

interim report and accounts

six months to
30 April 2011
(unaudited)

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Report of the investment manager

Market movements and performance

Cash

- The base rate has remained unchanged at 0.5% since March 2009.
- The premium of 3 month deposit rates over the base rate began and ended the period under review at 27bp.
- 3 month rates opened at 0.77% ranged between 0.67% and 0.82% before closing at 0.77%, whilst 12 month rates opened at 1.38%, moved between 1.28% and 1.57% before closing at 1.55%.
- Over the half year under review, the Affirmative Deposit Fund provided an average AER distribution of 1.15% (after expenses of 0.27%pa) with 1.20% being the rate payable at the end of April. The AER of 1 week LIBID over the year was 0.18% (0.45% less ADF expenses of 27bp).

Fixed interest

- Global bond prices fell from the end of October until early February, when a new rally began. The 10 year US Treasury yield was 2.60% at the start of the six months under review and having dipped briefly to 2.49% peaked at 3.74% before declining to 3.29% at the end of April.
- UK gilt prices have followed a similar pattern. The 10 year yield opened at 3.08% ranged between 2.95% and 3.88% before closing the half year at 3.43%.
- The yield curve flattened, with 2 year gilt yields up 52bp at 1.20% whilst the 30 year gilt yield was only 1bp higher at 4.16%.
- The average spread of corporate bond yields over gilts was +176bp at the end of October, moved between +198bp and +168bp before closing April at +170bp. The spread between AAA and BBB rated bonds opened at +235bp, ranged between +263bp and +211bp, before closing at +222bp.
- For the six months under review, the total return on the Affirmative Fixed Interest Fund (+0.2%, after annualised expenses of 0.31%) lagged behind that of the Composite Index (+0.4%), the FTSE All Stocks Gilts Index (+0.3%) and the iBoxx Non Gilts Index (+1.0%).
- The total return on the Affirmative Corporate Bond Fund (+0.4% after annualised expenses of 0.36%) lagged that of its Benchmark Index (+0.9%).

Equities

- The UK equity market rally that began last July ran out of steam at the end of 2010. It has since moved in a fairly narrow sideways band with the exception of a short lived correction following the Japanese earthquake in March, closing the period under review close to its highest level for almost three years.
- Over the half year the value of sterling rose against the yen (+5.1%) and dollar (+4.3%) but fell against the euro (-2.6%). These moves held back the total return of the FTSE All world ex UK Index (+9.5%), but it still outperformed the FTSE All Share Index (+9.1%).
- The main positive relative contributors to All Share returns came from Oils, Mining and Life Insurance, whilst the main negative contributors were, Banks, Mobile Telecoms and Food Retailers.
- Smaller stocks continued to perform much better than larger companies with a total return for the FTSE mid 250 Index of +12.1% compared to +8.7% for the FTSE 100 Index.
- Over the half year to 30 April the total return of the Affirmative Equity Fund was +8.8% after annualised expenses of 0.37%. This compared to a total return on the Composite Index of +9.1%. The impact of excluding certain stocks on ethical grounds had a relatively minor negative impact on the Benchmark (-12bp)

Report of the investment manager

Economic overview

In recent months there has been a sharp decline in the global Purchasing Managers' Indices (PMIs), suggesting that the deflationary impact of higher energy and food prices has begun to be felt in a slowdown of the world economy. The OECD's leading indicators show that the US, German, and Russian economies are the only ones that are still accelerating, with European growth predicted to be stable and Italy, Brazil, and India slowing down.

US growth was in line with reduced forecasts in the first quarter and looks relatively well placed to weather the negative headwinds of higher commodity prices, with a weak dollar giving exports a strong boost. However, for 2011 the Fed has cut its GDP growth forecast to around 3.2%, whilst raising its prediction of inflation from 2.0% to 2.8%. Consumer price inflation has risen from 1.1% to 3.2% over the last five months and whilst Mr Bernanke has reiterated his belief that the surge is temporary, critics argue that the Fed is becoming complacent.

In April, following the Tohoku earthquake, Japanese PMIs recorded their largest ever drop and the economy is believed to have entered a recession. In other parts of Asia inflation continues to exceed forecasts even though PMIs have been weakening.

First quarter growth in the Eurozone was much stronger than predicted driven primarily by Germany and France. On the other hand, Spain and Italy experienced only modest growth, while Portugal actually contracted. The increasing divergence between northern Europe and the struggling periphery can also be seen in the unemployment numbers, which in Germany recently fell to 7.1%, the lowest since 1990, whereas in Spain it has reached 21.3%. This divergence creates a policy dilemma for the European Central Bank with inflation rising to its highest level since 2008. In addition, it seems unlikely that the ECB can ignore growing doubts about the sustainability of the Eurozone in its current form. The problem for Greece and some other countries is that, being unable to devalue their currencies, there seems little they can do to prevent government debt spiralling further out of control. The only alternative would appear to be some kind of default, which could have a catastrophic impact on European banks.

Although, the UK economy appears to have been stagnant for the past six months, it entered the second quarter with sufficient momentum to expect solid but unspectacular growth. The Bank of England Governor suggested that official data may be exaggerating the economic weakness and that the balance of risks on inflation were skewed to the upside. However, it is likely that growth will remain lacklustre as fiscal tightening measures move from anticipation to reality and exert real downward pressure on economic growth rather than influencing sentiment.

In the Bank of England Inflation Report it was accepted for the first time that the economy will not recoup the output lost in the recession, implying that spare capacity is much smaller than previously thought and increasing the prospects of inflation becoming more embedded. In addition the change in the make-up of the economy should be considered. Although as a whole it grew by 2.2% pa between 2000 and 2008, if the financial sector had been excluded the figure would have been 1.8%. Given the continued squeeze on real incomes, the consumer sector will struggle to match this figure, whilst the financial services sector is more likely to lag the rest of the economy than to lead it, if as seems likely bank deleveraging continues. A protracted period of disappointing economic growth seems likely.

Market outlook

The US Federal Reserve may keep interest rates unchanged but confirmed that the QE2 programme scheduled for completion in June will not be extended. Following its increase in April the European Central Bank has indicated that further change is likely in the near term, but

continued rises can be expected in the Pacific and Latin America as inflationary fears grow. The Bank of England suggested that for inflation to hit its 2% target, base rate will ultimately need to be at 1.75%, but no action is expected before the fourth quarter. Aggressive monetary tightening seems unlikely and the premium rates on offer for longer-term deposits remain relatively attractive.

The strength of the US Treasury market has continued with the ten-year yield falling to 3%. Apart from relatively dull first quarter GDP figures, it is hard to justify this strength, with investors ignoring a number of unfavourable factors. Higher commodity prices have helped push the Consumer Price Index to 3.2%. Standard & Poor's has put the US on negative credit watch due to the lack of effective political action to tackle the budget deficit. When the Fed's QE2 programme ends, it removes the single largest buyer of US Treasuries over the last year. Current yields offer no premium over inflation and appear vulnerable to a setback.

Gilts continue to follow US Treasuries fairly closely, with the ten year yield at 3.3%, where little value is apparent. Investor sentiment was helped by the release of some relatively sluggish economic data, although the market ignored the hawkish tone of the quarterly Inflation Report, which predicted that inflation will exceed 5% this year. It is noteworthy that the yield premium of corporate bonds over gilts has recently moved modestly higher after a prolonged period of decline. While at historically high levels, this may reflect nervousness and spreads may increase in a period of increased risk aversion, or due to concerns over an economic slowdown. Whilst they retain long-term attractions, exposure should only be increased on weakness.

It is difficult to find clear reasons why the global equity rally has run out of steam, but it is possible that the recent stagnation has little to do with economic fundamentals, but reflects liquidity factors. The market surge began when Mr Bernanke indicated that a second round of quantitative easing was to be initiated. If this was the main reason for the rise in equity prices, they could struggle when QE2 ends and in the face of aggressive monetary tightening in the Pacific. Equity markets do not look expensive in P/E terms, and compared to bonds they appear cheap. However, a combination of slowing economic growth and a reduction in liquidity could prove difficult to overcome. Given the fiscal retrenchment now underway in the UK, a modest preference for overseas equities appears appropriate.

Disappointing UK economic data raises the possibility of earnings forecast reductions. However, even if earnings growth is below forecast, equity prices are not particularly expensive, discounting a much lower figure than consensus. It has been encouraging that in contrast to other countries, falling profit margins have been offset by rising revenues. The dividend payout ratio is also well below the ten year average, allowing for rising dividends even if profits growth is lacklustre. Given that at current levels there is minimal difference between the market yield and that of ten year gilts, the short term capital risk for equities appears no greater than for bonds but with far greater upside potential.

However, the risk of significant volatility is high given the huge volumes of liquidity that have flooded the system in response to the financial crisis. The recent fall in commodity prices suggest that speculative activity has been a major influence. Commodity price sceptics might also consider that the flotation of Glencore, the giant commodity trading group, suggests that the shares are fully priced. Major new issues have marked the peak of a number of previous booms. Similarly, warning signs of a new bubble in technology stocks are emerging with the recent flotation of LinkedIn for \$4.5 billion. Despite the fact it is a loss-making company, its shares more than doubled on the first day of dealing. In conclusion, although an extended period of sideways movement may well be in store and pockets of over-valuation may occur, **overall market** weakness is unlikely to continue for long given the underlying valuation support and should be used to increase weightings.

Epworth Investment Management Ltd
Investment Manager

Responsibilities

The Schemes of the Charity Commissioners, made under Section 24 of the Charities Act 1993, dated 6 June 2001, 14 August 2006 and 22 September 2009 define the responsibilities, duties and powers of the Trustee and Manager.

Responsibilities of the Trustee

The Trustee is required by the Schemes to:

- (a) ensure the Manager's compliance with the Schemes and the Scheme Particulars;
- (b) appoint and supervise the Registrar;
- (c) safeguard the assets of the Fund and collect all income due to the Fund;
- (d) create and cancel units in accordance with the instructions of the Manager;
- (e) make distributions to Participating Charities;
- (f) prepare an annual report and inform the Charity Commissioners if it is not satisfied with the Manager's compliance with the Schemes or Scheme Particulars;
- (g) be responsible for any winding up of the Funds.

Responsibilities of the Manager

The Manager is required by the Schemes to:

- (a) instruct the Trustee of creation and cancellation of units;
- (b) manage the investments of the Fund;
- (c) carry out regular valuations of the unitised Funds and ensure units are correctly priced;
- (d) make and revise the written statement of the investment policy of the Funds;
- (e) make and revise the Scheme Particulars;
- (f) keep a record of units purchased or sold on behalf of the Trustee, or in the case of the Affirmative Deposit Fund keep a daily record the receipt and repayment of deposits;
- (g) make all records of the Funds available for inspection by the Trustee;
- (h) prepare a report and accounts of the Fund for each accounting period;
- (i) appoint the auditor of the Fund;

The Manager is required in accordance with generally accepted accounting principles to:

- select suitable accounting policies that are appropriate for the Funds and apply them on a consistent basis;
- comply with the disclosure requirements of the Charities (Accounts and Reports) Regulations 2008;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable them to demonstrate that the accounts as prepared comply with the above requirements;
- make judgements and estimates which are reasonable and prudent;
- prepare the accounts on the basis that the Funds will continue in operation unless it is inappropriate to do presume this.

The Manager is required to manage and administer the Funds in accordance with the Schemes, maintain accounting records and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee has appointed the Manager as Registrar to the Funds.

Approval of the financial statements

The financial statements of the Affirmative Equity Fund for Charities, the Affirmative Fixed Interest Fund for Charities, the Affirmative Corporate Bond Fund for Charities and the Affirmative Deposit Fund for Charities were approved by the Manager on 30 June 2011 and are signed on behalf of the Manager

by:

William T Seddon

Director, Epworth Investment Management Limited

Peter Forward

Director, Epworth Investment Management Limited

30 June 2011

Affirmative Equity Fund for Charities

Investment objectives and policy

The Fund will seek to maximise long term total returns consistent with commercial prudence, diversification and risk management through a portfolio investing in UK Equities (85%-99%), Overseas Equities (0%-14%), Property (0%-5%) and Cash and near cash (0%-5%). This may be achieved through direct holdings or pooled investment vehicles.

Investment will be made in well run companies which seek to enhance shareholder value and are thereby likely to provide above average returns. Such companies are characterised by financial strength, above average management teams and will normally (but not exclusively) pursue long term sustainable growth strategies in the wider interests of all parties, including owners, lenders, employees, suppliers, customers/clients and the local and wider community. This policy is likely to result in a portfolio that excludes investments in companies where business is wholly or mainly involved in alcohol, armaments, gaming, pornography or tobacco. In the view of the Fund Manager there will be no adverse impact on long term investment returns due to any exclusions on these grounds. Other matters such as environmental performance, corporate governance and social justice issues will be reviewed when making investment decisions.

No sector of the market will be automatically included or excluded but the portfolio will be widely diversified to capture exposure to all significant sectors of the market;

The Fund will have a yield which reflects the prevailing yield of a composite of the FTSE All Share Index (93%) and the FT World (ex UK) Index (7%).

Risk warning

The Affirmative Equity Fund for Charities is designed for long-term investors. The value of and the income from units in the funds can and do fall, as well as rise, and as a result you may not get back the amount originally invested. Past performance is no guarantee of future returns.

Net asset value/fund size

	Net asset £	Units in issue	Net asset value pence per unit
31 October 2006	39,727,065	34,812,892.47	114.10
31 October 2007	43,527,257	34,957,530.40	124.51
31 October 2008	32,672,961	39,864,195.67	81.96
31 October 2009	41,849,218	44,131,718.98	94.83
31 October 2010	46,994,940	43,574,449.00	107.70
30 April 2011	51,531,022	44,517,328.08	115.70

Affirmative Equity Fund for Charities

Statement of total return

For the six months ended 30 April 2011 (unaudited)

	Note	30/04/2011 £'000s	30/04/2010 £'000s
Net gains on investments	2	3,521	4,402
Income	3	699	746
Expenses	4	(93)	(83)
Net income		606	663
Total return before distributions		4,127	5,065
Finance costs: Distributions	7	(614)	(659)
Change in net assets attributable to unitholders		3,513	4,406

Statement of change in unitholders' net assets

For the six months ended 30 April 2011 (unaudited)

	30/04/2011 £'000s	30/04/2010 £'000s
Net assets at start of period	46,945	41,849
Amounts receivable on creations of units	3,648	899
Amounts payable on cancellation of units	(2,575)	(1,557)
	48,018	41,191
Change in net assets attributable to unitholders	3,513	4,406
Net assets at end of period	51,531	45,597

Balance sheet

as at 30 April 2011 (unaudited)

	Note	30/04/2011 £'000s	30/04/2010 £'000s
Assets			
Portfolio of investments		50,686	46,268
Debtors	8	344	291
Bank balances	9	994	770
Total assets		52,024	47,329
Liabilities			
Creditors	10	66	109
Distribution payable		427	275
Total liabilities		493	384
Net assets attributable to unitholders		51,531	46,945

Affirmative Equity Fund for Charities

Summary of investments and other assets

As at 30 April 2011 (unaudited)

	Market value £'000s	Fund %	31/10/10 Market value £'000s	31/10/10 Fund %
Oil & Gas Producers	8,039	15.9	6,998	15.1
Oil Equipment & Services	351	0.7	301	0.7
Chemicals	332	0.7	191	0.4
Mining	5,632	11.1	4,532	9.8
Construction & Materials	238	0.5	176	0.4
General Industrials	396	0.8	329	0.7
Electronic & Electrical Equipment	133	0.3	225	0.5
Industrial Engineering	328	0.6	279	0.6
Industrial Transportation	-	-	245	0.5
Support Services	1,619	3.2	1,366	2.9
Beverages	110	0.2	82	0.2
Food Producers	987	1.9	862	1.9
Household Goods	1,131	2.2	1,109	2.4
Personal Goods	272	0.5	127	0.3
Healthcare Equipment & Services	230	0.5	192	0.4
Pharmaceuticals & Biotechnology	4,131	8.2	3,895	8.4
Food & Drug Retailers	1,632	3.1	1,632	3.5
General Retailers	959	1.9	775	1.6
Media	1,612	3.2	1,424	3.1
Travel & Leisure	1,292	2.5	1,352	2.9
Fixed Line Telecommunications	612	1.2	454	1.0
Mobile Telecommunications	2,933	5.8	2,820	6.1
Electricity	475	0.9	582	1.3
Gas, Water & Multiutilities	1,820	3.6	1,674	3.6
Banks	5,564	11	5,839	12.6
Nonlife Insurance	323	0.6	310	0.7
Life Insurance	1,257	2.5	1,213	2.6
Real Estate	639	1.3	105	0.2
Real Estate Investment Trusts	-	-	530	1.2
Financial Services	954	1.9	758	1.7
Equity Investment Instruments	1,205	2.4	693	1.5
Nonequity Investment Instruments	113	0.2	113	0.2
Software & Computer Services	554	1.1	630	1.4
Technology Hardware & Equipmet	243	0.5	129	0.3
Overseas	4,570	9.0	4,326	9.3
	50,686	100.0	46,268	100.0
Net cash	845		677	
Total value of fund	51,531		46,945	

Affirmative Equity Fund for Charities

Portfolio statement

as at 30 April 2011 (unaudited)

	Holding	Market value £'000s	Fund %		Holding	Market value £'000s	Fund %
Oil & Gas Producers				Beverages			
BG Group	105,000	1,610	3.2	Britvic	27,000	110	0.2
BP	500,000	2,312	4.6			110	0.2
Cairn Energy	50,000	226	0.4	Food Producers			
Enquest	30,000	42	0.1	Associated Brit.Foods	21,000	211	0.4
Premier Oil	7,000	140	0.3	Unilever (UK)	40,000	776	1.5
Royal Dutch Shell B	144,000	3,351	6.6			987	1.9
Tullow Oil	25,000	358	0.7	Household Goods and Home Construction			
		8,039	15.9	Bellway	16,000	113	0.2
Oil Equipment & Services				Berkeley	10,000	106	0.2
Petrofac	14,000	212	0.4	Reckitt Benckiser Group	24,500	814	1.6
Wood Group (John)	20,000	139	0.3	Taylor Wimpey	250,000	98	0.2
		351	0.7			1,131	2.4
Chemicals				Personal Goods			
Croda International	7,000	132	0.3	Burberry Group	21,000	272	0.5
Johnson Matthey	10,000	200	0.4			272	0.3
		332	0.7	Healthcare Equipment & Services			
Mining				Smith & Nephew	35,000	230	0.5
Anglo American	35,500	1,107	2.2			230	0.5
BHP Billiton	63,000	1,590	3.1	Pharmaceuticals & Biotechnology			
Randgold Resources	3,500	183	0.4	Abcam	35,000	137	0.3
Rio Tinto	41,500	1,809	3.5	Astrazeneca	45,500	1,361	2.7
Xstrata	62,000	943	1.9	Glaxosmithkline	172,000	2,245	4.4
		5,632	11.1	Shire	21,000	388	0.8
Construction & Materials						4,131	8.2
Balfour Beatty	43,000	141	0.3	Food & Drug Retailers			
Morgan Sindall Group	14,000	97	0.2	Morrison Supermarkets.	110,000	324	0.6
		238	0.5	Sainsbury	80,000	279	0.5
General Industrials				Tesco	255,000	1,029	2.0
Cookson Group	20,000	143	0.3			1,632	3.1
Smiths Group	19,000	253	0.5	General Retailers			
		396	0.8	Asos	5,460	125	0.2
Electronic & Electrical Equipment				Dunelm Group	30,000	137	0.3
Spectrics	9,000	133	0.3	Halfords Group	22,285	88	0.2
		133	0.3	Home Retail Group	25,000	55	0.1
Industrial Engineering				Inchcape	22,000	80	0.2
Rotork	6,000	103	0.2	Kingfisher	80,000	220	0.4
Spirax-Sarco	5,500	110	0.2	Marks & Spencer Group	25,000	97	0.2
Weir Group	6,000	115	0.2	Next	7,000	157	0.3
		328	0.6			959	1.9
Industrial Transportation				Media			
BBA Aviation	70,000	141	0.3	British Sky Broadcasting Group	30,000	253	0.5
Wincanton	43,736	104	0.2	Centaur Media	140,000	74	0.1
		245	0.5	Daily Mail	17,000	85	0.2
Support Services				Informa	20,000	83	0.2
Aggreko	13,000	232	0.5	ITV	75,000	57	0.1
Capita Group	28,000	206	0.4	Pearson	23,000	265	0.5
Experian	40,000	322	0.6	Reed Elsevier	35,000	185	0.4
Homeserve	17,000	83	0.2	Rightmove	15,000	158	0.3
Intertek Group	5,000	106	0.2	United Business Media	14,000	85	0.2
Regus	125,000	140	0.3	WPP Group	47,000	367	0.7
Sthree	35,000	153	0.3			1,612	3.2
Travis Perkins	20,000	215	0.4	Travel & Leisure			
Wolseley	7,500	162	0.3	Carnival	8,000	193	0.4
		1,619	3.2	Cineworld Group	55,000	121	0.2

Affirmative Equity Fund for Charities

Portfolio statement continued

	Holding	Market value £'000s	Fund %		Holding	Market value £'000s	Fund %
Travel & Leisure cont.				General Financial			
Compass Group	68,000	397	0.8	3I Group	30,000	84	0.2
Domino's Pizza	25,000	116	0.2	Aberdeen Asset Management	40,000	91	0.2
Intl.Cons.Airl.Gp.(Cdi)	35,000	83	0.2	Close Brothers Group	14,000	113	0.2
National Express	62,000	163	0.3	F&C Asset Management	100,000	80	0.2
Restaurant Group	30,000	101	0.2	Hargreaves Lansdown	25,000	161	0.3
Whitbread	7,047	118	0.2	Icap	20,000	104	0.2
		1,292	2.5	Man Group	40,000	100	0.2
Fixed Line Telecommunications				Schroders	7,000	108	0.2
BT	270,000	529	1.0	Tullett Prebon	27,000	113	0.2
Talktalk Telecom Group	60,000	83	0.2			954	1.79
		612	1.2	Equity Investment Instruments			
Mobile Telecommunications				Aberforth Smaller Companies	17,000	114	0.2
Vodafone	1,710,000	2,933	5.8	Herald Investment Trust	25,000	129	0.3
		2,933	6.1	HG Capital Trust	10,700	121	0.2
Electricity				HG Capital Trust 2010 Warrants	2,140	4	0.0
Scottish & Southern Energy	35,000	475	0.9	iShares FTSE 100	70,000	427	0.8
		475	1.3	North Atlantic Small Companies	17,000	186	0.4
Gas, Water & Multiutilities				Oryx Intl.Growth Fund.	58,645	131	0.3
Centrica	190,000	610	1.2	TR Property	50,000	93	0.2
International Power	65,000	215	0.4			1,250	2.4
National Grid	107,000	656	1.3	Non-Equity Investment Instruments			
Northumbrian Water	25,000	88	0.2	Property Income Trust For Charities*	153,354	113	0.2
Severn Trent	10,000	150	0.3			113	0.2
United Utilities Group	16,000	101	0.2	Software & Computer Services			
		1,820	3.6	Alterian	50,000	58	0.1
Banks				Aveva Group	6,000	96	0.2
Barclays	285,000	804	1.6	Fidessa Group	7,000	123	0.2
HSBC	430,000	2,818	5.6	Invensys	25,000	85	0.2
Lloyds TSB	1,125,000	667	1.3	Sage Group	40,000	14	0.2
Royal Bank Of Scotland	475,000	197	0.4	Telecity Group	15,000	78	0.2
Standard Chartered	65,000	1,078	2.1			554	1.1
		5,564	11.0	Technology Hardware & Equipment			
Non-life Insurance				CSR	30,000	112	0.2
Admiral Group	11,000	86	0.3	Spirent Communications	90,000	131	0.3
RSA Insurance Group	100,000	137	0.3			243	0.5
		323	0.6	Overseas			
Life Insurance				Aberdeen New Dawn	4,500	39	0.1
Aviva	80,000	358	0.7	Epworth Inv Fund - European Fund	631,672	597	1.2
Legal & General	190,000	233	0.5	Pacific Assets	64,000	80	0.2
Prudential	73,000	564	1.1	Schroder Japan Growth Fund	55,000	46	0.1
Standard Life	45,000	102	0.2	First State Asia Pacific B Accum.	27,961	206	0.4
		1,257	2.5	First State Asia Pacific Sustainability B	27,664	66	0.4
Real Estate Investment Trusts				First State Asia Pacific Leaders B	56,826	212	0.1
British Land	27,000	162	0.3	Consumer Discretionary Sector SPDR	2,600	63	0.1
Hammerson	24,000	113	0.2	Central Europe& Russia Fund	1,500	42	0.1
Land Securities Group	15,000	118	0.2	ENI	4,500	72	0.1
Primary Health Props.	45,000	144	0.3	Health Care Sector SPDR	2,500	53	0.1
Shaftesbury	20,000	102	0.2	iShares KLD 400	33,200	996	2.0
		639	1.3	iShares MSCI Europe ex-UK	7,500	153	0.3
				iShares MSCI Japan	47,000	294	0.6
				iShares S&P 500	3,350	287	0.6
				iShares S&P Latin American 40 Index	4,000	130	0.3
				iShares S&P 60 Index	9,700	123	0.2
				iShares S&P Global Energy Index	14,000	381	0.7

Affirmative Equity Fund for Charities

Portfolio statement continued

	Holding	Market value £'000s	Fund %
Overseas cont.			
Shares S&P 100 Index	4,100	150	0.3
International Industries Select Sector	2,550	59	0.1
Financial Sector SPDR	10,400	102	0.2
International Utilities Select Sector	1,750	35	0.1

	Holding	Market value £'000s	Fund %
Overseas cont.			
Consumer Staples Sector SPDR	3,200	61	0.1
Technology Sector SPDR	7,500	91	0.2
Energy Sector SPDR	2,300	111	0.2
iShares MSCI South Africa Index	2,000	92	0.2
		4,570	9.0
		50,686	100.0
Net cash		845	
Total value of fund		51,531	

All investments are listed on a recognised stock exchange other than those marked *

Summary of material portfolio changes

as at 30 April 2011 (unaudited)

	Cost £'000s
Total purchases for the period	6,234
Largest purchases	
iShares FTSE 100	1,638
Xstrata	841
Randgold Resources	203
Premier Oil	141
Associated British Foods	139
Sainsbury	112
Close Brothers	111
iShares KLD 400	110
Croda	109
Smiths Group	107
Wood Group	107
Schroders	101
Scottish & Southern Energy	97
Kingfisher	97
CSR	96
Burberry Group	92
Talk Talk Telecom Group	91
Shaftesbury	88
Glaxosmithkline	83
Vodafone Group	81
Other purchases	1,790
Total purchases	6,234

	Proceeds £'000s
Total sales for the period	5,337
Largest Sales	
iShares FTSE 100	1,248
Rio Tinto	304
BBA Aviation	301
iShares S&P Global Energy	155
Anglo American	150
BHP Billiton	132
ST James Place	119
Charter	116
Royal Bank of Scotland	113
National Grid	106
Laird	106
Micro focus	105
Chevron	105
Wellstream Holdings	102
Capital & Counties Properties	101
Wincanton	95
Tui Travel	93
Rexam	92
BP	86
Tesco	83
Other sales	2,873
Total sales	5,337

Affirmative Equity Fund for Charities

Distribution

for the six months ended 30 April 2011

Distribution period	2011 p per unit	Date paid	2010 p per unit
1 November 2010 to 31 January 2011	0.42	15 March 2011	0.54
1 February 2011 to 30 April 2011	0.96	15 June 2011	0.97

Price and income history

Calendar year	Highest buying price p	Lowest selling price p	Net income per unit p
2006	115.41	99.34	2.84
2007	125.87	113.76	3.23
2008	119.96	78.10	3.56
2009	99.78	72.42	3.01
2010	109.30	93.60	2.96
Six months to 30 April 2011	116.6	105.2	1.38

Performance record

Total return performance to 30 April 2011	1 year %	3 years % p.a.	5 years % p.a.
Affirmative Equity Fund for Charities	13.5	4.1	3.8
Composite benchmark*	13.4	4.5	4.3

*FTSE All Share 93%; FTSE All World 7% The performance of the fund is based on the net asset value per share

Total expense ratios

Expense type	30/04/2011 %	31/10/2010 %
Manager's periodic charge (inc VAT)	0.29	0.29
Corporate Trustee's charge (inc VAT)	0.05	0.05
Other expenses	0.03	0.04
Total expense ratio	0.37	0.38

Affirmative Equity Fund for Charities

Notes to the accounts

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis as a going concern, as modified by the revaluation of investments, and in accordance with the Charities (Accounts and Reports) Regulations 2008.

(b) Recognition of income

Dividends on ordinary stocks are credited to income when the securities are quoted ex-dividend. Interest on fixed interest stocks is accrued on a day to day basis.

(c) Management expenses

The Manager's periodic charge paid to Epworth Investment Management Ltd is charged to the income of the Fund before distribution at a rate of 0.25%, plus VAT, of the value of the Fund. This fee covers the provision of staff and investment services and other expenses incurred by the Manager. The Corporate Trustee fee, audit, legal, safe custody fees and transaction charges, are charged separately to the income of the Fund before distribution.

(d) Distribution policy

All income of the Fund, after deduction of management and other expenses is distributed to unitholders. Distributions take into account income received on the creation of units and income deducted on the cancellation of units. A reconciliation of the net distribution to the net income of the Fund is shown in note 7.

(e) Basis of valuation

Listed investments are valued at bid-market values at the close of business on an accounting date less, in the case of fixed interest securities, interest accrued. Suspended securities are valued by the Manager having regard to the last dealing price on the date of suspension and subsequent available information. Suspended securities are written off after they have been carried at nil value for two years or if the Manager does not expect any returns for the Fund.

(f) Foreign exchange

Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling on the accounting date. Transactions in foreign currencies are translated into sterling at the exchange rates ruling on the transaction dates.

2. Net gains on investments

Net gains on investments during the period comprise:

	30/04/2011 £'000s	30/04/2010 £'000s
Proceeds from sales of investments	51,337	4,521
Original cost of investments sold	5,084	4,058
Gains realised on investments sold	253	463
Net unrealised gains	3,268	3,939
Net gains on investments	3,521	4,402

3. Gross income

	30/04/2011 £'000s	30/04/2010 £'000s
UK dividends	669	709
Overseas dividends	24	32
Bank interest	6	5
Total Income	699	746

4. Expenses

	30/04/2011 £'000s	30/04/2010 £'000s
Payable to the Manager or associates	74	64
	74	64
Payable to the Corporate Trustee or associates		
Corporate Trustee's fee	12	10
Safe custody fees and transaction charges	3	4
	15	14
Auditor's fees	3	4
Other expenses	1	1
	4	5
Total expenses	93	83

5. Portfolio transaction costs

	30/04/2011 £'000s	30/04/2010 £'000s
Analysis of total purchase costs		
Purchases in period before transaction costs	6,222	3,586
Commissions	11	6
Custodian transaction costs	1	1
Total purchase costs	12	7
Gross purchases total	6,234	3,593
Analysis of total sale costs		
Gross sales before transaction costs	5,337	4,530
Commissions	(10)	(8)
Custodian transaction costs	(1)	(1)
Total sale costs	(11)	(9)
Total sales net of transaction costs	5,326	4,521

6. Taxation

The Fund is exempt from UK income tax and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid on the basis that all recoverable UK taxation has been reclaimed. Overseas withholding tax is deducted in full from overseas income on receipt. Withholding tax is credited to income when it is recovered.

Affirmative Equity Fund for Charities

Notes to the accounts

7. Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	30/04/2011 £'000s	30/04/2010 £'000s
31 January 2011	187	237
30 April 2011	427	422
	614	659
Income deducted on cancellation of units	6	4
Income received on creation of units	(10)	-
Net distribution for the period	610	663

8. Debtors

	30/04/2011 £'000s	31/10/2010 £'000s
Sales awaiting settlement	106	211
Accrued income	238	80
Total debtors	344	291

9. Cash and bank balances

	30/04/2011 £'000s	31/10/2010 £'000s
Affirmative Deposit Fund for Charities	990	767
Cash at bank	4	3
Total cash and bank balances	994	770

10. Creditors

	30/04/2011 £'000s	31/10/2010 £'000s
Purchases awaiting settlement	42	86
Accrued expenses	24	23
Total Creditors	66	109

11. Portfolio turnover calculation

	30/04/2011 %	31/10/2010 %
Portfolio turnover calculation	10.7	31.3

12. Risk management policies

Securities held by the Fund are valued at bid-market value. Bid-market value is considered to be a fair representation of the amount repayable to unitholders should they wish to sell their units. Other financial assets and liabilities of the Fund are included in the balance sheet at their fair value. The main risks arising from the Fund's financial instruments and Manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

This is an actively managed fund, which invests in UK and overseas equities. The fund is therefore exposed to market price risk, which can be defined as the uncertainty about future price movements of the underlying investments of the Fund. Market price risk arises mainly from economic factors, including investor confidence, and may result in substantial fluctuations in the unit price from time to time. Generally, however, there will be a close correlation in the movement of the unit price to the markets the Fund is invested in. The Fund seeks to minimise the risks by holding a widely diversified portfolio of investments in line with the Fund's investment objectives.

Currency risk

The Fund is exposed to currency risks as some of its assets are denominated in currencies other than sterling. The Manager does not seek to avoid this exposure since it believes in the long term, hedging is detrimental to total return.

At 30 April 2011 the Fund's foreign currency exposure is:

	30/04/2011 £'000s	31/10/2010 £'000s
Canadian Dollar	123	109
Euro	72	63
United States Dollar	2,683	2,588
	2,878	2,760

Credit risk

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimise this, the Fund only deals with an approved list of brokers maintained by the Manager.

Liquidity risk

The Fund's assets comprise securities that can readily be realised to meet obligations that may arise on the redemption of units. In addition the Manager's policy is that the Fund liquidity should be 5% or less.

13. Future calls

There were no calls on partly paid stocks due for payment after the period end.

14. Related party transactions

The Manager's periodic charge is paid to Epworth Investment Management Limited, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in Note 4. The amount outstanding as at 30 April 2011 was £12,715 (30 April 2010: £11,010).

In addition, the fund placed deposits during the period with the Affirmative Deposit Fund for Charities, a fund managed by Epworth Investment Management Limited. All charges levied for the management of these deposits have been refunded to the fund by Epworth. There were no other related party transactions during the period.

Affirmative Fixed Interest Fund for Charities

Investment objectives and policy

The Fund will seek to maximise long term total returns consistent with commercial prudence, diversification and risk management through a portfolio investing in UK Government Securities (75%-89%), Corporate Debt Securities (10%-24%) and Cash and near cash (1 %-10%);

It is hoped to provide a yield in excess of that which can be achieved through UK Government securities alone. This will be done through corporate debt securities. These will be issued by well run companies characterised by financial strength and above average management teams and will normally (but not exclusively) pursue long term sustainable growth strategies in the wider interests of all parties including owners, lenders, employees, suppliers, customers/clients and the local and wider community. This policy is likely to result in a portfolio that excludes investments in bonds issued by companies where business is wholly or mainly involved in alcohol, armaments, gaming, pornography, or tobacco. In the view of the Fund Manager there will be no adverse impact on long term investment returns due to any exclusions on these grounds. Other matters such as environmental performance, corporate governance and social justice issues will be reviewed when making investment decisions.

No sector of the market will be automatically included or excluded but the portfolio will be widely diversified to capture exposure to all significant sectors of the market;

The Fund will have an average life of between five and fifteen years and a yield reflecting the prevailing yield on UK Government Securities. The FTSE All Gilt is the benchmark against which the performance of the Fund is measured

Risk warning

The Affirmative Fixed Interest Fund for Charities is designed for long-term investors. The value of and the income from units in the funds can and do fall, as well as rise, and as a result you may not get back the amount originally invested. Past performance is no guarantee of future returns.

Affirmative Fixed Interest Fund for Charities

Net asset value/fund size

	Net asset £	Units in issue	Net asset value pence per unit
31 October 2006	8,403,269	8,244,967.29	101.90
31 October 2007	8,735,556	8,947,691.38	97.64
31 October 2008	17,787,244	18,180,058.87	97.84
31 October 2009	20,308,863	19,273,750.99	105.37
31 October 2010	21,516,390	19,797,767.78	108.70
Six months to April 2011	23,052,319	21,519,260.60	107.10

Statement of total return

For the six months to 30 April 2011 (unaudited)

	Note	30/04/2011 £'000s	31/10/2010 £'000s
Net (losses)/gains on investments	2	(277)	704
Income	3	400	793
Expenses	4	(35)	(63)
Net income		365	730
Total return before distributions		88	1,434
Finance costs: Distributions	7	(369)	(736)
Change in net assets attributable to unitholders		281	698

Statement of changes in unitholders' net assets

For the six months ended 30 April 2011 (unaudited)

	30/04/2011 £'000s	31/10/2010 £'000s
Net assets at start of period	212,516	20,309
Amounts receivable on creations of units	3,221	2,925
Amounts payable on cancellation of units	(1,404)	(2,416)
	23,333	20,818
Change in net assets attributable to unitholders	(281)	698
Net assets at end of period	23,052	21,516

Affirmative Fixed Interest Fund for Charities

Balance sheet

As at 30 April 2011 (unaudited)

	Note	30/04/2011 £'000s	31/10/2010 £'000s
Assets			
Portfolio of investments		22,756	21,223
Debtors	8	215	205
Bank balances	9	286	282
Total assets		23,257	21,710
Liabilities			
Creditors	10	18	14
Distribution payable		187	180
Total liabilities		205	194
Net assets attributable to unitholders		23,052	21,516

Summary of investments and other assets

As at 30 April 2011 (unaudited)

	Market value £'000s	Fund %	31/10/2010 Market value £'000s	31/10/2010 Fund %
British Government	18,380	80.8	16,789	79.1
Corporate Bonds and Supranational	4,376	19.2	4,434	20.9
Total Securities	22,756	100.0	21,223	100.0
Net current assets	296		293	
Total value of fund	23,052		21,516	

Affirmative Fixed Interest Fund for Charities

Portfolio statement

as at 30 April 2011 (unaudited)

	Holding	Market Value £'000s	Fund %
British Government			
Treasury 5¼% 2012	701,154	735	3.2
Treasury 4½% 2013	600,000	637	2.8
Treasury 2¼% 2014	850,000	866	3.8
Treasury 5% 2014	1,175,000	1,296	5.7
Treasury 4¾% 2015	1,500,000	1,658	7.3
Treasury 2% 2016	200,000	196	0.9
Treasury 4% 2016	1,550,000	1,664	7.3
Treasury 5% 2018	700,000	790	3.5
Treasury 4½% 2019	800,000	872	3.8
Treasury 4¾% 2020	650,000	717	3.2
Treasury 3¾% 2020	650,000	664	2.9
Treasury 4% 2022	850,000	875	3.8
Treasury 5% 2025	1,000,000	1,120	4.9
Treasury 4¼% 2027	1,100,000	1,129	5.0
Treasury 4¼% 2032	1,150,000	1,165	5.1
Treasury 4½% 2034	400,000	418	1.8
Treasury 4¼% 2036	800,000	807	3.5
Treasury 4¾% 2038	400,000	438	1.9
Treasury 4¼% 2039	500,000	506	2.3
Treasury 4¼% 2040	630,000	637	2.8
Treasury 4½% 2042	350,000	371	1.7
Treasury 4¼% 2046	400,000	409	1.8
Treasury 4¼% 2055	350,000	361	1.6
Treasury 4% 2060	50,000	49	0.2
		18,380	80.8
Corporate Bonds and Supranational			
Affirmative Corporate Bond Fund Units	4,288,204	4,376	19.2
		4,376	19.2
		22,756	100.0
Net current assets		296	
Total value of fund		23,052	

All investments are listed on a recognised stock exchange with the exception of those marked*

Affirmative Fixed Interest Fund for Charities

Summary of material portfolio changes

as at 30 April 2011 (unaudited)

	Cost £'000s		Proceeds £'000s
Total purchases for the period	6,095	Total sales for the period	4,227
Largest Purchases		Largest sales	
Treasury 4% 2016	1,477	Affirmative Corporate Bond Fund Units	219
Treasury 5% 2018	979	Treasury 4½% 2019	108
Treasury 5% 2014	962	Treasury 4½% 2013	430
Treasury 4¼% 2040	616	Treasury 4½% 2042	366
Treasury 4½% 2034	403	Treasury 5% 2018	441
Treasury 4½% 2027	356	Treasury 5¼% 2012	212
Affirmative Corporate Bond Fund	246	Treasury 4% 2016	1,424
Treasury 4¼% 2036	244	Treasury 5% 2012	826
Treasury 4% 2022	206	Treasury 4¼% 2032	201
Treasury 2% 2016	194		
Other Purchases	412	Other sales	-
Total purchases	6,095	Total sales	4,227

Analysis of credit rating

Rating band	30/04/2011 £'000s	31/10/2010 £'000s
AAA	19,316	17,692
AA	1,680	1,698
A	1,247	1,282
BBB	263	271
Not rated	250	280
Total portfolio of investments	22,756	21,223

Affirmative Fixed Interest Fund for Charities

Distribution

Distribution period	2011 p per unit	Date paid	2010 p per unit
1 November 2010 to 31 January 2011	0.89	15 March 2011	0.94
1 February 2011 to 30 April 2011	0.87	15 June 2011	0.90

Price and income history

Calendar year	Highest buying price p	Lowest selling price p	Net income per unit p
2006	106.06	100.15	4.30
2007	102.25	94.98	4.24
2008	101.65	95.20	4.44
2009	108.46	97.77	4.17
2010	111.70	102.50	3.66
Six months to April 2011	108.30	103.30	1.76

Performance record

Total return performance to 30 April 2011	1 year %	3 years % p.a.	5 years % p.a.
Affirmative Fixed Interest Fund for Charities	6.2	6.8	5.4
FTSE All Gilt Index	6.4	6.5	5.5

The performance of the fund is based on the net asset value per share

Total expense ratios

Expense type	30/04/2011 %	31/10/2010 %
Manager's periodic charge (inc VAT)	0.23	0.24
Corporate Trustee's charge (inc VAT)	0.05	0.05
Other expenses	0.03	0.04
Total expense ratio	0.31	0.33

Affirmative Fixed Interest Fund for Charities

Notes to the accounts

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis as a going concern, as modified by the revaluation of investments, and in accordance with the Charities (Accounts and Reports) Regulations 2008.

(b) Recognition of income

Interest on Government stocks, debentures, eurobonds and other fixed interest stocks is accrued on a day-to-day basis.

(c) Management expenses

The Manager's periodic charge paid to Epworth Investment Management Ltd is charged to the income of the Fund before distribution at a rate of 0.20%, plus VAT, of the value of the Fund. This fee covers the provision of staff and investment services and other expenses incurred by the Manager. The Corporate Trustee fee, audit, legal, safe custody fees and transaction charges, are charged separately to the income of the Fund before distribution.

(d) Distribution policy

All income of the Fund, after deduction of management and other expenses is distributed to unitholders. Distributions take into account income received on the creation of units and income deducted on the cancellation of units. A reconciliation of the net distribution to the net income of the Fund is shown in note 7.

(e) Basis of valuation

Listed investments are valued at bid-market values at the close of business on an accounting date less, in the case of fixed interest securities, interest accrued. Suspended securities are valued by the Manager having regard to the last dealing price on the date of suspension and subsequent available information. Suspended securities are written off after they have been carried at nil value for two years or if the Manager does not expect any returns for the Fund.

2. Net gains on investments

Net gains on investments during the period comprise:

	30/04/2011 £'000s	30/04/2010 £'000s
Proceeds from sales of investments	4,227	8,301
Original cost of investments sold	4,184	(7,955)
Gains realised on investments sold	43	346
Net unrealised (losses)/gains	(320)	358
Net (losses)/gains on investments	(277)	704

3. Gross income

	30/04/2011 £'000s	30/04/2010 £'000s
Interest on debt securities	394	801
Bank interest	2	11
Other interest	4	-
Total income	400	793

4. Expenses

	30/04/2011 £'000s	30/04/2010 £'000s
Payable to the Manager or associates	26	44
	26	44
Payable to the Corporate Trustee or associates		
Corporate Trustee's fee	5	10
Safe custody fees and transaction charges	1	4
	6	14
Auditor's fees	3	5
Total expenses	35	63

5. Portfolio transaction costs

	30/04/2011 £'000s	30/04/2010 £'000s
Analysis of total purchase costs		
Purchases in period before transaction costs	6,095	8,990
Custodian transaction costs	-	1
Total purchase costs	-	1
Gross purchases total	6,095	8,991
Analysis of total sale costs		
Gross sales before transaction costs	4,227	8,301
Custodian transaction costs	-	(1)
Total sale costs	-	(1)
Total sales net of transaction costs	4,227	8,300

6. Taxation

The Fund is exempt from UK income tax and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid on the basis that all recoverable UK taxation has been reclaimed. Overseas withholding tax is deducted in full from overseas income on receipt. Withholding tax is credited to income when it is recovered.

7. Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	30/04/2011 £'000s	30/04/2010 £'000s
31 January 2011	182	187
30 April 2011	187	188
	369	375
Income deducted on cancellation of units	3	7
Income received on creation of units	(8)	(3)
Net distribution for the period	364	379

Affirmative Fixed Interest Fund for Charities

Notes to the accounts

8. Debtors

	30/04/2011 £'000s	31/10/2010 £'000s
Accrued income	215	205
Total debtors	215	205

9. Cash and bank balances

	30/04/2011 £'000s	31/10/2010 £'000s
Affirmative Deposit Fund for Charities	282	280
Cash at bank	4	2
Total cash and bank balances	286	282

10. Creditors

	30/04/2011 £'000s	31/10/2010 £'000s
Accrued expenses	18	14
Total creditors	18	14

11. Portfolio turnover calculation

	30/04/2011 %	31/10/2010 %
Portfolio turnover calculation	25.9	25.9

12. Risk management policies

Fair value

Securities held by the Fund are valued at bid-market value. Bid-market value is considered to be a fair representation of the amount repayable to unitholders should they wish to sell their units. Other financial assets and liabilities of the Fund are included in the balance sheet at their fair value.

The main risks arising from the Fund's financial instruments and Manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

This is an actively managed fund, which invests in sterling fixed interest securities. The fund is therefore exposed to market price risk, which can be defined as the uncertainty about future price movements of the underlying investments of the Fund. Market price risk arises mainly from economic factors, including investor confidence, and may result in substantial fluctuations in the unit price from time to time. Generally, however, there will be a close correlation in the movement of the unit price to the markets the Fund is invested in. The Fund seeks to minimise the risks by holding a widely diversified portfolio of investments in line with the Fund's investment objectives.

Currency risk

There is no exposure to foreign currency fluctuations as all investments, income and short-term debtors and creditors are denominated in sterling.

Credit risk

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimize this, the Fund only deals with an approved list of brokers maintained by the Manager.

Liquidity risk

The Fund's assets comprise securities that can readily be realised to meet obligations that may arise on the redemption of units. In addition the Manager's policy is that the Fund liquidity should be 5% or less.

Interest rate risk

The fund invests in fixed interest securities. The income may be affected by the Manager being unable to secure similar returns following the disposal or redemption of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

The interest rate profile of the Fund's financial assets and liabilities at 30 April 2011 was:

	30/04/2011 £'000s	31/10/2010 £'000s
£ floating rate financial assets	286	282
£ fixed rate financial assets	22,756	21,223
£ financial assets not carrying interest	215	205
£ financial liabilities not carrying interest	(205)	(194)
Total net assets	23,052	21,516

Related party transactions

The Manager's periodic charge is paid to Epworth Investment Management Limited, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in Note 4. The amount outstanding as at 30 April 2011 was £6,688 (30 April 2010: £4,216).

In addition, the fund placed deposits during the year with the Affirmative Deposit Fund for Charities, and made investments in the Affirmative Corporate Bond Fund, both of which are managed by Epworth Investment Management Limited. All charges levied for the management of these deposits and investments have been refunded to the fund by Epworth. There were no other related party transactions during the year.

Affirmative Corporate Bond Fund for Charities

Investment objectives and policy

The fund will seek to maximise long term total returns consistent with commercial prudence, diversification and risk management through a portfolio investing in sterling denominated corporate, supranational and other non-gilt sterling denominated fixed interest securities, as follows: AAA (20-40%); AA (30-50%); A (15-35%); BBB (0-10%); Debentures and other secured bonds (0-15%); cash and bonds under 1 year to maturity (0-5%).

It is hoped to provide a yield consistent with that obtained from investment grade non-government sterling bonds. Investment will be in corporate debt securities issued by a widely diversified range of well-run companies characterised by their financial strength and above average management teams and will normally (but not exclusively) pursue long term sustainable growth strategies in the wider interests of all parties, including owners, lenders, employees, suppliers, customers/clients and the local and wider community. This policy will result in a portfolio that excludes investments in bonds issued by companies where business is wholly or mainly involved in alcohol, armaments, gaming, pornography or tobacco. In the view of the Fund Manager there will be no adverse impact on investment returns due to any exclusions on these grounds. Other matters such as environmental performance, corporate governance and social justice issues will be reviewed when making investment decisions.

The fund's benchmark consists of a composite index comprising iBoxx non-gilts AAA index 30%; iBoxx non-gilts AA index 40%; iBoxx non-gilts A index 25%; iBoxx non-gilts BBB index 5%.

Risk warning

The Affirmative Corporate Bond Fund for Charities is designed for long-term investors. The value of and the income from units in the funds can and do fall, as well as rise, and as a result you may not get back the amount originally invested. Past performance is no guarantee of future returns.

Affirmative Corporate Bond Fund for Charities

Net asset value/fund size

	Net asset value £	Units in issue	Net asset value pence per unit
31 October 2010	137,782,221	132,455,845.80	104.0
30 April 2011	142,264,315	139,320,739.64	102.1

Statement of total return

for the six months ended 30 April 2011 (unaudited)

	Note	30/04/2011 £'000s	31/10/2010 £'000s
Net (losses)/gains on investments during the period	2	(2,542)	5,117
Gross income	3	3,332	6,291
Expenses	4	(256)	(491)
Net income & total return for the period		534	10,917
Finance costs: Distributions	7	(3,100)	(5,917)
Change in net assets attributable to unitholders		(2,566)	5,000

Statement of movement in unitholders' funds

for the six months ended 30 April 2011 (unaudited)

	30/04/2011 £'000s	31/10/2010 £'000s
Net assets at start of period	137,782	-
Amounts received on creations of units	10,799	134,524
Amounts paid on cancellation of units	(3,751)	(1,742)
	144,830	132,782
Change in net assets attributable to unitholders	(2,566)	5,000
Net assets at end of period	142,264	137,782

Affirmative Corporate Bond Fund for Charities

Balance sheet

as at 30 April 2011(unaudited)

	Note	30/04/2011 £'000s	31/10/2010 £'000s
Assets			
Portfolio of investments		139,238	134,337
Debtors	8	3,186	3,660
Bank balances	9	2,033	2,357
Total assets		144,457	140,354
Liabilities			
Creditors	10	660	1,062
Distributions payable		1,533	1,510
Total liabilities		2,193	2,572
Total assets attributable to unit holders		142,264	137,782

Summary of investments and other assets

as at 30 April 2011 (unaudited)

	Market value	Fund %	31/10/2010 Market value £'000s	31/10/2010 Fund %
Debentures	5,044	3.6	5,286	3.9
Supranational	21,365	15.4	20,037	14.9
Corporate unsecured financial	59,439	42.7	67,915	50.6
Corporate unsecured non-financial	53,390	38.3	41,099	30.6
	139,238	100.0	134,337	100.0
Net current assets	3,026		3,445	
Total value of fund	142,264		137,782	

Affirmative Corporate Bond Fund for Charities

Portfolio statement

as at 30 April 2011 (unaudited)

	Holding	Market value £000s	Fund %
Debentures			
BLD Property Holdings Limited 6½% 2014	350,000	342	0.2
Witan IT 8½% 2016	300,000	352	0.3
Co-operative Group 7% 2018	300,000	302	0.2
JPMorgan Fleming Clavervhouse 7% 2020	250,000	260	0.2
Scottish American IT 8% 2022	550,000	647	0.5
Edinburgh IT 7¼% 2022	500,000	589	0.4
Monks IT 6% 2023	550,000	572	0.4
Witan IT 6½% 2025	250,000	268	0.2
Great Portland 5% 2029	500,000	479	0.3
Merchants Trust 5% 2029	250,000	240	0.2
Scottish IT 5¼% 2030	500,000	484	0.3
Peel Holdings 8% 2040	500,000	509	0.4
		5,044	3.6
Supranational			
IFFIM 3% 2014	1,150,000	1,195	0.9
KFW International 2¼% 2015	2,000,000	2,008	1.4
Ned. Waterschnaps Bank 5% 2015	2,250,000	2,512	1.8
Cades 2¼% 2015	2,000,000	1,954	1.4
European Inv. Bank 3% 2015	1,000,000	1,011	0.7
Bank Nedse Gem 3¼% 2015	500,000	490	0.4
Reseau Ferre 2% 2015	2,000,000	1,963	1.4
Bank Nedse Gem 3¼% 2017	1,000,000	985	0.7
Cades 3¼% 2018	1,000,000	1,015	0.7
Reseau Ferre 5½% 2021	500,000	556	0.4
Temasek Finl. Ltd. 4% 2022	1,000,000	1,021	0.7
SNCF 5% 2027	1,750,000	1,819	1.3
IBRD 4¾% 2028	1,000,000	1,076	0.8
Reseau Ferre 5¼% 2028	750,000	809	0.6
Bank Nedse Gem 3¼% 2015	1,000,000	1,068	0.8
Ned. Waterschnaps Bank 5.2% 2028	1,350,000	1,468	1.1
Temasek Finl. Ltd. 5% 2040	400,000	415	0.3
		21,365	15.4
Corporate Unsecured Financial			
Lloyds Tsb Bank 6% 2014	1,750,000	1,886	1.3
Royal Bank of Scotland 6% 2014	1,500,000	1,618	1.2
Abbey National 5½% 2014	650,000	689	0.5
Rabobank Nederlands 5% 2014	1,900,000	2,050	1.5
Merril Lynch 5¼% 2014	500,000	539	0.4
Rabobank Nederlands 4% 2015	1,700,000	1,760	1.3
Morgan Stanley 5% 2015	500,000	525	0.4
Societe Generale 3¾% 2015	1,500,000	1,514	1.1
Svenska Handbanken 5½% 2016	1,500,000	1,620	1.2
Aviva Plc 9½% 2016	750,000	932	0.7
UBS Ag 6% 2016	2,000,000	2,223	1.6
JP Morgan Chase 5% 2016	1,350,000	1,414	1.0
Bank of America 5¼% 2016	1,000,000	1,007	0.7
JP Morgan Chase 4¼% 2017	1,000,000	1,001	0.7
Goldman Sachs 6½% 2017	500,000	541	0.4
Nomura Europe Fin 5½% 2017	500,000	513	0.4
Abbey National 4½% 2017	1,000,000	979	0.7
Co-operative Bank 5% 2017	2,000,000	1,939	1.4
Rabobank Nederlands 3¼% 2017	400,000	389	0.3

Affirmative Corporate Bond Fund for Charities

Portfolio statement continued

	Holding	Market value £000s	Fund %
Corporate Unsecured Financial <small>continued</small>			
National Australia Bank 3% 2017	1,500,000	1,451	1.0
Societe Generale 5.4% 2018	750,000	751	0.5
Nationwide 8% 2018	450,000	501	0.4
UBS Ag 6% 2018	1,250,000	1,414	1.0
Royal Bank of Scotland Plc 6% 2018	1,000,000	1,087	0.8
Lloyds TSB Bank 6% 2018	1,000,000	1,095	0.8
ANZ 4% 2018	500,000	514	0.4
Commerzbank 6% 2019	500,000	494	0.4
Nationwide 5% 2019	4,000,000	4,157	3.0
Westpac Bkg. Corp 5% 2019	2,750,000	2,814	2.0
Bank of America 5½% 2019	1,400,000	1,428	1.0
Credit Suisse 7% 2020	750,000	836	0.6
Fidelity 6% 2020	500,000	533	0.4
Rabobank Nederlands 4% 2021	1,750,000	1,762	1.2
Barclays Bank 5% 2021	2,750,000	2,875	2.1
National Australia Bank 5½% 2021	2,400,000	2,457	1.8
Credit Agricole 5½% 2021	1,000,000	1,016	0.7
Wachovia Bank 5¼% 2023	500,000	487	0.3
Credit Agricole 7% 2023	750,000	814	0.6
Hsbc Holdings 6½% 2024	500,000	560	0.4
Hsbc Holdings 5% 2027	1,250,000	1,215	0.9
Royal Bank Of Scotland 6% 2028	500,000	486	0.3
Rabobank Nederlands 4.55% 2029	750,000	715	0.5
Aegon 6% 2031	750,000	727	0.5
Legal & General 5% 2033	750,000	757	0.5
HSBC Bank Plc 5% 2033	1,150,000	1,080	0.8
Aegon 6% 2039	1,500,000	1,532	1.1
HSBC Holdings 6% 2040	2,000,000	1,988	1.4
Lloyds TSB Bank 6½% 2040	500,000	497	0.3
Rabobank Nederlands 5% 2060	250,000	257	0.2
		59,439	42.7
Corporate Unsecured-Non Financial			
Hutchinson Ports UK 6% 2015	250,000	280	0.2
Reed Elsevier 5% 2016	550,000	589	0.4
London Power Networks 5% 2016	500,000	534	0.4
British Telecom 7½% 2016	500,000	601	0.4
Saint Gobain 5% 2016	250,000	266	0.2
WPP Group 6% 2017	500,000	541	0.4
Toyota 4% 2017	2,250,000	2,272	1.6
General Electric 4½% 2017	1,750,000	1,749	1.3
BMW UK Capital 5% 2017	750,000	802	0.5
Tele Emisiones 5% 2018	2,000,000	2,076	1.5
Anglo American 6% 2018	750,000	853	0.6
Bayer 5% 2018	250,000	272	0.2
BP 4.325% 2018	500,000	505	0.4
E On Intl Finance 6% 2019	900,000	1,011	0.7
Marks & Spencer 6% 2019	500,000	523	0.4
Tesco 5½% 2019	1,675,000	1,800	1.3
British Telecom 8% 2020	500,000	618	0.4
General Electric 6¼% 2020	750,000	821	0.6
General Electric 5% 2020	500,000	535	0.4
Deutsche Telekom 6½% 2022	500,000	561	0.4

Affirmative Corporate Bond Fund for Charities

Portfolio statement continued

	Holding	Market value £000s	Fund %
Corporate Unsecured-Non Financial continued			
RWE Finance 5½% 2023	1,430,000	1,496	1.1
Enel Finance 5½% 2024	1,500,000	1,502	1.1
Johnson & Johnson 5½% 2024	2,000,000	2,158	1.5
France Telecom 5¼% 2025	2,000,000	2,016	1.4
Bouygues 5½% 2026	250,000	255	0.2
British Sky Broadcasting 6% 2027	250,000	263	0.2
Electricite France 6¼% 2028	1,700,000	1,901	1.4
British Telecom Plc 5¾% 2028	600,000	590	0.4
Tesco 6% 2029	550,000	600	0.4
Statoil 6¾% 2031	3,200,000	3,938	2.8
Electricite France 5¾% 2031	1,900,000	2,031	1.5
Astrazeneca 5¾% 2031	2,500,000	2,725	2.0
East Japan Railway 4¾% 2031	750,000	712	0.5
General Electric 5¾% 2033	2,500,000	2,583	1.9
East Japan Railway 5¼% 2033	750,000	759	0.5
GlaxoSmithkline 5¼% 2033	1,000,000	1,019	0.7
Electricite France 6½% 2034	1,500,000	1,663	1.2
Pfizer 6½% 2038	3,250,000	3,860	2.8
Dong Energy 5¾% 2040	500,000	523	0.4
Enel Finance 5¾% 2040	500,000	490	0.3
Electricite France 5½% 2050	500,000	490	0.4
GDF Suez 5% 2060	400,000	389	0.3
		53,390	38.3
		139,238	100.0
Net current assets		3,026	
Total value of Fund		142,264	

All investments are listed on a recognised stock exchange

Affirmative Corporate Bond Fund for Charities

Summary of material portfolio changes

as at 30 April 2011

	Cost £'000s		Proceeds £'000s
Total purchases for the period	30,315	Total sales for the period	22,634
Largest purchases		Largest sales	
Toyota 4% 2017	2,251	KFW 5½% 2014	3,277
KFW 2¾% 2015	1,999	Network Rail 4¾% 2015	2,726
BNG 3¼% 2017	1,968	European Inv. Bank 4¾% 2015	2,104
Reseau Ferre 2¾% 2015	1,931	Intesa Sanpaolo 5¼% 2022	1,813
SNCF 5¾% 2027	1,795	Vodafone Group 4¾% 2014	1,591
Rabobank Nederlands 4¾% 2021	1,729	Asif Li 5¾% 2012	1,122
Electricite France 6¼% 2034	1,619	Danske Bank 4% 2015	1,001
RWE Finance 5½% 2022	1,527	Commonwealth Bank Australia 3¾% 2015	1,001
National Australia Bank 3¾% 2017	1,493	BNG 3¼% 2017	981
Pfizer 6½% 2038	1,165	Svenska Handbanken 5½% 2016	964
Electricite France 6¾% 2022	1,164	Abbey National 4¾% 2017	953
BNG 5.2% 2028	1,032	Deutsche Telekom 4¾% 2014	651
Co-operative Bank 5¾% 2017	1,010	London Power Networks 5½% 2016	529
European Inv. Bank 3% 2015	1,006	Nordea Bank 3¾% 2015	504
JP Morgan Chase 4¼% 2017	1,000	Electricite France 5¼% 2050	473
Cades 3¾% 2018	993	Santander Issuances 5¾% 2018	458
Credit Agricole 5½% 2021	993	Danske Bank 5¾% 2021	450
General Electric 5¼% 2023	963	Roche Holdings 5½% 2015	434
Statoil 6¾% 2031	902	IBRD 5.4% 2021	287
East Japan Railway 5¼% 2033	766	Pearson 7% 2014	278
	27,306		21,327
Other purchases	3,009	Other sales	1,037
Total purchases	30,315	Total sales	22,634

Analysis of credit rating

Rating band	30/04/2011 £000's	31/10/2010 £000's
AAA	30,456	28,050
AA	54,574	52,783
A	40,626	39,836
BBB	8,538	8,382
Not rated	5,044	5,286
Total portfolio of investments	139,238	134,337

Affirmative Corporate Bond Fund for Charities

Distribution

six months ended 30 April 2011

Distribution period	2011 per unit	Date paid	2010 per unit
1 November 2010 to 31 January 2011	1.12	15 March 2011	1.08
1 February 2011 to 30 April 2011	1.10	15 June 2011	1.07

Price and income history

Calendar year	Highest buying price p	Lowest selling price p	Net income per unit p
2010	107.20	98.09	4.76
Six months to 30 April 2011	104.90	98.3	2.22

Performance record

Total return performance to 30 April 2011	1 year %	3 years % p.a.	5 years % p.a.
Affirmative Corporate Bond Fund for Charities	6.3	n/a	n/a
Composite Benchmark	6.3	n/a	n/a

The performance of the fund is based on the net asset value per share

Total expense ratios

Expense Type	30/04/2011 %	31/10/2010 %
Manager's periodic charge (inc VAT)	0.29	0.29
Corporate Trustee's charge (inc VAT)	0.05	0.05
Other expenses	0.02	0.02
Total expense ratio	0.36	0.36

Affirmative Corporate Bond Fund for Charities

Notes to the accounts

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as a going concern, as modified by the revaluation of investments, and in accordance with the Charities (Accounts and Reports) Regulations 2008.

(b) Recognition of income

Interest on Government stocks, debentures, eurobonds and other fixed interest stocks is accrued on a day-to-day basis.

(c) Management expenses

The Manager's periodic charge paid to Epworth Investment Management Ltd is charged to the income of the Fund before distribution at a rate of 0.25%, plus VAT, of the value of the Fund. This fee covers the provision of staff and investment services and other expenses incurred by the Manager. The Corporate Trustee fee, audit, legal, safe custody fees and transaction charges, are charged separately to the income of the Fund before distribution.

(d) Distribution policy

All income of the Fund, after deduction of management and other expenses is distributed to unitholders. Distributions take into account income received on the creation of units and income deducted on the cancellation of units. A reconciliation of the net distribution to the net income of the Fund is shown in note 7.

(e) Basis of valuation

Listed investments are valued at bid-market values at the close of business on an accounting date less, in the case of fixed interest securities, interest accrued. Suspended securities are valued by the Manager having regard to the last dealing price on the date of suspension and subsequent available information. Suspended securities are written off after they have been carried at nil value for two years or if the Manager does not expect any returns for the Fund.

2. Net (losses)/gains on investments

Net (losses)/gains on investments during the period comprise:

	30/04/2011 £000's	31/04/2010 £000's
Proceeds from sales of investments	22,634	36,693
Original cost of investments sold	22,721	(36,067)
(Losses)/gains realized on investments sold	(87)	626
Net unrealized gains	(2,455)	4,491
Net (losses)/gains on investments	(2,542)	5,743

3. Gross income

	30/04/2011 £000s	30/04/2010 £'000s
Interest on debt securities	3,318	6,269
Bank interest	14	22
	3,332	6,291

4. Expenses

	30/04/2011 £'000s	30/04/2010 £'000s
Payable to the Manager or associates	207	193
	207	193
Payable to the Corporate Trustee or associates		
Corporate Trustee's fee	33	33
Safe custody fees and transaction charges	11	12
	44	45
Auditor's fees	4	5
Other expenses	1	-
	5	5
Total expenses	256	243

5. Portfolio transaction costs

	30/04/2011 £'000s	30/04/2010 £'000s
Analysis of total purchase costs		
Purchases in period before transaction costs	30,314	145,122
Commissions	-	-
Custodian transaction costs	1	1
Total purchase costs	1	1
Gross purchases total	30,315	145,123
Analysis of total sale costs		
Gross sales before transaction costs	22,634	21,431
Commissions	-	-
Custodian transaction costs	-	-
Total sale costs	-	-
Total sales net of transaction costs	22,634	21,431

6. Taxation

The Fund is exempt from UK income tax and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid on the basis that all recoverable UK taxation has been reclaimed. Overseas withholding tax is deducted in full from overseas income on receipt. Withholding tax is credited to income when it is recovered.

7. Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	30/04/2011 £000's	30/04/2010 £'000s
31 January 2011	1,567	1,242
30 April 2011	1,533	1,350
	3,100	2,965
Income deducted on cancellation of units	18	6
Income received on creation of units	(42)	(130)
Net distribution for the period	3,076	5,793

Affirmative Corporate Bond Fund for Charities

Notes to the accounts

8. Debtors

	30/04/2011 £'000's	31/10/2010 £'000s
Sales awaiting settlement	-	296
Accrued income	3,186	3,364
	<u>3,186</u>	<u>3,660</u>

9. Cash and bank balances

	30/04/2011 £'000's	31/10/2010 £'000s
Affirmative Deposit Fund for Charities	2,032	2,304
Cash at bank	1	53
	<u>2,033</u>	<u>2,357</u>

10. Creditors

	30/04/2011 £'000's	31/10/2010 £'000s
Purchases awaiting settlement	59	958
Accrued expenses	601	104
	<u>660</u>	<u>1,062</u>

11. Portfolio turnover calculation

	30/04/2011 %	31/10/2010 %
Portfolio turnover calculation	27.4	53.8

12. Risk management policies

Fair value

Securities held by the Fund are valued at bid-market value. Bid-market value is considered to be a fair representation of the amount repayable to unitholders should they wish to sell their units. Other financial assets and liabilities of the Fund are included in the balance sheet at their fair value.

The main risks arising from the Fund's financial instruments and Manager's policies for managing these risks are summarized below. These policies have been applied throughout the period.

Market price risk

This is an actively managed fund, which invests in sterling fixed interest securities. The fund is therefore exposed to market price risk, which can be defined as the uncertainty about future price movements of the underlying investments of the Fund. Market price risk arises mainly from economic factors, including investor confidence, and may result in substantial fluctuations in the unit price from time to time. Generally,

however, there will be a close correlation in the movement of the unit price to the markets the Fund is invested in. The Fund seeks to minimise the risks by holding a widely diversified portfolio of investments in line with the Fund's investment objectives.

Currency risk

There is no exposure to foreign currency fluctuations as all investments, income and short-term debtors and creditors are denominated in sterling.

Credit risk

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimize this, the Fund only deals with an approved list of brokers maintained by the Manager.

Liquidity risk

The Fund's assets comprise securities that can readily be realized to meet obligations that may arise on the redemption of units. In addition the managers' policy is that the Fund liquidity should be 5% or less.

Interest rate risk

The fund invests in fixed interest securities. The income may be affected by the manager being unable to secure similar returns following the disposal or redemption of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

The interest rate profile of the Fund's financial assets and liabilities at 30 April 2011 was:

	30/04/2011	31/10/2010 £'000s
£ floating rate financial assets	2,033	2,357
£ fixed rate financial assets	139,238	134,337
£ financial assets not carrying interest	3,186	3,660
£ financial liabilities not carrying interest	(2,193)	(2,572)
<u>Total net assets</u>	<u>142,264</u>	<u>137,782</u>

Related party transactions

The Manager's periodic charge is paid to Epworth Investment Management Limited, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in Note 4. The amount outstanding as at 30 April 2011 was £3,017 (30 April 2010 £4,216). In addition, the fund placed deposits during the period with the Affirmative Deposit Fund for Charities, a fund managed by Epworth Investment Management Limited. All charges levied for the management of these deposits have been refunded to the fund by Epworth. There were no other related party transactions during the period.

Affirmative Deposit Fund for Charities

Investment objectives and policy

The Fund will seek to achieve, mainly through a portfolio of bank deposits and with minimal risk of capital loss, the higher rates of interest usually available in the London Money Markets, whilst maintaining the ability for depositing charities to make withdrawals at short notice.

Investments will be made with banks and other institutions which meet rigorous criteria based on independent credit ratings and size, with a maximum average maturity date for the investments of no more than 150 days. Risk is further minimised by limiting the proportion of the Fund deposited with any single bank or other institution.

The Fund may invest in sterling denominated deposits, Treasury Bills and other UK Government guaranteed securities and floating rate bonds and will maintain a minimum of 10% of its assets in investments realisable within 5 working days.

The Fund's benchmark, before expenses, is the 7-day London Interbank bid rate (LIBID) as measured by the British Bankers Association.

Risk warning

The Trustee and the Fund Manager undertake to use due skill, care and diligence in carrying out their duties under the Affirmative Deposit Fund for Charities Scheme, but whilst complying with this undertaking in relation to the investment of the Fund, they cannot give guarantees regarding the repayment of deposits.

The Affirmative Deposit Fund is exempt from the Financial Services and Markets Act 2000 and depositing charities are not eligible for the Statutory Investors Compensation Scheme or the services of the Financial Services Ombudsman. The Fund Manager is however authorised and regulated by the Financial Services Authority.

The current interest distribution is no guarantee of future returns.

Affirmative Deposit Fund for Charities

Statement of total return

For the six months to 30 April 2011 (unaudited)

	Note	30/04/2011 £'000s	30/04/2010 £'000s
Gross income		3,504	3,355
Expenses	2	(115)	(105)
Net income and total return for the period		3,389	3,250
Finance costs: Distributions		(3,163)	(3,162)
Net increase in income reserve		226	88

Balance sheet

as at 30 April 2011 (unaudited)

	Note	30/04/2011 £'000s	31/10/2010 £'000s
Assets			
Deposits with authorised banks		433,413	424,118
Debtors	5	2,727	1,856
Bank balances		100	72
Total assets		436,240	426,046
Liabilities			
Current deposits	6	343,917	331,575
Term deposits	6	90,325	92,700
Creditors	8	86	85
Income reserve	9	1,912	1,686
		436,240	426,046

Total expense ratios

Expense type	30/04/2011 %	31/10/2010 %
Manager's periodic charge (inc VAT)	0.24	0.24
Corporate Trustee's charge (inc VAT)	0.02	0.02
Other expenses	0.01	0.01
Total expense ratio	0.27	0.27

Affirmative Deposit Fund for Charities

Income history

Year to 31 October	Average distribution %	Average distribution AER %	LIBID (net of expenses) %
2007	5.23	5.36	5.37
2008	5.54	5.68	5.10
2009	2.40	2.44	0.74
2010	1.01	1.02	0.13
Six months to 30 April 2011	1.14	1.15	0.18

Distributions paid

For the six months to 30 April 2011

	Distribution rate %	AER rate %	£'000s
30 November 2010	1.09	1.10	495
31 December 2010	1.14	1.15	515
31 January 2011	1.14	1.15	552
28 February 2011	1.14	1.15	498
31 March 2011	1.14	1.15	555
30 April 2011	1.19	1.20	548
Average rate and total paid for year	1.14	1.15	3,163

Summary of deposits

as at 30 April 2011 (unaudited)

By maturity	30/04/2011	30/04/2011	31/10/2010	31/10/2010
Repayable	£'000s	%	£'000s	%
On call	51,590	11.9	47,365	11.2
Within 5 business days	52,823	12.2	42,753	10.1
1 month	30,000	6.9	50,000	11.8
2 months	50,000	11.5	55,000	13.0
3 months	69,000	15.9	45,000	10.6
6 months	100,000	23.1	75,000	17.7
1 year	55,000	12.7	99,000	23.3
2 years	25,000	5.8	10,000	2.3
Total	433,413	100.0	424,118	100.0

Affirmative Deposit Fund for Charities

Summary of deposits by credit rating

Rating band	30/04/2011 £000's	30/04/2011 %	30/10/2010 £000's	30/10/2010 %
Aa1	27,906	6.4	17,873	4.2
Aa2	60,120	13.9	46,642	11.0
Aa3	309,312	71.4	314,702	74.2
A1	36,075	8.3	39,900	9.4
A2	-	0.0	5,001	1.2
Total	433,413	100.0	424,118	100.0

As at 30 April 2011 77.4% of deposits were with bodies eligible to participate in the UK Government Credit Guarantee Scheme (October 2010: 81.7%).

Affirmative Deposit Fund for Charities

Notes to the accounts

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis as a going concern, and in accordance with the Charities (Accounts and Reports) Regulations 2008.

(b) Income recognition

Interest on bank and building society deposits is accrued on a daily basis. Premiums and discounts arising on the purchase of short dated investments held by the Fund are taken to a Redemption Equalisation account and amortised on a straight line basis from the date of purchase to maturity. This amortisation is taken to Income account.

(c) Management expenses

The Manager's periodic charge paid to Epworth Investment Management is charged to the income of the Fund before distribution at a rate of 0.20%, plus VAT, of the value of the Fund. This fee covers the provision of staff and investment services and other expenses incurred by the Manager. The Corporate Trustee fee, audit and legal fee, and bank charges are charged separately to the income of the Fund before distribution.

(d) Distributions

All income of the Fund, after deduction of management and other expenses, and transfers to/from income reserve, is distributed to depositors.

(e) Basis of valuation

The Money Market Deposits, all of which are with banks, have been valued at cost.

2. Expenses

	30/04/2011 £'000s	30/04/2010 £'000s
Payable to the Manager or associates		
Manager's periodic charge – see Note 1(c)	70	58
	70	58
Payable to the Corporate Trustees or associates and agents of either of them:	40	41
Other expenses:		
Audit fee	4	5
Bank charges	-	-
Other	1	1
Other expenses	5	6
Total expenses	115	105

3. Taxation

The Fund is exempt from UK income tax and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are credited gross to depositors.

4. Deposits with authorised banks

Deposits are with financial institutions who have permission under Part 4 of the Financial Services and Markets Act 2000 to accept deposits.

5. Debtors

	30/04/2011 £'000s	31/10/2010 £'000s
Interest receivable	27,271	1,856
Total debtors	27,271	1,856

6. Current & term deposits

	30/04/2011 £'000s	31/10/2010 £'000s
Central Finance Board of the Methodist Church Deposit Fund	364,232	365,740
Affirmative Equity Fund	830	766
Affirmative Fixed Interest Fund	390	280
Affirmative Corporate Bond Fund	2,032	2,304
Other Charities	66,758	55,185
Total deposits	434,242	424,275

7. Maturity analysis

Repayable:	30/04/2011 £'000s	31/10/2010 £'000s
On demand	343,917	331,575
Within 3 months	36,150	38,000
Within 1 year	47,175	54,700
Within 2 years	-	-
Total deposits	434,242	424,275

8. Creditors

	30/04/2011 £'000s	31/10/2010 £'000s
Accrued expenses	86	85
Total creditors	86	85

9. Income reserve

The fund operates an income reserve which is accumulated out of income and held on trust for depositors for the time being. The income reserve is maintained to ensure payment of interest to depositors each month even though a proportion of the income earned by the Fund will not be received until maturity date of individual deposits. The reserve is also available to augment the Fund's deposit rate and to provide against potential default of counterparties.

	30/04/2011 £'000s	31/10/2010 £'000s
Balance at start of period	1,686	1,457
Transfer to reserve	226	229
Income reserve at 30 April 2011	1,912	1,686

Affirmative Deposit Fund for Charities

Notes to the accounts

10. Risk management policies

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period.

Interest rate risk

The Fund invests in fixed rate and floating rate deposits with an approved list of institutions maintained by the Manager. Changes in the interest rates may result in income either increasing or decreasing. The interest rate profile of the Fund's financial assets and liabilities at 30 April 2011 is set out below:

	30/04/2011 £000's	31/10/2010 £000's
£ floating rate financial assets	37,823	32,753
£ fixed rate financial assets	395,590	391,365
£ financial assets not carrying interest	2,827	1,928
£ financial liabilities not carrying interest	(1,998)	(1,771)
Total net assets	434,242	424,275

Credit risk

The Fund's transactions expose it to the risk that a counterparty may not repay a deposit at its maturity date. To minimise this risk, investments are made with banks and other institutions which meet rigorous criteria based on independent credit ratings and size, with a maximum average maturity date for the investments of no more than 150 days. Risk is further minimised by limiting the proportion of the Fund deposited with any single bank or other institution.

Liquidity risk

To ensure that the Fund can meet obligations that may arise from depositors wishing to make withdrawals, the Manager must maintain at all times a minimum of 10% of the Fund's assets in investments realisable within 5 working days.

11. Related party transactions

The Manager's periodic charge is paid to Epworth Investment Management, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in Note 2. At 30 April 2011, outstanding balances due to Epworth Investment Management amounted to £26,602 (2010: £21,593). There were no other transactions entered into with Epworth Investment Management during the period.

The Affirmative Equity Fund for Charities

Charity Number 1087228

The Affirmative Fixed Interest Fund for Charities

Charity Number 1087227

The Affirmative Corporate Bond fund for Charities

Charity Number 1131752

The Affirmative Deposit Fund for Charities

Charity Number 1115887

Investment Manager, Administrator and Registrar

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Bill Seddon (Chief Executive)
Peter Forward
Richard Reeves
Sir Michael Partridge (resigned 5 May 2011)
Michael Willett (resigned 10 May 2011)

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Stephen Beer
Chris Wigley
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Client Relationship Manager

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