2031	£ 715,000	772,372	0.17	AAA
Toyota Finance Australia 5.25% 2007	£ 550,000	558,349	0.12	AAA
Trafford Centre Finance 6.5% 2033	£ 390,000	472,813	0.10	AAA
White City Property Finance 5.1202% 2035	£ 1,080,000	1,122,606	0.24	AAA
Yorkshire Electricity Distribution 5.125% 2035	£ 1,600,000	1,687,840	0.36	AAA
Aire Valley Mortgages 4.77% 2034	£ 820,000	822,050	0.18	Aaa
F&C Commercial Property Finance 5.23% 2017	£ 950,000	981,825	0.21	Aaa
John Hancock Global Funding II 6% 2011	£ 800,000	842,840	0.18	AA+
New York Life Global Funding 5.75% 2009	£ 600,000	619,110	0.13	AA+
Allstate Life Funding 6.375% 2011	£ 1,148,000	1,220,355	0.26	AA
Broadgate Financing 4.999% 2033	£ 1,935,000	1,972,539	0.42	AA
ENI Coordination Center 5.25% 2007	£ 790,000	800,033	0.17	AA
Land Securities Capital Markets 4.875% 2019	£ 680,000	678,198	0.15	AA
Land Securities Capital Markets 5.292% 2015	£ 1,100,000	1,128,837	0.24	AA
Land Securities Capital Markets 5.391% 2026	£ 968,000	1,025,349	0.22	AA
Land Securities Capital Markets 5.391% 2027	£ 900,000	984,330	0.21	AA
Metropolitan Life Global Funding I 5.25% 2008	£ 900,000	912,150	0.20	AA
Monumental Global Funding 5.75% 2007	£ 200,000	202,633	0.04	AA
Monumental Global Funding 6% 2014	£ 600,000	640,461	0.14	AA
Pacific Life Funding 6.125% 2006	£ 1,200,000	1,210,476	0.26	AA
Pacific Life Funding 6.25% 2011	£ 753,000	800,891	0.17	AA
Rabobank Capital Funding Trust 5.556% Perpetual	£ 384,000	402,169	0.09	AA
Telereal Securitisation 5.9478% 2033	£ 200,000	221,978	0.05	AA
Total Capital 4.875% 2010	£ 855,000	862,610	0.19	AA
Trafford Centre Finance 7.03% 2029	£ 350,000	404,889	0.09	AA
Travelers Insurance Institutional Funding 5.75% 2011	£ 659,000	689,232	0.15	AA
Travelers Insurance Institutional Funding 6.125% 2011	£ 650,000	685,760	0.14	AA
Wal-Mart Stores 5.25% 2035	£ 650,000	688,220	0.15	AA
Australia & New Zealand Banking Group 4.875% 2008	£ 700,000	704,137	0.15	AA-
Bank of Scotland 6.375% 2019	£ 283,000	319,012	0.07	AA-
BBC Pacific Quay Finance 5.5653% 2034	£ 330,000	358,080	0.08	AA-
BNP Paribas 4.75% 2015	£ 1,500,000	1,490,891	0.32	AA-
Citigroup 5.5% 2015	£ 180,000	187,592	0.04	AA-

Portfolio statement (continued)

as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Development Bank of Japan 2.875% 2006	JPY 240,000,000	1,201,788	0.26	AA-
E.ON International Finance 6.375% 2032	£ 3,313,000	3,945,435	0.85	AA-
Electricite de France 5.25% 2007	£ 840,000	848,526	0.18	AA-
Electricite de France 5.875% 2031	£ 674,000	752,807	0.16	AA-
Halifax 11% 2014	£ 550,000	768,889	0.16	AA-
Halifax 9.375% 2021	£ 380,000	553,814	0.12	AA-
Harbour Funding 5.28% 2044	£ 640,000	680,000	0.15	AA-
JPMorgan Fleming Mercantile Investment Trust 6.125% 2030	£ 38,000	43,134	0.01	AA-
Legal & General Finance 5.875% 2031	£ 364,000	411,795	0.09	AA-
Nationwide Life Global Funding I 6.25% 2011	£ 600,000	638,244	0.14	AA-
North British Housing 5.09% 2043	£ 330,000	335,379	0.07	AA-
Prudential Finance 9.375% 2007	£ 445,000	476,239	0.10	AA-
Royal Bank of Scotland 9.625% 2015	£ 200,000	270,701	0.06	AA-
Westpac Banking 5.875% 2018	£ 260,000	274,457	0.06	AA-
Annington Repackaging No 1 5.3236% 2023	£ 300,000	312,855	0.07	Aa3
Bank of Scotland 10.25% Perpetual	£ 1,350,000	1,858,262	0.40	Aa3
Bank of Scotland 8.625% Perpetual	£ 200,000	244,104	0.05	Aa3
Goldman Sachs Group 5.25% 2015	£ 2,650,000	2,669,398	0.57	Aa3
Scottish Widows 5.125% Perpetual	£ 1,700,000	1,661,257	0.36	Aa3
3i Group 6.875% 2007	£ 380,000	395,789	0.08	A+
Alliance & Leicester 4.25% 2008	£ 390,000	384,404	0.08	A+
Alliance & Leicester 5.5% 2007	£ 650,000	660,309	0.14	A+
American Express Credit 5.5% 2007	£ 1,940,000	1,966,549	0.42	A+
American Express Credit 5.625% 2009	£ 1,810,000	1,859,766	0.40	A+
American General Finance 5.625% 2010	£ 3,400,000	3,478,710	0.75	A+
Angel Trains Finance 5.25% 2008	£ 2,090,000	2,117,588	0.45	A+
Australia & New Zealand Banking Group 4.75% 2018	£ 100,000	98,313	0.02	A+
Australia & New Zealand Banking Group 5.625% 2015	£ 130,000	134,145	0.03	A+
BAA 5.75% 2031	£ 410,000	443,960	0.10	A+
Barclays Bank 6% Perpetual	£ 32,000	34,982	0.01	A+
Barclays Bank 6.125% Perpetual	£ 1,374,000	1,530,815	0.33	A+
Barclays Bank 6.375% Perpetual	£ 1,400,000	1,538,621	0.33	A+
Barclays Bank 6.875% Perpetual	£ 1,550,000	1,750,655	0.38	A+
Barclays Bank 7.125% Perpetual	£ 1,375,000	1,638,663	0.35	A+
Bradford & Bingley 5% 2007	£ 1,250,000	1,256,775	0.27	A+
Citigroup 5.125% 2018	£ 755,000	755,540	0.16	A+
Clerical Medical Finance 7.375% Perpetual	£ 1,400,000	1,643,943	0.35	A+
Credit Agricole 5% Perpetual	£ 550,000	539,375	0.12	A+
Delamare Finance 5.5457% 2029	£ 870,000	924,810	0.20	A+
Deutsche Bank 5.25% 2015	£ 366,000	371,301	0.08	A+
HSBC Bank 4.75% 2020	£ 1,800,000	1,756,530	0.38	A+
HSBC Bank 5.375% 2030	£ 3,100,000	3,181,987	0.68	A+
HSBC Bank 5.375% 2033	£ 1,400,000	1,448,125	0.31	A+
HSBC Bank 5.75% 2017	£ 800,000	834,140	0.18	A+
HSBC Bank 9% 2005	£ 200,000	200,450	0.04	A+
Lloyds TSB Bank 5.125% Perpetual	£ 1,345,000	1,333,843	0.29	A+
Lloyds TSB Group 6% Perpetual	£ 870,000	960,180	0.21	A+
MBNA Credit Card Master Note Trust 5.45% 2013	£ 700,000	712,740	0.15	A+
Mellon Funding 6.375% 2011	£ 281,000	303,178	0.07	A+
Merrill Lynch 5.125% 2010	£ 300,000	303,128	0.07	A+
Morgan Stanley 5.375% 2013	£ 400,000	407,962	0.09	A+
National Westminster Bank 7.625% Perpetual	£ 598,000	656,831	0.14	A+
Nationwide Building Society 5.625% 2007	£ 1,670,000	1,701,346	0.36	A+
Royal Bank of Scotland 5.125% Perpetual	£ 1,496,000	1,486,301	0.32	A+

Portfolio statement (continued)
as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Royal Bank of Scotland 5.5% Perpetual	£ 950,000	973,636	0.21	A+
Royal Bank of Scotland 5.625% Perpetual	£ 2,100,000	2,181,218	0.47	A+
Royal Bank of Scotland 5.625% Perpetual	£ 850,000	891,867	0.19	A+
Royal Bank of Scotland 6% Perpetual	£ 2,460,000	2,607,440	0.56	A+
Royal Bank of Scotland 6.2% Perpetual	£ 1,048,000	1,151,804	0.25	A+
Royal Bank of Scotland 6.25% Perpetual	£ 660,000	706,438	0.15	A+
Royal Bank of Scotland 7.375% Perpetual	£ 200,000	220,111	0.05	A+
RWE Finance 5.625% 2023	£ 405,000	425,732	0.09	A+
RWE Finance 6.25% 2030	£ 4,080,000	4,659,952	1.00	A+
RWE Finance 6.375% 2013	£ 102,000	111,001	0.02	A+
Scottish & Southern Energy 7.875% 2007	£ 350,000	364,618	0.08	A+
Societe Generale 5.4% 2018	£ 468,000	484,410	0.10	A+
Allied Irish Banks 5.25% Perpetual	£ 1,490,000	1,482,327	0.32	A1
Bear Stearns 5.125% 2010	£ 650,000	655,187	0.14	A1
BMW US Capital 4.625% 2006	£ 740,000	739,415	0.16	A1
Abbey National 11.5% 2017	£ 400,000	615,700	0.13	A
Allied Irish Banks 5.25% 2025	£ 1,080,000	1,088,521	0.23	A
Allied Irish Banks 5.625% 2030	£ 1,974,000	2,093,733	0.45	A
Bac Capital Trust VII 5.25% 2035	£ 1,050,000	1,045,382	0.22	A
Coca-Cola Enterprises 4.125% 2006	£ 350,000	348,898	0.07	A
Corp Andina de Fomento 7.625% 2010	£ 469,000	521,153	0.11	A
Danske Bank 5.375% 2021	£ 382,000	390,486	0.08	A
EDF Energy Networks 5.75% 2024	£ 452,000	483,547	0.10	A
Halifax 7.5% Perpetual	£ 200,000	235,537	0.05	A
HBOS 5.625% Perpetual	£ 2,660,000	2,732,485	0.59	A
HBOS 5.75% Perpetual	£ 1,235,000	1,292,242	0.28	A
HBOS 5.75% Perpetual	£ 2,420,000	2,522,584	0.54	A
HBOS Capital Funding 6.461% Perpetual	£ 1,628,000	1,782,945	0.38	A
HSBC Bank Funding Sterling 5.844% Perpetual	£ 766,000	803,469	0.17	A
Legal & General Group 5.875% Perpetual	£ 230,000	240,536	0.05	A
Mitchells & Butlers Finance 5.965% 2023	£ 120,000	120,125	0.03	A
Mitchells & Butlers Finance 6.013% 2030	£ 227,000	251,023	0.05	A
National Grid Electricity Transmission 6.5% 2028	£ 1,244,000	1,466,894	0.31	A
National Grid Gas 5.375% 2009	£ 165,000	168,587	0.04	A
National Grid Gas 6.125% 2006	£ 405,000	410,992	0.09	A
Punch Taverns Finance B 5.943% 2024	£ 355,000	387,092	0.08	A
Punch Taverns Finance B 7.369% 2022	£ 379,000	454,118	0.10	A
Severn Trent Water Utilities Finance 6.125% 2024	£ 213,000	238,043	0.05	A
Svenska Handelsbanken 6.125% Perpetual	£ 212,000	219,680	0.05	A
TCNZ Finance 5.625% 2018	£ 114,000	118,962	0.03	A
TCNZ Finance 6.125% 2008	£ 212,000	219,844	0.05	A
THPA Finance 7.127% 2024	£ 650,000	757,900	0.16	A
UK Hospitals No 1 6.254% 2022	£ 900,000	818,361	0.18	A
Unique Pub Finance 5.659% 2027	£ 377,000	395,880	0.08	A
Unique Pub Finance 6.542% 2021	£ 600,000	675,297	0.14	A
Vodafone Group 4.625% 2014	£ 409,000	395,961	0.08	A
W&DB Issuer 5.1576% 2027	£ 800,000	805,134	0.17	A
W&DB Issuer 5.1774% 2032	£ 127,000	128,425	0.03	A
West Coast Train Finance 6% 2015	£ 400,000	334,646	0.07	A
Anglo Irish Bank 5% 2007	£ 2,100,000	2,112,096	0.45	A2
Bradford & Bingley 5.625% Perpetual	£ 775,000	784,893	0.17	A2
Bradford & Bingley 6% Perpetual	£ 220,000	229,639	0.05	A2
Bradford & Bingley 7.625% 2010	£ 310,000	339,686	0.07	A2
Nationwide Building Society 7.971% Perpetual	£ 300,000	357,726	0.08	A2

Portfolio statement (continued)

as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Prudential 6.875% 2023	£ 650,000	773,936	0.17	A2
Tussauds Finance 7.078% 2020	£ 285,000	331,783	0.07	A2
Abbey National 6.984% Perpetual	£ 519,000	592,596	0.13	A-
Abbey National 7.037% Perpetual	£ 232,000	274,254	0.06	A-
Abbey National 7.5% Perpetual	£ 1,140,000	1,333,937	0.29	A-
Alliance & Leicester 5.827% Perpetual	£ 755,000	776,453	0.17	A-
Anglian Water Services Financing 5.25% 2015	£ 440,000	446,798	0.10	A-
Anglian Water Services Financing 6.293% 2030	£ 90,000	103,728	0.02	A-
Annington Finance No 4 6.5676% 2023	£ 990,000	1,080,904	0.23	A-
Aviva 5.9021% Perpetual	£ 550,000	556,441	0.12	A-
Aviva 6.125% 2036	£ 500,000	544,408	0.12	A-
Aviva 6.125% Perpetual	£ 1,620,000	1,721,898	0.37	A-
AWG 6.875% 2023	£ 347,000	413,279	0.09	A-
Bank of Ireland UK Holdings 6.25% Perpetual	£ 610,000	661,261	0.14	A-
BG Energy Capital 6.375% 2008	£ 260,000	270,555	0.05	A-
Birmingham Airport Finance 6.25% 2021	£ 500,000	542,873	0.12	A-
British Telecommunications 5.75% 2028	£ 93,000	93,027	0.02	A-
British Telecommunications 7.375% 2006	£ 2,830,000	2,907,938	0.62	A-
British Telecommunications 7.75% 2016	£ 871,000	1,032,527	0.22	A-
British Telecommunications 8.625% 2020	£ 790,000	1,013,973	0.22	A-
Credit Suisse First Boston 8.25% Perpetual	£ 1,100,000	1,214,406	0.26	A-
Credit Suisse First Boston International 10.25% Perpetual	£ 700,000	947,974	0.20	A-
Deutsche Telekom International Finance 4.875% 2014	£ 1,200,000	1,171,218	0.25	A-
Deutsche Telekom International Finance 7.125% 2012	£ 1,312,000	1,458,445	0.31	A-
Deutsche Telekom International Finance 7.625% 2030	£ 1,450,000	1,826,957	0.39	A-
Dwr Cymru Financing 6.907% 2021	£ 555,000	657,925	0.14	A-
FP Finance 9.125% Perpetual	£ 1,031,000	1,074,034	0.23	A-
France Telecom 5.625% 2034	£ 235,000	242,634	0.05	A-
France Telecom 7% 2005	£ 1,100,000	1,100,572	0.24	A-
France Telecom 7.25% 2020	£ 1,552,000	1,856,611	0.40	A-
France Telecom 7.5% 2011	£ 286,000	319,053	0.07	A-
France Telecom 8% 2017	£ 486,000	602,161	0.13	A-
Friends Provident 6.292% Perpetual	£ 950,000	970,486	0.21	A-
Friends Provident 6.875% Perpetual	£ 365,000	401,126	0.08	A-
HSBC Capital Funding 8.208% Perpetual	£ 899,000	1,087,502	0.23	A-
Hutchison Ports UK Finance 6.75% 2015	£ 910,000	994,994	0.21	A-
KBC Bank 6.202% Perpetual	£ 810,000	866,105	0.19	A-
National Capital Trust I 5.62% Perpetual	£ 855,000	872,818	0.19	A-
Nationwide Building Society 5.769% Perpetual	£ 530,000	549,358	0.12	A-
Nordea Bank Finland 6.25% Perpetual	£ 154,000	165,313	0.04	A-
Saint-Gobain Nederland 6.25% 2008	£ 640,000	659,885	0.14	A-
SL Finance 6.75% Perpetual	£ 623,000	690,817	0.15	A-
SL MACS 6.546% Perpetual	£ 1,200,000	1,254,414	0.27	A-
Southern Water Services Finance 6.64% 2026	£ 463,000	548,429	0.12	A-
Telereal Securitisation 6.1645% 2031	£ 1,190,000	1,264,435	0.27	A-
TI Group 7.875% 2010	£ 110,000	122,365	0.03	A-
Transco Holdings 7% 2024	£ 500,000	609,040	0.13	A-
Unicredito Italiano Capital Trust IV 5.396% Perpetual	£ 1,723,000	1,705,688	0.37	A-
United Utilities Water 5.625% 2027	£ 494,000	523,985	0.11	A-
Westfield Finance Australia 5.5% 2017	£ 1,730,000	1,742,655	0.37	A-
Zurich Finance UK 6.625% Perpetual	£ 420,000	451,280	0.10	A-
Anglo Irish Bank 5.25% Perpetual	£ 920,000	913,560	0.20	A3
Commerzbank 7.875% 2007	£ 750,000	794,018	0.17	A3
Countrywide Home Loans 5.875% 2008	£ 240,000	246,008	0.05	A3

Portfolio statement (continued)
as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
EGG Banking 5.125% 2007	£ 1,600,000	1,605,137	0.34	A3
Irish Nationwide Building Society 5.875% 2008	£ 720,000	741,805	0.16	A3
Kaupthing Bank 5.901% Perpetual	€ 160,000	119,191	0.03	A3
Volvo Treasury 5.25% 2006	£ 375,000	376,725	0.08	A3
Aggregate Industries 6.25% 2009	£ 777,000	812,043	0.17	BBB+
Safeway 6% 2017	£ 203,000	204,701	0.04	BBB+
Standard Chartered Bank 5.375% Perpetual	£ 2,430,000	2,382,615	0.51	BBB+
Taylor Woodrow 6.625% 2012	£ 740,000	778,180	0.17	BBB+
Anglo Irish Asset Finance 7.625% Perpetual	£ 427,000	527,781	0.11	Baa1
Banco Bradesco 8% 2014	€ 100,000	78,329	0.02	Baa1
Co-Operative Bank 5.875% 2019	£ 425,000	440,728	0.09	Baa1
Derbyshire Building Society 5.875% 2015	£ 590,000	603,378	0.13	Baa1
Imperial Tobacco Canada 6.5% 2008	£ 1,050,000	1,095,197	0.23	Baa1
Punch Taverns Finance 7.567% 2026	£ 360,000	441,576	0.09	Baa1
American Standard 7.125% 2006	€ 150,000	105,236	0.02	BBB
Anglian Water Services Financing 5.5% 2040	£ 1,720,000	1,730,353	0.37	BBB
Anglian Water Services Financing 7.882% 2037	£ 1,280,000	1,456,427	0.31	BBB
Annington Finance No 4 8.07% 2023	£ 290,000	369,852	0.08	BBB
AXA 7.125% 2020	£ 469,000	546,275	0.12	BBB
BAT International Finance 5.75% 2013	£ 1,120,000	1,147,356	0.25	BBB
BAT International Finance 6.375% 2019	£ 429,000	459,755	0.10	BBB
BSKYB Finance 5.75% 2017	£ 1,040,000	1,042,080	0.22	BBB
Cadbury Schweppes Finance 4.875% 2010	£ 1,253,000	1,241,086	0.27	BBB
Cadbury Schweppes Finance 5.75% 2006	£ 1,200,000	1,212,354	0.26	BBB
Capital One Multi-Asset Execution Trust 6.625% 2017	£ 100,000	108,376	0.02	BBB
Cattles 6.875% 2014	£ 360,000	384,904	0.08	BBB
Compass Group 6.375% 2012	£ 560,000	568,058	0.12	BBB
Daily Mail & General Trust 10% 2021	£ 120,000	171,234	0.04	BBB
Daily Mail & General Trust 5.75% 2018	£ 130,000	130,679	0.03	BBB
Daily Mail & General Trust 7.5% 2013	£ 110,000	122,666	0.03	BBB
Dignity Finance 8.151% 2030	£ 340,000	448,103	0.10	BBB
Emap 6.25% 2013	£ 1,060,000	1,106,025	0.24	BBB
Enterprise Inns 6.5% 2018	£ 915,000	981,617	0.21	BBB
Firstgroup 6.125% 2019	£ 471,000	491,225	0.11	BBB
Ford Motor Credit 5.75% 2009	€ 222,000	144,845	0.03	BBB
Gallaher Group 6.625% 2009	£ 1,426,000	1,499,368	0.32	BBB
General Motors Acceptance 4.75% 2009	€ 778,000	507,272	0.11	BBB
GKN Holdings 6.75% 2019	£ 405,000	417,031	0.09	BBB
Highbury Finance 7.017% 2023	£ 750,000	789,129	0.17	BBB
ICI Investments Netherlands 7.625% 2007	£ 650,000	679,692	0.15	BBB
Imperial Tobacco Finance 6.25% 2018	£ 234,000	249,276	0.05	BBB
Imperial Tobacco Finance 6.875% 2012	£ 2,100,000	2,288,601	0.49	BBB
Investec Finance 7.75% 2016	£ 288,000	308,846	0.07	BBB
J Sainsbury 6.125% 2017	£ 610,000	623,551	0.13	BBB
Macquarie Capital Funding 6.177% Perpetual	£ 450,000	475,133	0.10	BBB
MBNA Credit Card Master Note Trust 6.1% 2013	£ 190,000	198,493	0.04	BBB
MBNA Europe Funding 6% 2010	£ 420,000	440,607	0.09	BBB
Next 5.25% 2013	£ 1,030,000	1,010,340	0.22	BBB
Northumbrian Services 6.875% 2023	£ 1,790,000	2,103,877	0.45	BBB
Northumbrian Services 8.625% 2006	£ 1,600,000	1,636,560	0.35	BBB
Northumbrian Water Finance 6% 2017	£ 381,000	407,592	0.09	BBB
Pearson 7% 2014	£ 443,000	493,502	0.11	BBB
Pemex Project Funding Master Trust 7.5% 2013	£ 1,420,000	1,557,995	0.33	BBB
Punch Taverns Finance B 6.962% 2028	£ 110,000	128,161	0.03	BBB

Portfolio statement (continued)
as at 31 October 2005

Investment	Nominal Value	Mid-market value	Percentage of total net assets	Credit Rating
		£	%	
Corporate Bonds (continued)				
Rexam 7.125% 2009	£ 1,314,000	1,391,014	0.30	BBB
Royal & Sun Alliance Insurance Group 8.5% Perpetual	£ 221,000	256,093	0.05	BBB
Scottish & Newcastle 5.625% 2007	£ 1,000,000	1,011,045	0.22	BBB
Southern Water Services Finance 7.869% 2038	£ 707,000	826,094	0.18	BBB
Spirit Issuer 6.582% 2027	£ 1,210,000	1,314,363	0.28	BBB
Sutton Bridge Financing 8.625% 2022	£ 760,000	870,428	0.19	BBB
Telecom Italia 5.25% 2055	€ 1,200,000	760,532	0.16	BBB
Telecom Italia 6.375% 2019	£ 750,000	806,198	0.17	BBB
THPA Finance 8.241% 2028	£ 1,100,000	1,392,562	0.30	BBB
Tomkins 8% 2011	£ 115,000	128,784	0.03	BBB
Tomkins Finance 6.125% 2015	£ 305,000	313,148	0.07	BBB
Tyco International Group 6.5% 2031	£ 168,000	186,539	0.04	BBB
UK Hospitals No 1 6.812% 2027	£ 600,000	674,073	0.14	BBB
Unique Pub Finance 7.395% 2024	£ 200,000	235,854	0.05	BBB
UPM-Kymmene 6.625% 2017	£ 175,000	189,216	0.04	BBB
VNU 5.625% 2017	£ 384,000	381,691	0.08	BBB
W&DB Issuer 5.641% 2035	£ 150,000	150,978	0.03	BBB
Wessex Water Services Finance 5.375% 2028	£ 1,020,000	1,043,817	0.22	BBB
Wessex Water Services Finance 5.75% 2033	£ 303,000	326,520	0.07	BBB
Wessex Water Services Finance 5.875% 2009	£ 900,000	925,538	0.20	BBB
BUPA Finance 6.125% Perpetual	£ 1,069,000	1,084,677	0.23	Baa2
Hammerson 10.75% 2013	£ 480,000	646,663	0.14	Baa2
Hammerson 6% 2026	£ 310,000	320,121	0.07	Baa2
Investec Finance 5.25% 2008	£ 1,100,000	1,104,014	0.24	Baa2
Old Mutual 6.376% Perpetual	£ 1,291,000	1,311,559	0.28	Baa2
Sampo 4.625% 2014	€ 383,000	269,592	0.06	Baa2
Zagrebacka Banka 4.25% 2009	€ 174,000	121,012	0.03	BBB-
HCA 8.75% 2010	£ 50,000	55,250	0.01	BB+
AGCO 6.875% 2014	€ 165,000	118,763	0.03	BB-
British Airways 8.75% 2016	£ 140,000	154,358	0.03	BB-
Fresenius Medical Care Capital Trust 7.375% 2011	€ 89,000	67,376	0.01	BB-
Kaufman & Broad 8.75% 2009	€ 50,000	39,080	0.01	BB-
Kronos International 8.875% 2009	€ 70,000	51,362	0.01	BB-
Valentia Telecommunications 7.25% 2013	€ 176,000	132,940	0.03	BB-
Yell Finance 10.75% 2011	£ 46,000	50,285	0.01	BB-
Ardagh Glass Finance 8.875% 2013	€ 240,000	153,507	0.03	B+
Central European Media Enterprises 7.976% 2012	€ 210,000	149,375	0.03	B+
Cirsa Finance Luxembourg 8.75% 2014	€ 110,000	78,714	0.02	B+
Corus Group 7.5% 2011	€ 110,000	77,985	0.02	B+
WRG Acquisitions 8.09875% 2011	£ 75,000	76,687	0.02	B+
Focus DIY Finance 9.375% 2015	£ 50,000	40,577	0.01	B
GAL Finance 11.5% 2009	€ 70,000	47,896	0.01	B
Hellas Telecommunications Luxembourg 5.683% 2012	€ 160,000	106,764	0.02	B
ISS Global 4.75% 2010	€ 149,000	92,630	0.02	B
Tele Columbus 5.935% 2010	€ 110,000	75,636	0.02	B
Central European Distribution 8% 2012	€ 114,000	82,371	0.02	B-
Eco-Bat Finance 10.125% 2013	€ 278,000	218,460	0.05	B-
Grohe Holding 8.625% 2014	€ 180,000	108,007	0.02	B-
JSG Funding 10.125% 2012	€ 184,000	131,222	0.03	B-
Nell 8.375% 2015	€ 160,000	108,949	0.02	B-
LBC Luxembourg Holdings 11% 2014	€ 140,000	106,701	0.02	CCC
Nyco Holdings 2 11.5% 2013	€ 80,000	63,137	0.01	CCC
Associated British Ports Holdings 6.625% 2008	£ 400,000	416,480	0.09	Unrated
British Assets Trust 6.625% 2008	£ 170,000	176,084	0.04	Unrated

Portfolio statement (continued)

as at 31 October 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Euronext 5.125% 2009	£ 1,505,000	1,511,547	0.32	Unratec
GMAC International Finance 4.375% 2007	€ 510,000	344,071	0.07	Unratec
Housing Finance 11.5% 2016	£ 180,000	276,315	0.06	Unratec
John Lewis 6.375% 2012	£ 483,000	514,054	0.11	Unratec
Lloyds TSB 10.625% 2008	£ 300,000	347,886	0.07	Unratec
Prudential 5.5% 2009	£ 390,000	399,886	0.09	Unratec
Roche Finance Europe 5.375% 2023	£ 750,000	775,832	0.17	Unratec
Slough Estates 7.125% 2010	£ 420,000	452,985	0.10	Unratec
		<u>314,941,556</u>	<u>67.57</u>	
		Holding		
Unit Trusts 0.41% (0.35%)				
Western Asset Funds - US High Yield Bond Fund	3,342	<u>1,913,327</u>	<u>0.41</u>	
		1,913,327	0.41	
<hr/>				
Portfolio Of Investments		443,420,512	95.14	
Currency hedges		481,255	0.10	
<hr/>				
Investments per balance sheet		443,901,767	95.24	
Net Current Assets		22,183,740	4.76	
<hr/>				
Net Assets		466,085,507	100.00	

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet
as at 31 October 2005

	Notes	2005 £	2004 £
Portfolio of investments		443,901,767	339,611,825
Net current assets			
Debtors	7	12,646,695	14,457,500
Cash and bank balances	8	16,377,020	7,553,905
		<u>29,023,715</u>	<u>22,011,405</u>
less			
Bank overdrafts		-	10,382
Creditors	9	6,839,975	7,889,025
		<u>6,839,975</u>	<u>7,899,407</u>
Net current assets		<u>22,183,740</u>	<u>14,111,998</u>
Net assets		<u>466,085,507</u>	<u>353,723,823</u>
Shareholders' funds		<u>466,085,507</u>	<u>353,723,823</u>

Summary of material portfolio changes

for the year ended 31 October 2005

Major purchases	Cost £	Major sales	Proceeds £
Treasury 5% 2014	124,185,738	Treasury 5% 2014	110,454,987
Treasury 4.5% 2007	64,112,866	Treasury 4.5% 2007	66,056,355
Treasury 9.5% 2005	52,636,896	Treasury 8.5% 2005	57,450,679
Treasury 8.5% 2005	51,028,408	Treasury 9.5% 2005	52,521,323
Treasury 4.75% 2015	44,100,282	Treasury 4.75% 2015	42,277,264
Treasury 4.25% 2032	30,724,715	Treasury 4.25% 2032	29,429,652
Treasury 6% 2028	25,614,656	Treasury 6% 2028	23,456,798
Treasury 4.75% 2010	23,906,441	Treasury 9% 2011	20,241,950
Treasury 8% 2021	21,164,679	Treasury 4.75% 2038	19,069,113
Treasury 9% 2011	20,201,441	Treasury 4% 2009	18,309,800
Treasury 4.75% 2038	17,964,591	Treasury 5.75% 2009	16,865,599
Treasury 4% 2009	17,749,033	Treasury 8% 2021	15,992,259
Treasury 5% 2012	17,106,158	Treasury 8% 2013	15,799,650
Treasury 8% 2013	15,884,798	Treasury 6.75% 2004	11,911,310
Treasury 5.75% 2009	14,204,784	Treasury Inflation Linked 2% 2006	10,503,870
Deutsche Bundesrepublik 4.75% 2034	11,199,076	Treasury 4.75% 2010	9,994,520
Treasury Inflation Linked 2% 2006	10,473,139	Deutsche Bundesrepublik 4.75% 2034	9,380,179
Bundesobligation 4.5% 2007	8,318,171	Treasury 4.25% 2036	8,424,719
Treasury 4.25% 2036	8,131,981	Treasury 5% 2012	7,874,199
Deutsche Bundesrepublik 5.5% 2031	7,671,879	Bundesobligation 3.25% 2010	7,525,853
Deutsche Bundesrepublik 3.25% 2010	7,327,096		
Other purchases for the period	250,674,973	Other sales for the period	196,953,341
Total cost of purchases for the period	844,381,801	Total proceeds from sales for the period	750,493,420

Notes to the financial statements

as at 31 October 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	750,493,420	438,283,560
Original cost of investments sold during the period	<u>(746,560,650)</u>	<u>(438,892,537)</u>
Gains / (losses) realised on investments sold during the period	3,932,770	(608,977)
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(240,122)</u>	<u>1,031,982</u>
	3,692,648	423,005
Net unrealised appreciation for the period	<u>5,858,759</u>	<u>5,429,463</u>
Net gains on investments	<u><u>9,551,407</u></u>	<u><u>5,852,468</u></u>
Included in net gains on investments are gains of £79,792 relating to forward currency hedges (2004 - £466,265).		
2. Other gains	2005	2004
	£	£
Realised currency gains	185,231	54,785
Unrealised currency gains	<u>4,470</u>	<u>9,735</u>
	<u><u>189,701</u></u>	<u><u>64,520</u></u>
3. Gross income	2005	2004
	£	£
Stock dividends	32,293	-
Interest on debt securities	20,572,779	18,464,477
Stocklending commission	1,277	-
Bank and deposit interest	<u>628,095</u>	<u>367,920</u>
	<u><u>21,234,444</u></u>	<u><u>18,832,397</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>4,081,729</u>	<u>3,313,548</u>
	<u><u>4,081,729</u></u>	<u><u>3,313,548</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	21,825	80,783
Depository's fee (RBS)	<u>30,759</u>	<u>-</u>
	<u><u>52,584</u></u>	<u><u>80,783</u></u>
Other expenses:		
Audit fees	6,580	6,557
Publication fees	3,114	487
Transaction charges	17,867	32,435
Safe custody fees	28,804	42,094
FSA fees	149	(395)
Printing fees	93	-
Overdraft interest	<u>21</u>	<u>4</u>
	<u><u>56,628</u></u>	<u><u>81,182</u></u>
Total expenses	<u><u>4,190,941</u></u>	<u><u>3,475,513</u></u>

Notes to the financial statements (continued)

as at 31 October 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Overseas withholding tax	4,844	1,839
Prior year adjustment	-	(577)
Current period tax charge (note 5b)	<u>4,844</u>	<u>1,262</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>17,043,503</u>	<u>15,356,884</u>
Corporation tax @ 20%	3,408,701	3,071,377
Tax effect of:		
Scrip dividends (not included for tax purposes)	(6,459)	-
Transaction charges not deductible for tax purposes	3,573	6,487
Management expenses not relieved	5,482	118
Interest distributions	(3,411,297)	(3,077,614)
Prior year adjustment	-	(577)
Overseas withholding tax	4,844	1,471
Current period tax charge (note 5a)	<u>4,844</u>	<u>1,262</u>

c. Deferred tax

At 31 October 2005 the sub-fund had surplus management expenses of £28,002 (2004 - £593). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

6. Gross distributions	2005	2004
	£	£
Reconciliation between net income and distributions:		
Net income after taxation per Statement of total return	17,038,659	15,355,622
Add:		
Undistributed income brought forward	175	157
Expenses paid from capital	17,867	32,435
Less:		
Undistributed income carried forward	(215)	(175)
Total distribution per Statement of total return	<u>17,056,486</u>	<u>15,388,039</u>

Details of the distribution per share are set out in the table on page 115.

7. Debtors	2005	2004
	£	£
Amounts receivable on the issue of shares	157,513	189,021
Sales awaiting settlement	2,668,566	6,007,693
Accrued income	9,811,388	8,256,664
Income tax debtor	4,783	4,122
Sundry debtors	3,891	-
Prepaid expenses	554	-
	<u>12,646,695</u>	<u>14,457,500</u>

Notes to the financial statements (continued)

as at 31 October 2005

8. Cash and bank balances	2005	2004
	£	£
Cash and bank balances	8,877,020	3,753,905
Certificates of deposit	<u>7,500,000</u>	<u>3,800,000</u>
	<u>16,377,020</u>	<u>7,553,905</u>
Bank overdraft	<u>-</u>	<u>10,382</u>
9. Creditors	2005	2004
	£	£
Amounts payable on redemption of shares	-	488,222
Purchases awaiting settlement	4,714,136	5,474,175
Accrued expenses	424,433	320,403
Income tax payable	<u>1,701,406</u>	<u>1,606,225</u>
	<u>6,839,975</u>	<u>7,889,025</u>

10. Stocklending

There were no securities on loan at the balance sheet date.

11. Derivatives and other financial instruments

The sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations. The sub-fund also enters into derivative transactions in the form of warrants and futures. The purpose of these financial instruments is efficient portfolio management.

The main risks arising from the sub-fund's financial instruments are market price, interest rate, liquidity and foreign currency risk.

a) Market price risk

The sub-fund invests mainly in corporate bonds and government securities. The value of securities is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual security or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio. The sub-fund seeks to minimise these risks by holding a diversified portfolio of investments spread across various market sectors in line with the Financial Services Authority Collective Investment Schemes Sourcebook, which includes rules limiting the size of investment in any particular investment holding.

b) Interest rate risk

The sub-fund's income is received from holdings of corporate bonds and government securities. Any substantial changes in interest rates could affect the capital value of the sub-fund. Securities held may have a current value higher than their ultimate maturity value.

c) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities. The main liabilities of the sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. Cash and liability positions are continuously reviewed and, should any increase in liquidity be required, securities are realised.

d) Foreign currency risk

A proportion of the net assets of the sub-fund are denominated in currencies other than Sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Notes to the financial statements (continued)

as at 31 October 2005

12. Interest rate risk profile of financial assets and liabilities

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instrument risks in note 11.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 October 2005 was:

Currency	Floating Rate financial assets £	Fixed Rate financial assets £	Financial assets not carrying interest £	Total £
2005				
UK Sterling	13,200,646	398,356,543	68,123,302	479,680,491
Euros	577,946	25,868,720	10,152,480	36,599,146
Other	273,986	19,606,364	27,313,958	47,194,308
2004				
UK Sterling	4,224,021	327,709,213	57,406,306	389,339,540
Euros	1,005,451	1,817,620	9,499,909	12,322,980
Other	112,303	11,524,221	24,527,849	36,164,373

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2005			
UK Sterling	-	39,543,400	39,543,400
Euros	-	14,610,721	14,610,721
Other	-	43,234,317	43,234,317
2004			
UK Sterling	-	37,487,056	37,487,056
Euros	-	11,210,762	11,210,762
Other	10,382	35,394,870	35,405,252

Currency	Fixed rate financial assets	
	Weighted average interest rate	Weighted average period for which rate is fixed
2005		
UK Sterling	5.87%	13.18 years
Euros	4.88%	17.29 years
Other	4.38%	10.15 years
2004		
UK Sterling	6.14%	12.65 years
Euros	6.59%	6.64 years
Other	4.91%	14.39 years

Notes to the financial statements (continued)*as at 31 October 2005***12. Interest rate risk profile of financial assets and liabilities (continued)**

Currency	Floating rate financial assets	
	Weighted average interest rate	Weighted average period for which rate is floating
2005		
UK Sterling	4.87%	10.75 years
Euros	6.62%	6.20 years
Other	5.25%	6.46 years
2004		
UK Sterling	5.15%	14.96 years
Euros	5.09%	6.56 years
Other	3.12%	7.46 years

The floating rate financial assets comprise of cash and bank balances and fixed interest floating rate securities. The weighted average of the floating interest rates on cash and bank balances at 31 October 2005 was 3.85% (2004 - 3.25%) and nil on bank overdrafts (2004 - 3.88%).

Notes to the financial statements (continued)*as at 31 October 2005***13. Currency exposure**

The analysis and tables provided below refer to the narrative disclosure on Derivatives and other financial instruments in note 11.

	2005	2004
	£	£
Net assets denominated in foreign currencies*:		
Investments	47,812,479	14,848,456
Currency hedges	(21,842,584)	(13,956,761)
Cash and bank balances	427,864	832,733
Bank overdrafts	-	(10,382)
Sales awaiting settlement	473,512	28,050
Purchases awaiting settlement	(1,743,924)	(29,852)
Other net assets	821,069	159,095
	<u>25,948,416</u>	<u>1,871,339</u>
Net assets denominated in Sterling:		
Investments	395,608,033	325,212,062
Currency hedges	22,323,839	13,508,068
Cash and bank balances	15,949,156	6,721,172
Sales awaiting settlement	2,195,054	5,979,643
Purchases awaiting settlement	(2,970,212)	(5,444,323)
Other net assets	7,031,221	5,875,862
	<u>440,137,091</u>	<u>351,852,484</u>
Total net assets	<u>466,085,507</u>	<u>353,723,823</u>

* each individual foreign currency included within 'foreign currencies' above amounts to less than 1% (2004 - 1%) of the net asset value of the sub-fund.

Distribution table*for the six months ended 31 October 2005***Final Interest distribution in pence per share**

	Gross income	Income tax at 20%	Net interest payable	Distribution payable 2005	Distribution paid 2004
Accumulation A shares	3.5661	0.7132	2.8529	2.8529	3.3347
Accumulation B shares	2.4813	0.4963	1.985	1.9850	3.3444

Corporate shareholders

Corporate shareholders should note that of the final distribution:-

100% of the accumulation distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

Accumulation distributions

Holders of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

Statement of the Authorised Corporate Director's (ACD's) Responsibilities

The Collective Investment Schemes Sourcebook 2001 requires the ACD to prepare financial statements for the Company, and each sub-fund, which give a true and fair view of the financial position of the Company and each of its sub-funds, and of the net income and net gains or losses on the property of the Company, and each of its sub-funds, for

The ACD is responsible for maintaining proper books and records which disclose, with reasonable accuracy at any time, the financial position of the Company. The ACD is also responsible for the management of the Company in accordance with its instrument of incorporation, for the systems of internal controls and hence for taking steps for the prevention and detection of fraud and other irregularities and for safekeeping the assets of the Company.

In preparing the accounts the ACD is required to:

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Collective Investment Schemes Sourcebook 2001 and the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2003;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records, which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- make judgements and estimates that are reasonable and prudent.

Statement of the Depository's Responsibilities

The Depository is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it. It is the duty of the Depository to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook 2001 (the "Regulations"), the Open-Ended Investment Companies Regulations 2001 and the Instrument of Incorporation in relation to the pricing of, and dealings in, shares in the Company; the application of the income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Depository's Report to Shareholders

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depository of the Company, it is our opinion that:

- the issue, sale, redemption, cancellation and calculation of the price, of the Company's shares, and
- the application of the Company's income

have, in all material respects, been carried out in accordance with the provisions of:

- the Regulations and
- the Open-Ended Investment Companies Regulations 2001 and
- the Instrument of Incorporation of the Company.

and that, in all material respects, the investment and borrowing powers and restrictions applicable to the Company, in accordance with the provisions of the Regulations and Instrument of Incorporation, have been observed.

The Royal Bank of Scotland Trustee & Depository Services
Edinburgh

January 2006

Independent Auditors' report to the shareholders of Inscape Investment Fund

We have audited the financial statements of the Inscape Investment Fund ("the Company") for the year ended 31 October 2005 which comprise the aggregated statement of total return, aggregated statement of movements in shareholders' funds, aggregated balance sheet, accounting policies and related notes 1 to 13; and for each sub-fund, the statement of total return, statement of movements in shareholders' funds, portfolio statement, balance sheet, summary of material portfolio changes and related notes.

This report has been prepared for the shareholders of the company, as a body, in accordance with paragraph 10.4.8 of the rules of the Collective Investment Schemes Sourcebook issued by the Financial Services Authority. Our work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Depository, the Authorised Corporate Director (ACD) and the Auditors

As described in the Statement of depository's responsibilities and the Statement of ACD's responsibilities, the depository is responsible for safeguarding the property of the Company and the ACD is responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 generally accepted United Kingdom accounting principles, the Statement of Recommended Practice relating to Authorised Open-Ended Investment Companies, the Collective Investment Schemes Sourcebook issued by the Financial Services Authority and the Instrument of Incorporation. We also report if, in our opinion, the ACD's report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for audit, or if information required by law regarding the ACD's remuneration or its transactions with the Company is not disclosed.

We read the Director's report, the report of the depository, the ACD's investment reports, the investment objectives and policies, the performance records and the other information contained in the annual report for the above period as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 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.

Independent Auditors' report to the members of Inscape Investment Fund (continued)

Opinion

In our opinion the financial statements give a true and fair view of the net income and the net gains on the property of the Company for the year ended 31 October 2005 and of the financial position of the Company as at 31 October 2005 and have been properly prepared in accordance with generally accepted United Kingdom accounting principles, the Statement of Recommended Practice relating to the Financial Statements of Authorised Funds issued by the Investment Management Association (IMA) in November 2003, the Collective Investment Schemes Sourcebook issued by the Financial Services Authority and the Instrument of Incorporation.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow

18 January 2006

Appointments

ACD and Registrar

Inscape Investments Limited
Abbey National House
2 Triton Square
Regent's Place
London NW1 3AN
United Kingdom
Authorised and regulated by the Financial Services Authority

Depository from 1 November 2004 to 20 February 2005

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom
Authorised and regulated by the Financial Services Authority

Depository from 21 February 2005

Royal Bank of Scotland
Trustee & Depository Services
PO Box 1727
1 Redheughs Avenue
Edinburgh EH12 9JN
United Kingdom
Authorised and regulated by the Financial Services Authority

Auditors

Deloitte & Touche LLP
Lomond House
9 George Square
Glasgow G2 1QQ
United Kingdom

Investment advisers:

RCM Limited

155 Bishopsgate
London EC2M 3AD
United Kingdom

AXA Rosenberg Investment Management Limited

9a Devonshire Square
London EC2M 4YY
United Kingdom

Barclays Global Investore Limited

Murray House, 1 Royal Mint Court
London EC3N 4HH
United Kingdom

Deutsche Asset Management

One Appold Street
London EC2A 2UU
United Kingdom

Appointments (continued)

Goldman Sachs Asset Management

4th Floor, Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

JP Morgan Fleming Asset Management (UK) Limited

10 Aldermanbury
London EC2V 7RF
United Kingdom

Merrill Lynch Investment Managers Limited

33 King William Street
London EC4R 9AS
United Kingdom

Schroder Investment Management Limited

31 Gresham Street
London EC2V 7QA
United Kingdom

State Street Global Advisors Limited

21 St James Street
London SW1Y 4SS
United Kingdom

Western Asset Management Company Limited

155 Bishopsgate
London EC2M 3XG
United Kingdom

Inscape Investments limited

Registered in England No. 3839455
Registered Office: Abbey National House
2 Triton Square, Regent's Place
London NW1 3AN

Authorised and Regulated by the
Financial Services Authority

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