

annual report and accounts

year to
31 October 2010

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Report of the investment manager

Market movements and performance

Cash

- Base rate has remained unchanged at 0.5% since March 2009 and the £200 billion quantitative easing programme completed in February has not so far been extended.
- The premium of 3 month deposit rates over the base rate gradually rose, opening the year under review at 5bp and closing at 27bp.
- 3 month rates opened at 0.55% ranged between 0.50% and 0.80% before closing at 0.77%, whilst 12 month rates opened at 1.18%, moved between 1.10% and 1.45% before closing at 1.38%.
- Over the year under review, the Affirmative Deposit Fund provided an average AER distribution of 1.02% (after expenses of 0.27%pa) with 1.10% being the rate payable at the end of October. The AER of 1 week LIBID over the year was 0.14% (0.41% less ADF expenses of 27bp).

Fixed Interest

- Global bond prices rose during the first part of the year under review, but peaked in April before embarking on a further bull run. The 10 year US Treasury yield was 3.39% at the end of October 2009, rose to 3.39% before falling to a low of 2.31% and ending the year at 2.60%.
- UK gilt prices have followed a similar pattern. The 10 year yield opened at 3.62% peaked at 4.23% and fell as low as 2.82% before closing the year at 3.08%.
- The yield curve continued to steepen, with 2 year gilt yields down 18bp to 0.68% whilst the 30 year gilt yield rose 2bp to 4.15%.
- The average spread of corporate bond yields over gilts opened the year at the high of +204bp, fell as low as +147bp before closing at +176bp. The spread between AAA and BBB rated bonds opened at +294bp and ranged between +297bp and +214bp closing at +235bp.
- The Affirmative Fixed Interest Fund total return (+6.8% after annualised expenses of 0.33%) matched that of the Composite Index for the year under review, with comparable figures of +6.1% for the FTSE All Stocks Gilts Index and +10.5% for the iBoxx Non Gilts Index.
- The Affirmative Corporate Bond Fund produced a total return of 9.7% (after expenses of 0.36%) and also matched that of its Benchmark Index.

Equities

- The UK equity market also peaked in April with the FTSE All Share Index up 15% from the end of October last year. However by early July it was 5% below its opening level having fallen 17%. A renewed upturn saw the Index rally to within 2% of its earlier peak, up 13% on the year.
- Over the year the value of sterling fell against the yen by 13% and the dollar by 4% although it was 3% higher compared to the euro. These moves ensured that the total return of the FTSE All Share Index (+17.5%) was less than that of the FTSE All world ex UK Index (+18.4%).
- The main positive relative contributors to All Share returns came from Mining, Mobile Telecoms and Gas, Water & Multiutilities, whilst the main negative contributors were Oils, Banks and Pharmaceuticals.
- Smaller stocks performed much better than larger companies with a total return for the FTSE mid 250 Index of +25.2% compared to +16.5% for the FTSE 100 Index.
- Over the year to 31 October the total return of the Affirmative Equity Fund was +17.0% after annualised expenses of 0.38%. This compared to a total return on the Composite Index of +17.6%. However, once the negative impact of excluding certain stocks on ethical grounds (-0.8%) is taken into account, the Fund exceeded its Benchmark by 0.2%.

Report of the investment manager

Economic overview

Manufacturing purchasing managers' indices (PMIs) are a good lead indicator and consequently are one of the most closely watched of global economic statistics. The data suggests that the growth rate of the world economy is picking up again following a dull patch during the summer, with the UK, China, the US, and the Eurozone particularly buoyant. However, doubts about its strength persist.

The strength of the Eurozone PMIs was particularly surprising, although a 'growth chasm' between a booming German economy and much weaker peripheral countries such as Spain and Italy is increasingly apparent. However, as Germany accounts for only 30% of overall Eurozone GDP, the European Commission expects that overall growth will slip back from 2% this year to 1.7% in 2011. The Eurozone has also been rocked by a revival of sovereign debt and banking concerns focussing on Ireland. A support package has alleviated market turmoil for now but Portuguese and Spanish debt looks vulnerable to further weakness.

In the US the majority of economic statistics have been fairly positive, with industrial production remaining strong, and a welcome improvement in the trade balance. There has also been a sharp jump in consumer confidence which is now at historically high levels. However, the labour market continues to be disappointing with the unemployment rate at 9.8% and President Obama has introduced new tax stimulus. Consequently, growth forecasts for next year have been raised from 3% to between 3.5% and 4%, whilst the budget deficit is forecast to rise from 8.5% to 9.5% of GDP.

Since early 2009 the Japanese economy has enjoyed a reasonably strong recovery but it is generally expected that it is losing momentum. Although overall growth in the Japanese economy is expected to be 2.8% this year, the IMF predicts that it will halve next year to 1.4%. The authorities are also concerned about the persistent deflationary tendencies of the economy, as excluding food and energy, 'core inflation' is -0.8%, indicating that nominal GDP will decline.

In his autumn statement to Parliament, George Osborne claimed that the UK economic recovery was still on-track as he responded to the Office of Budgetary Responsibility which had raised its forecast for GDP growth in 2010 from 1.2% to 1.8%. What the government might have been less pleased to see was that the OBR's growth forecasts for 2011 and 2012 were both reduced by 0.2% to 2.1% and 2.6%, respectively. However, even these figures may prove to be too optimistic. Consumer spending appears likely to be relatively weak due to modest growth in both real disposable income and employment. Fixed investment by the private sector and a weak recovery in house building may also struggle to compensate for the 15% cut in the government's capital spending plans for 2011. Although exports should boost the economy as the full impact of the earlier depreciation of sterling takes effect, the influence of inventory building will fade as stock levels return to normal. Although there is no real cause to believe that the economy is likely to slide back into recession, the balance of risks imply that growth is more likely to disappoint than excite as the recovery matures.

Market outlook

Monetary policy in the US, Europe and UK continues to be accommodative with key interest rates unchanged, but views on future direction are varied. Stronger than expected economic growth and continued disappointing inflation data have resulted in the Bank of England, at the very least, postponing a resumption of QE. For the first time in many months, the possibility that the first base rate rise will occur earlier than the consensus view must be seriously considered. However, the steep money market curve indicates that value remains in placing funds longer term, particularly when utilising the premium rates on offer when dealing directly with banks.

A sell-off in global bonds has been underway ever since the Fed announced its intention of reducing long term yields through its QE2 programme. At one stage the ten year US Treasury hit 3.5%, 1.1% above its October low whilst the 30 year yield touched 4.6% as all the gains of the past year were lost. As inflation is already expected to rise above 2% and with a strong possibility that growth will accelerate in 2011, the risk is considerable that yields will challenge the peak levels of 2010. The Irish bail-out package has helped the yield premium of peripheral markets to fall back slightly, but the Eurozone bond market remains extremely fragile.

Gilts continue to be closely correlated with the US bond market. Ten year yields reached 3.6%, up from an August low point of 2.8% but still 65bp below its peak in February. The credibility of the BOE in achieving its 2% inflation target is coming under increasing doubt with the Consumer Price Index, currently at 3.3%, consistently above expectations. Gilt yields still look expensive unless a growth rate of well under the 1% currently discounted by index-linked securities proves accurate, although prices would probably follow any rally in US Treasuries. The yield premium of high-quality corporate bonds remain historically attractive and represents the most favoured part of the fixed interest market, although as long term interest rates normalise, this may not result in positive absolute returns.

A combination of better than expected economic growth and loose monetary policy has helped the FTSE All-World ex UK index rise 16% since the end of August. However, while the global economic outlook looks reasonably benign and equity valuations do not appear particularly stretched, the market does seem vulnerable. Technical indicators, such as a high level of investor optimism, low cash levels, and low risk premiums, all indicate the high level of investor complacency that often precedes a market downturn. Investors also seem to be ignoring slowing growth in Japan and the risk of renewed turmoil in Eurozone banks. UK equities have recently experienced a modest rally compared to the world index after a sharp relative fall in November. However, given concerns that UK growth in 2011 may be slower than forecast, sterling could be vulnerable and the risks seem skewed towards renewed relative weakness.

UK Equity prices will be subjected to a number of headwinds in the months ahead. Fiscal retrenchment both at home and in the Eurozone, together with a weakening housing market and lack of bank lending will keep a cap on the prospects for economic growth. However, a continued low interest environment will tend to push in the opposite direction and a return to recession seems unlikely. The recovery in profits both this year and next will boost already strong balance sheets in the non-financial sectors. This might be expected to encourage increased capital expenditure following the savage cuts during the recession, a resurgence in takeover activity and increased dividend payouts. On balance the economic background should be favourable for equities, adding to the attractions of valuation levels that are no worse than fair by most historic standards. The continuation of disappointingly high inflation figures may be a cause for concern, but unless the inflationary outlook deteriorates markedly, it is probably bond investors that will suffer most, whilst investors may once again be prepared to pay up for the element of protection from inflation that equities provide. Therefore, whilst the recent strength may have been overdone in the short term and the fall-out from the financial crisis may not yet have been fully recognised, equities look reasonable value both in absolute and relative terms. Overweight positions should be retained and with volatile conditions likely to continue, opportunities to increase exposure should be sought.

Epworth Investment Management Ltd
Investment Manager
21 December 2010

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.

Report of the corporate trustee

For the period ended 31 October 2010

We confirm that based upon the information available to us, we are of the opinion that the Manager of the schemes has in all material respects managed the schemes during the period covered by these accounts in accordance with the limitations imposed upon the investment and borrowing powers of the Manager and Trustee, and in accordance with the provisions of the Schemes.

HSBC Bank plc
Institutional Fund Services
8 Canada Square
London
E14 5HQ

23 November 2010

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 December 2010 and are signed on behalf of the Manager

by:

William T Seddon
Director, Epworth Investment Management Limited
Peter Forward
Director, Epworth Investment Management Limited
23 December 2010

Affirmative Equity Fund for Charities

Report of independent auditors

To the unitholders of The Affirmative Equity Fund for Charities

We have audited the financial statements of Affirmative Equity Fund for Charities for the year ended 31 October 2010 which comprise the Statement of Total Return, the Statement of Movement in Unitholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Distribution Table and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the trustee in accordance with the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the trustee 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 fund and the trustee, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Manager and Auditors

As described in the Statement of Manager's Responsibilities the Manager is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Trustee is required to take reasonable care to ensure compliance by the Manager with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with section 42(1) of the Charities Act 1993, and whether the information given in the Report of the Investment Manager is consistent with the financial statements. We also report to you if, in our opinion, the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Comparative tables and the Report of the Trustee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 31 October 2010 and of the net income on the property of the Fund for the year then ended;
- the financial statements have been properly prepared in accordance with section 42(1) of the Charities Act 1993; and
- the information given in the Report of the Investment Manger is consistent with the financial statements.

We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Mazars LLP
Chartered Accountants
and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD
11 February 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

Affirmative Equity Fund for Charities

Statement of total return

For the year ended 31 October 2010

	Note	31/10/2010 £'000s	31/10/2009 £'000s
Net gains on investments	2	5,747	5,717
Income	3	1,468	1,406
Expenses	4	(168)	(134)
Net income		1,300	1,272
Total return before distributions		7,047	6,989
Finance costs: Distributions	7	(1,295)	(1,280)
Change in net assets attributable to unitholders		5,752	5,709

Statement of change in unitholders' net assets

For the year ended 31 October 2010

	31/10/2010 £'000s	31/10/2009 £'000s
Net assets at start of period	41,849	32,672
Amounts receivable on creations of units	2,798	5,153
Amounts payable on cancellation of units	(3,454)	(1,685)
	41,193	36,140
Change in net assets attributable to unitholders	5,752	5,709
Net assets at end of period	46,945	41,849

Balance sheet

as at 31 October 2010

	Note	31/10/2010 £'000s	31/10/2009 £'000s
Assets			
Portfolio of investments		46,268	41,272
Debtors	8	291	44
Bank balances	9	770	817
Total assets		47,329	42,133
Liabilities			
Creditors	10	109	32
Distribution payable		275	252
Total liabilities		384	284
Net assets attributable to unitholders		46,945	41,849

Balance Sheet approved and signed on behalf of the Manager by:
 William T Seddon, Director
 Peter Forward, Director
 23 December 2010

Affirmative Equity Fund for Charities

Summary of investments and other assets

As at 31 October 2010

	Market value £'000s	Fund %	2009 Market value £'000s	2009 Fund %
Oil & Gas Producers	6,998	15.1	6,484	15.7
Oil Equipment & Services	301	0.7	214	0.5
Chemicals	191	0.4	253	0.6
Forestry & Paper	-	-	-	-
Mining	4,532	9.8	3,221	7.8
Construction & Materials	176	0.4	163	0.4
General Industrials	329	0.7	273	0.6
Electronic & Electrical Equipment	225	0.5	176	0.4
Industrial Engineering	279	0.6	187	0.5
Industrial Transportation	245	0.5	138	0.3
Support Services	1,366	2.9	1,216	3.0
Beverages	82	0.2	-	-
Food Producers	862	1.9	1,241	3.0
Household Goods	1,109	2.4	1,126	2.8
Personal Goods	127	0.3	-	-
Healthcare Equipment & Services	192	0.4	239	0.6
Pharmaceuticals & Biotechnology	3,895	8.4	3,542	8.6
Food & Drug Retailers	1,632	3.5	1,375	3.3
General Retailers	775	1.6	896	2.1
Media	1,424	3.1	1,144	2.8
Travel & Leisure	1,352	2.9	1,378	3.3
Fixed Line Telecommunications	454	1.0	674	1.6
Mobile Telecommunications	2,820	6.1	2,287	5.5
Electricity	582	1.3	526	1.3
Gas, Water & Multiutilities	1,674	3.6	1,016	2.5
Banks	5,839	12.6	5,121	12.4
Nonlife Insurance	310	0.7	534	1.3
Life Insurance	1,213	2.6	1,032	2.5
Real Estate	105	0.2	800	1.9
Real Estate Investment Trusts	530	1.2	-	-
Financial Services	758	1.7	614	1.5
Equity Investment Instruments	693	1.5	762	1.9
Nonequity Investment Instruments	113	0.2	67	0.2
Software & Computer Services	630	1.4	568	1.4
Technology Hardware & Equipmet	129	0.3	82	0.2
Overseas	4,326	9.3	3,923	9.5
	46,268	100.00	41,272	100.0
Net cash	677		577	
Total value of fund	46,945		41,849	

Affirmative Equity Fund for Charities

Portfolio statement

as at 31 October 2010

	Holding	Market value £'000s	Fund %		Holding	Market value £'000s	Fund %
Oil & Gas Producers				Beverages			
BG Group	110,031	1,337	2.9	Britvic	17,000	82	0.2
BP	520,000	2,214	4.8			82	0.2
Cairn Energy	50,000	193	0.4	Food Producers			
Royal Dutch Shell	148,000	2,958	6.4	Associated British Foods	8,500	89	0.2
Tullow Oil	25,000	296	0.6	Unilever	43,000	773	1.7
		6,998	15.1			862	1.9
Oil Equipment & Services				Household Goods and Home Construction			
Petrofac	14,000	205	0.5	Bellway	11,500	61	0.1
Wellstream Holdings	13,000	96	0.2	Berkeley	10,000	84	0.2
		301	0.7	Reckitt Benckiser	26,000	908	2.0
Chemicals				Taylor Wimpey	250,000	56	0.1
Johnson Matthey	10,000	191	0.4			1,109	2.4
		191	0.4	Personal Goods			
Mining				Burberry	12,500	127	0.3
Anglo American	40,000	1,163	2.5			127	0.3
BHP Billiton	66,500	1,472	3.2	Healthcare Equipment & Services			
Rio Tinto	47,000	1,897	4.1	Smith & Nephew	35,000	192	0.4
		4,532	9.8			192	0.4
Construction & Materials				Pharmaceuticals & Biotechnology			
Balfour Beatty	30,000	83	0.2	Abcam	7,000	119	0.3
Morgan Sindall	14,000	93	0.2	Astrazeneca	45,500	1,424	3.1
		176	0.4	Glaxosmithkline	165,000	2,014	4.3
General Industrials				Shire	23,000	338	0.7
Cookson Group	20,000	103	0.2			3,895	8.4
Rexam	30,000	95	0.2	Food & Drug Retailers			
Smiths Group	11,000	131	0.3	Morrison Supermarkets	90,000	264	0.6
		329	0.7	Sainsbury	50,000	195	0.4
Electronic & Electrical Equipment				Tesco	275,000	1,173	2.5
Laird	67,665	101	0.2			1,632	3.5
Spectris	11,000	124	0.3	General Retailers			
		225	0.5	Asos	6,500	92	0.2
Industrial Engineering				Dunelm	20,000	96	0.2
Charter	15,000	111	0.2	Halfords	22,285	94	0.2
Rotork	2,661	45	0.1	Home Retail Group	25,000	55	0.1
Spirax-Sarco	1,656	30	0.1	Inchcape	22,000	76	0.2
Weir Group	6,000	93	0.2	Kingfisher	40,000	95	0.2
		279	0.6	Marks & Spencer	25,000	107	0.2
Industrial Transportation				Next	7,000	160	0.3
BBA Aviation	70,000	141	0.3			775	1.6
Wincanton	43,736	104	0.2	Media			
		245	0.5	British Sky Broadcasting Group	30,000	212	0.5
Support Services				Daily Mail	17,000	91	0.2
Aggreko	8,000	126	0.3	Informa	20,000	87	0.2
Assetco	103,976	64	0.1	Pearson	27,000	257	0.5
Capita Group	28,000	215	0.5	Reed Elsevier	42,000	225	0.5
Experian Group	40,000	290	0.6	Rightmove	15,000	119	0.3
Homeserve	17,000	77	0.2	United Business Media	14,000	92	0.2
Intertek Group	5,000	93	0.2	WPP Group	47,000	341	0.7
Regus	125,000	108	0.2			1,424	3.1
Sthree	35,000	103	0.2	Travel & Leisure			
Travis Perkins	12,000	99	0.2	British Airways	35,000	95	0.2
Wolseley	11,500	191	0.4	Carnival	6,000	161	0.3
		1,366	2.9	Cineworld	55,000	122	0.3

Affirmative Equity Fund for Charities

Portfolio statement continued

	Holding	Market value £'000s	Fund %		Holding	Market value £'000s	Fund %
Travel & Leisure cont.				Real Estate Investment Trusts cont.			
Compass	78,000	399	0.9	Unite Group	35,000	73	0.2
Domino'S Pizza	25,000	122	0.3			530	1.2
National Express	62,000	154	0.3	General Financial			
Restaurant Group	30,000	85	0.2	3I Group	30,000	90	0.2
Tui Travel	45,000	95	0.2	Aberdeen Asset Management	60,000	106	0.2
Whitbread	7,047	119	0.2	F&C Asset Management	175,000	117	0.3
		1,352	2.9	Hargreaves Lansdown	25,000	117	0.3
Fixed Line Telecommunications				Icap	20,000	91	0.2
BT	245,000	377	0.8	Man Group	50,000	130	0.3
Cable & Wireless	110,000	77	0.2	Tullett Prebon	27,000	107	0.2
		454	1.0			758	1.7
Mobile Telecommunications				Equity Investment Instruments			
Vodafone	1,660,000	2,820	6.1	Aberforth Smaller Companies	17,000	100	0.2
		2,820	6.1	Herald Investment Trust	25,000	112	0.2
Electricity				HG Capital Trust	10,700	101	0.2
International Power	65,000	271	0.6	HG Capital Trust 2010 Warrants	2,140	2	0.0
Scottish & Southern Energy	27,000	311	0.7	North Atlantic Small Companies	17,000	177	0.4
		582	1.3	Oryx Intl.Growth Fund	58,645	120	0.3
Gas, Water & Multiutilities				TR Property	50,000	81	0.2
Centrica	185,000	614	1.3			693	1.5
National Grid	125,000	737	1.6	Non-Equity Investment Instruments			
Severn Trent	10,000	139	0.3	Property Income Trust For Charities	153,354	113	0.2
United Utilities Group	30,000	184	0.4			113	0.2
		1,674	3.6	Software & Computer Services			
Banks				Alterian	50,000	105	0.2
Barclays	290,000	796	1.7	Aveva Group	8,000	119	0.3
HSBC	435,000	2,824	6.1	Fidessa Group	7,000	112	0.2
Lloyds TSB	1,225,000	844	1.8	Invensys	25,000	72	0.2
Royal Bank of Scotland	650,000	290	0.6	Micro Focus Intl.	30,000	114	0.3
Standard Chartered	58,000	1,047	2.3	Sage Group	40,000	108	0.2
Standard Chartered nil paid	7,250	38	0.1			630	1.4
		5,839	12.6	Technology Hardware & Equipment			
Non-life Insurance				Spirent Communications	90,000	129	0.3
Admiral Group	11,000	179	0.4			129	0.3
RSA Insurance Group	100,000	131	0.3	Overseas			
		310	0.7	Baring Emerging Europe	2,000	17	0.0
Life Insurance				Chevron	2,000	103	0.2
Aviva	80,000	319	0.7	Consumer Discretionary Sector SPDR	2,600	57	0.1
Legal & General	190,000	191	0.4	Central Europe& Russia Fund	1,500	37	0.1
Prudential	80,000	504	1.1	ENI	4,500	63	0.1
St.James'S Place	35,000	97	0.2	Epworth Inv Fund - European Fund	645,844	558	1.2
Standard Life	45,000	102	0.2	Health Care Sector SPDR	2,500	49	0.1
		1,213	2.6	First State Asia Pacific Sustainability B	27,664	63	0.1
Real Estate				First State Asia Pacific Leaders B	56,826	196	0.4
Capital & Counties Properties	70,000	105	0.2	First State Asia Pacific B Accum.	27,961	195	0.4
		105	0.2	iShares MSCI South Africa	2,000	85	0.2
Real Estate Investment Trusts				Pacific Assets	55,000	68	0.2
British Land	27,000	137	0.3	Schroder Japan Growth Fund	95,000	74	0.2
Hammerson	24,000	101	0.2	iShares KLD 400	29,600	825	1.8
Land Securities Group	15,000	101	0.2	iShares MSCI Europe Ex-Uk	5,500	101	0.2
Primary Health Properties	36,395	118	0.3				

Affirmative Equity Fund for Charities

Portfolio statement continued

	Holding	Market value £'000s	Fund %
Overseas cont.			
iShares MSCI Japan	47,000	295	0.6
iShares S&P 500	3,350	249	0.5
iShares S&P Latin American 40 Index	4,000	130	0.3
iShares S&P 60 Index	9,700	109	0.2
iShares S&P Global Energy Index	27,000	597	1.3
iShares S&P 100 Index	4,900	164	0.4
International Industries Select Sector	1,250	25	0.1
Financial Sector SPDR	7,100	65	0.2

	Holding	Market value £'000s	Fund %
Overseas cont.			
Consumer Staples Sector SPDR	3,200	58	0.1
Technology Sector SPDR	6,000	91	0.2
Energy Sector SPDR	1,400	52	0.1
		4,326	9.3
		46,268	100.0
Net cash		677	
Total value of fund		46,945	

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

Summary of material portfolio changes

as at 31 October 2010

	Cost £'000s
Total purchases for the period	9,780
Largest purchases	
iShares FTSE 100	494
BP	368
Tullow Oil	293
National Grid	251
iShares S&P 500	246
Lloyds Banking Group	412
Anglo American	228
Royal Dutch Shell	202
Aviva	197
HSBC Holdings	177
British Sky Broadcasting	176
Epworth European Fund	170
Tesco	168
Tui Travel	167
Aveva Group	156
Unilever (UK)	152
Barclays	151
Petrofac	148
Tomkins	132
BBA Aviation	123
	4,411
Other purchases	5,369
Total purchases	9,780

	Proceeds £'000s
Total sales for the period	10,531
Largest Sales	
iShares FTSE 100	499
iShares Kld 400 Social Index Fund	407
Aveva Group	257
ASOS	212
Royal Dutch Shell	212
Tomkins	179
iShares FTSE 250	177
Big Yellow Group	176
HSBC Holdings	167
Legal & General	164
Travis Perkins	162
Persimmon	161
Chevron	155
Cadbury	150
Vodafone Group	147
Rio Tinto	138
National Express	137
Care UK	135
Bunzl	135
Cable & Wireless	135
	3,905
Other sales	6,626
Total sales	10,531

Affirmative Equity Fund for Charities

Distribution

for the year ended 31 October 2010

Distribution period	2010 p per unit	Date paid	2009 p per unit
1 November 2009 to 31 January 2010	0.54	15 March 2010	0.60
1 February 2010 to 30 April 2010	0.97	15 June 2010	0.99
1 May 2010 to 31 July 2010	0.81	15 September 2010	0.85
1 August 2010 to 31 October 2010	0.63	15 December 2010	0.57

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

Performance record

Total return performance to 31 October 2010	1 year %	3 years % p.a.	5 years % p.a.
Affirmative Equity Fund for Charities	11.2	(1.0)	4.0
Composite benchmark*	12.4	(0.8)	4.6

*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	31/10/2010 %	31/10/2009 %
Manager's periodic charge (inc VAT)	0.29	0.29
Corporate Trustee's charge (inc VAT)	0.05	0.05
Other expenses	0.04	0.05
Total expense ratio	0.38	0.39

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 year comprise:

	2010 £'000s	2009 £'000s
Proceeds from sales of investments	10,052	8,832
Original cost of investments sold	(9,092)	(10,886)
Gains/(losses) realised on investments sold	960	(2,054)
Net unrealised gains	4,787	7,771
Net gains on investments	5,747	5,717

3. Gross income

	2010 £'000s	2009 £'000s
UK dividends	1,390	1,308
Overseas dividends	68	72
Bank interest	10	26
Total Income	1,468	1,406

4. Expenses

	2010 £'000s	2009 £'000s
Payable to the Manager or associates	130	101
	130	101
Payable to the Corporate Trustee or associates		
Corporate Trustee's fee	21	16
Safe custody fees and transaction charges	8	8
	29	24
Auditor's fees	7	7
Other expenses	2	2
	9	9
Total expenses	168	134

5. Portfolio transaction costs

	2010 £'000s	2009 £'000s
Analysis of total purchase costs		
Purchases in period before transaction costs	9,759	12,166
Commissions	18	21
Custodian transaction costs	3	3
Total purchase costs	21	24
Gross purchases total	9,780	12,190
Analysis of total sale costs		
Gross sales before transaction costs	10,553	8,850
Commissions	(19)	(16)
Custodian transaction costs	(3)	(2)
Total sale costs	(22)	(18)
Total sales net of transaction costs	10,531	8,832

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:

	2010 £'000s	2009 £'000s
31 January 2010	237	244
30 April 2010	422	408
31 July 2010	361	376
31 October 2010	275	252
	1,295	1,280
Income deducted on cancellation of units	8	3
Income received on creation of units	(12)	(14)
Net distribution for the period	1,291	1,269

8. Debtors

	2010 £'000s	2009 £'000s
Sales awaiting settlement	211	-
Accrued income	80	44
Total debtors	291	44

9. Cash and bank balances

	2010 £'000s	2009 £'000s
Affirmative Deposit Fund for Charities	767	805
Cash at bank	3	12
Total cash and bank balances	770	817

10. Creditors

	2010 £'000s	2009 £'000s
Purchases awaiting settlement	86	-
Accrued expenses	23	32
Total Creditors	109	32

11. Portfolio turnover calculation

	2010 %	2009 %
Portfolio turnover calculation	31.3	40.1

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 31 October 2010 the Fund's foreign currency exposure is:

	2010 £'000s	2009 £'000s
Canadian Dollar	109	128
Euro	63	68
United States Dollar	2,588	2,478
	2,760	2,674

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

At 31 October 2010 calls on partly paid stocks for payment after the year end amounted to £92,800 (2009: £22,500)

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 31 October 2010 was £11,719 (2009: £10,223).

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

Report of independent auditors

To the unitholders of The Affirmative Fixed Interest Fund for Charities

We have audited the financial statements of Affirmative Fixed Interest Fund for Charities for the year ended 31 October 2010 which comprise the Statement of Total Return, the Statement of Movement in Unitholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Distribution Table and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the trustee in accordance with the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the trustee 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 fund and the trustee, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Manager and Auditors

As described in the Statement of Manager's Responsibilities the Manager is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Trustee is required to take reasonable care to ensure compliance by the Manager with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with section 42(1) of the Charities Act 1993, and whether the information given in the Report of the Investment Manager is consistent with the financial statements. We also report to you if, in our opinion, the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Comparative tables and the Report of the Trustee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 31 October 2010 and of the net income on the property of the Fund for the year then ended;
- the financial statements have been properly prepared in accordance with section 42(1) of the Charities Act 1993; and
- the information given in the Report of the Investment Manager is consistent with the financial statements.

Mazars LLP
Chartered Accountants
and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

January 2011

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

Statement of total return

For the year ended 31 October 2010

	Note	31/10/2010 £'000s	31/10/2009 £'000s
Net gains on investments	2	704	1,367
Income	3	793	812
Expenses	4	(63)	(60)
Net income		730	752
Total return before distributions		1,434	2,119
Finance costs: Distributions	7	(736)	(747)
Change in net assets attributable to unitholders		698	1,372

Statement of changes in unitholders' net assets

For the year ended 31 October 2010

	31/10/2010 £'000s	31/10/2009 £'000s
Net assets at start of period	20,309	17,788
Amounts receivable on creations of units	2,925	3,816
Amounts payable on cancellation of units	(2,416)	(2,667)
	20,818	18,937
Change in net assets attributable to unitholders	698	1,372
Net assets at end of period	21,516	20,309

Affirmative Fixed Interest Fund for Charities

Balance sheet

as at 31 October 2010

	Note	31/10/2010 £'000s	31/10/2009 £'000s
Assets			
Portfolio of investments		21,223	19,929
Debtors	8	205	163
Bank balances	9	282	422
Total assets		21,710	20,514
Liabilities			
Creditors	10	14	16
Distribution payable		180	189
Total liabilities		194	205
Net assets attributable to unitholders		21,516	20,309

Balance Sheet approved and signed on behalf of the Manager by:
 William T Seddon, Director
 Peter Forward, Director
 23 December 2010

Summary of investments and other assets

As at 31 October 2010

	Market value £'000s	Fund %	2009 Market value £'000s	2009 Fund %
British Government	16,789	79.1	15,654	78.5
Corporate Bonds and Supranational	4,434	20.9	4,275	21.5
Total Securities	21,223	100.0	19,929	100.0
Net current assets	293		380	
Total value of fund	21,516		20,309	

Affirmative Fixed Interest Fund for Charities

Portfolio statement

as at 31 October 2009

	Holding	Market Value £'000s	Fund %
British Government			
Treasury 5% 2012	790,000	836	3.9
Treasury 5¼% 2012	901,154	966	4.6
Treasury 4½% 2013	1,000,000	1,084	5.1
Treasury 2¼% 2014	700,000	723	3.4
Treasury 5% 2014	300,000	340	1.6
Treasury 4¾% 2015	1,500,000	1,705	8.0
Treasury 4% 2016	1,500,000	1,655	7.8
Treasury 5% 2018	1,100,000	1,278	6.0
Treasury 4½% 2019	800,000	895	4.2
Treasury 4¾% 2020	650,000	738	3.5
Treasury 3¾% 2020	550,000	576	2.7
Treasury 4% 2022	650,000	688	3.2
Treasury 5% 2025	100,000	115	0.6
Treasury 4¼% 2027	750,000	785	3.7
Treasury 4¼% 2032	1,350,000	1,388	6.5
Treasury 4¼% 2036	550,000	561	2.7
Treasury 4¾% 2038	400,000	441	2.1
Treasury 4¼% 2039	500,000	508	2.4
Treasury 4½% 2042	700,000	742	3.5
Treasury 4¼ % 2046	400,000	407	1.9
Treasury 4¼% 2055	350,000	358	1.7
		16,789	79.1
Corporate Bonds and Supranational			
Affirmative Corporate Bond Fund Units*	4,263,584	4,434	20.9
		4,434	20.9
		21,223	100.0
Net current assets		293	
Total value of fund		21,516	

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 31 October 2010

	Cost £'000s		Proceeds £'000s
Total purchases for the period	8,990	Total sales for the period	8,301
Largest purchases		Largest sales	
Treasury 5% 2018	1,158	Treasury 4¾% 2015	1,304
Treasury 4% 2016	1,000	Treasury 5% 2025	1,037
Treasury 4½% 2019	932	Treasury 4¼% 2027	976
Treasury 4¾% 2015	788	Treasury 4½% 2019	765
Treasury 5% 2012	750	Treasury 4¼% 2011	722
Treasury 4½% 2042	711	Treasury 5% 2014	626
Treasury 2¼% 2014	699	Treasury 4¾% 2020	562
Treasury 3¾% 2020	578	Affirmative Corporate Bond Fund	490
Treasury 4% 2022	479	Treasury 5% 2012	472
Affirmative Corporate Bond Fund	437	Treasury 4¼% 2039	391
Treasury 5¼% 2012	326	Treasury 4% 2022	378
Treasury 4¼% 2046	300	Treasury 4% 2016	323
Treasury 4½% 2013	269	Treasury 4½% 2013	271
Treasury 4¼% 2032	248	Treasury 4¼% 2032	205
Treasury 4¾% 2020	166	Treasury 4¼% 2055	49
Treasury 4¼% 2027	144		
Treasury 5% 2014	5		
	8,990		8,301
Other Purchases	-	Other sales	-
Total purchases	8,990	Total sales	8,301

Analysis of credit rating

Rating band	31/10/2010 £'000s	31/10/2009 £'000s
AAA	17,692	16,560
AA	1,698	1,805
A	1,282	1,217
BBB	271	180
Not rated	280	167
Total portfolio of investments	21,223	19,929

Affirmative Fixed Interest Fund for Charities

Distribution

Distribution period	2010 p per unit	Date paid	2009 p per unit
1 November 2009 to 31 January 2010	0.94	15 March 2010	1.13
1 February 2010 to 30 April 2010	0.90	15 June 2010	1.04
1 May 2010 to 31 July 2010	0.91	15 September 2010	1.02
1 August 2010 to 31 October 2010	0.91	15 December 2010	0.98

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

Performance record

Total return performance to 31 October 2010	1 year %	3 years % p.a.	5 years % p.a.
Affirmative Fixed Interest Fund for Charities	7.5	8.6	5.6
FTSE All Gilt Index	7.3	8.4	5.9

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

Total expense ratios

Expense type	31/10/2010 %	31/10/2009 %
Manager's periodic charge (inc VAT)	0.24	0.23
Corporate Trustee's charge (inc VAT)	0.05	0.05
Other expenses	0.04	0.04
Total expense ratio	0.33	0.32

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 year comprise:

	2010 £'000s	2009 £'000s
Proceeds from sales of investments	8,301	13,181
Original cost of investments sold	(7,955)	(12,535)
Gains realised on investments sold	346	646
Net unrealised gains	358	721
Net gains on investments	704	1,367

3. Gross income

	2010 £'000s	2009 £'000s
Interest on debt securities	789	801
Bank interest	4	11
Total income	793	812

4. Expenses

	2010 £'000s	2009 £'000s
Payable to the Manager or associates	44	43
	44	43
Payable to the Corporate Trustee or associates		
Corporate Trustee's fee	10	9
Safe custody fees and transaction charges	4	3
	14	12
Auditor's fees	5	5
Total expenses	63	60

5. Portfolio transaction costs

	2010 £'000s	2009 £'000s
Analysis of total purchase costs		
Purchases in period before transaction costs	8,990	14,432
Custodian transaction costs	1	1
Total purchase costs	1	1
Gross purchases total	8,991	14,433
Analysis of total sale costs		
Gross sales before transaction costs	8,301	13,182
Custodian transaction costs	(1)	(1)
Total sale costs	(1)	(1)
Total sales net of transaction costs	8,300	13,181

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:

	2010 £'000s	2009 £'000s
31 January 2010	187	194
30 April 2010	188	173
31 July 2010	181	191
31 October 2010	180	189
	736	747
Income deducted on cancellation of units	7	7
Income received on creation of units	(116)	(3)
Net distribution for the period	627	751

Affirmative Fixed Interest Fund for Charities

Notes to the accounts

8. Debtors

	2010 £'000s	2009 £'000s
Accrued income	205	163
Total debtors	205	163

9. Cash and bank balances

	2010 £'000s	2009 £'000s
Affirmative Deposit Fund for Charities	280	416
Cash at bank	2	6
Total cash and bank balances	282	422

10. Creditors

	2010 £'000s	2009 £'000s
Accrued expenses	14	16
Total creditors	14	16

11. Portfolio turnover calculation

	2010 %	2009 %
Portfolio turnover calculation	25.9	65.2

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 31 October 2010 was:

	2010 £'000s	2009 £'000s
£ floating rate financial assets	282	422
£ fixed rate financial assets	21,223	19,929
£ financial assets not carrying interest	205	163
£ financial liabilities not carrying interest	(194)	(205)
Total net assets	21,516	20,309

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 31 October 2010 was £4,297 (2009: £7,920).

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

Report of independent auditors

To the unitholders of The Affirmative Corporate Bond Fund for Charities

We have audited the financial statements of Affirmative Corporate Bond Fund for Charities for the period ended 31 October 2010 which comprise the Statement of Total Return, the Statement of Movement in Unitholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Distribution Table and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the trustee in accordance with the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the trustee 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 fund and the trustee, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Manager and Auditors

As described in the Statement of Manager's Responsibilities the Manager is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Trustee is required to take reasonable care to ensure compliance by the Manager with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with section 42(1) of the Charities Act 1993, and whether the information given in the Report of the Investment Manager is consistent with the financial statements. We also report to you if, in our opinion, the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Comparative tables and the Report of the Trustee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 31 October 2010 and of the net income on the property of the Fund for the year then ended;
- the financial statements have been properly prepared in accordance with section 42(1) of the Charities Act 1993; and
- the information given in the Report of the Investment Manager is consistent with the financial statements.

We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Mazars LLP
Chartered Accountants
and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD
January 2011

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

Statement of total return

for the thirteen months from 1 October 2009 to 31 October 2010

	Note	01/10/2009 to 31/10/2010 £'000s
Net gains on investments during the period	2	5,117
Gross income	3	6,291
Expenses	4	(491)
Net income & total return for the period		10,917
Finance costs: Distributions	7	(5,917)
Change in net assets attributable to unitholders		5,000

Statement of movement in unitholders' funds

for the thirteen months from 1 October 2009 to 31 October 2010

	01/10/2009 to 31/10/2010 £'000s
Net assets at start of period	-
Amounts received on creations of units	134,524
Amounts paid on cancellation of units	(1,742)
	132,782
Net increase in unitholders' funds from investment activities	5,000
Net assets at end of period	137,782

Affirmative Corporate Bond Fund for Charities

Balance sheet

as at 31 October 2010

	Note	31/10/2010 £'000s
Assets		
Portfolio of investments		134,337
Debtors	8	3,660
Bank balances	9	2,357
Total assets		140,354
Liabilities		
Creditors	10	1,062
Distributions payable		1,510
Total liabilities		2,572
Total assets attributable to unit holders		137,782

Balance Sheet approved and signed on behalf of the Manager by:
 William T Seddon, Director
 Peter Forward, Director
 23 December 2010

Summary of investments and other assets

as at 31 October 2010

	Market value 31/10/2010 £'000s	Fund 31/10/2010 %
Debentures	5,286	3.9
Supranational	20,037	14.9
Corporate unsecured financial	67,915	50.6
Corporate unsecured non-financial	41,099	30.6
	134,337	100.0
Net current assets	3,445	
Total value of fund	137,782	

Affirmative Corporate Bond Fund for Charities

Portfolio statement

as at 31 October 2010

	Holding	Market value £000s	Fund %
Debentures			
BLD Property Holdings Limited 6½% 2014	500,000	495	0.4
Witan IT 8½% 2016	300,000	365	0.2
Co-operative Group 7½% 2018	300,000	330	0.2
JPMorgan Fleming Clavervhouse 7% 2020	250,000	265	0.2
Scottish American IT 8% 2022	550,000	676	0.5
Edinburgh IT 7¼% 2022	500,000	594	0.4
Monks IT 6¾% 2023	550,000	572	0.4
Witan IT 6½% 2025	250,000	273	0.2
Great Portland 5¾% 2029	500,000	477	0.4
Merchants Trust 5¾% 2029	250,000	233	0.2
Scottish IT 5¾% 2030	500,000	491	0.4
Peel Holdings 8¾% 2040	500,000	515	0.4
		5,286	3.9
Supranational			
IBRD 5¾% 2014	100,000	112	0.1
KFW International 5¾% 2014	3,000,000	3,352	2.5
IFFIM 3¾% 2014	1,150,000	1,219	0.9
European Inv. Bank 4¾% 2015	2,000,000	2,198	1.7
Ned. Waterschnaps Bank 5¾% 2015	2,250,000	2,592	1.9
Network Rail 4¾% 2015	2,500,000	2,808	2.1
Cades 2¼% 2015	2,000,000	1,997	1.5
IBRD 5.4% 2021	250,000	298	0.2
Reseau Ferre 5½% 2021	500,000	579	0.4
Temasek Finl. Ltd. 4¾% 2022	700,000	737	0.6
IBRD 4¾% 2028	1,250,000	1,387	1.0
Reseau Ferre 5¼% 2028	750,000	836	0.6
Ned. Waterschnaps Bank 5¾% 2032	1,350,000	1,504	1.1
Temasek Finl. Ltd. 5¾% 2040	400,000	418	0.3
		20,037	14.9
Corporate Unsecured Financial			
AIG 5¾% 2012	1,100,000	1,120	0.8
Lloyds TSB Bank 6¾% 2014	1,750,000	1,905	1.4
Royal Bank of Scotland 6¾% 2014	1,500,000	1,630	1.2
Abbey National 5½% 2014	650,000	702	0.5
Rabobank Nederland 5¾% 2014	1,900,000	2,099	1.6
Merril Lynch 5¾% 2014	500,000	527	0.4
Rabobank Nederland 4% 2015	1,700,000	1,797	1.3
Morgan Stanley 5¾% 2015	500,000	518	0.4
Danske Bank 4% 2015	1,000,000	1,036	0.8
Commonwealth Bank of Australia 3¾% 2015	1,000,000	1,034	0.8
Nordea Bank Ab 3¾% 2015	500,000	517	0.4
Societe Generale 3¾% 2015	1,500,000	1,538	1.1
BNG 2¾% 2015	500,000	500	0.4
Svenska Handelsbanken 5½% 2016	2,400,000	2,654	2.0
Aviva Plc 9½% 2016	750,000	970	0.7
UBS Ag 6¾% 2016	2,000,000	2,261	1.7
JP Morgan Chase 5¾% 2016	1,350,000	1,436	1.1
Reed Elsevier 5¾% 2016	550,000	605	0.5
Bank of America 5¼% 2016	1,000,000	977	0.7
Goldman Sachs 6¾% 2017	500,000	543	0.4
Nomura Europe Fin 5½% 2017	500,000	529	0.4
Abbey National 4½% 2017	2,000,000	2,014	1.5
Co-operative Bank 5½% 2017	1,000,000	1,004	0.7

Affirmative Corporate Bond Fund for Charities

Portfolio statement

as at 31 October 2010

	Holding	Market value £000s	Fund %
Corporate Unsecured Financial continued			
Rabobank Nederland 3¼% 2017	400,000	396	0.3
Societe Generale 5.4% 2018	750,000	791	0.6
Santander 5¾% 2018	500,000	498	0.4
Nationwide 8½% 2018	450,000	515	0.4
UBS Ag 6½% 2018	1,250,000	1,436	1.1
Royal Bank of Scotland 6½% 2018	1,000,000	1,101	0.8
Lloyds TSB Bank 6¾% 2018	1,000,000	1,113	0.8
ANZ 4.75% 2018	500,000	521	0.4
Co-operative Bank 5¾% 2019	250,000	244	0.2
Commerzbank 6½% 2019	500,000	513	0.4
Nationwide 5½% 2019	4,000,000	4,158	3.1
Westpac Bkg.Corp 5% 2019	2,750,000	2,876	2.1
Bank of America 5½% 2019	1,400,000	1,382	1.0
Bank Of Ireland 10% 2020	492,000	457	0.3
Credit Suisse 7% 2020	750,000	868	0.6
Fidelity 6¾% 2020	500,000	514	0.4
Barclays Bank 5¾% 2021	2,750,000	2,946	2.2
Danske Bank 5¾% 2021	500,000	470	0.4
National Australia Bank 5½% 2021	2,400,000	2,547	1.9
Intesa Sanpaolo 5¼% 2022	2,000,000	1,993	1.5
Deutsche Telekom 6½% 2022	500,000	574	0.4
Wachovia Bank 5¼% 2023	500,000	475	0.4
Credit Agricole 7½% 2023	750,000	866	0.6
Enel 5½% 2024	1,500,000	1,559	1.2
British Sky Broadcasting 6% 2027	250,000	269	0.2
HSBC Holdings 5¾% 2027	1,250,000	1,246	0.9
Royal Bank Of Scotland 6½% 2028	500,000	500	0.4
Rabobank Nederland 4.55% 2029	750,000	737	0.5
Aegon 6½% 2031	750,000	725	0.5
Legal & General 5¾% 2033	750,000	749	0.6
HSBC Bank Plc 5¾% 2033	1,150,000	1,097	0.8
Glaxosmithkline Capital 5¼% 2033	1,000,000	1,045	0.8
Aegon 6½% 2039	1,500,000	1,496	1.1
HSBC Holdings 6% 2040	2,000,000	2,058	1.5
Enel 5¼% 2040	500,000	505	0.4
Lloyds TSB Bank 6½% 2040	500,000	502	0.4
Rabobank Nederland 5½% 2060	250,000	257	0.2
		67,915	50.6
Corporate Unsecured-Non Financial			
Vodafone Group 4½% 2014	1,500,000	1,611	1.2
Deutsche Telekom 4¾% 2014	625,000	671	0.5
Pearson 7% 2014	250,000	288	0.2
Roche Holdings 5½% 2015	400,000	449	0.3
Hutchison Ports 6¾% 2015	250,000	287	0.2
EDF 5½% 2016	1,000,000	1,094	0.8
British Telecom 7½% 2016	500,000	617	0.5
Saint Gobain 5½% 2016	250,000	271	0.2
WPP Group 6% 2017	500,000	550	0.4
General Electric 4½% 2017	1,750,000	1,761	1.3
BMW UK Capital 5% 2017	750,000	818	0.6
Tele Emisiones 5¾% 2018	2,000,000	2,143	1.6
Anglo American 6¾% 2018	750,000	862	0.6
Bayer 5½% 2018	250,000	278	0.2

Affirmative Corporate Bond Fund for Charities

Portfolio statement

as at 31 October 2010

	Holding	Market value £000s	Fund %
Corporate Unsecured-Non Financial continued			
E On Intl Finance 6% 2019	900,000	1,038	0.8
Marks & Spencer 6½% 2019	500,000	545	0.4
Tesco 5½% 2019	1,675,000	1,862	1.4
Gen Electric 6¼% 2020	750,000	833	0.6
General Electric 5⅞% 2020	500,000	542	0.4
General Electric 5½% 2023	500,000	502	0.4
RWE Finance 5⅞% 2023	1,430,000	1,569	1.2
Johnson & Johnson 5½% 2024	2,000,000	2,228	1.7
France Telecom 5¼% 2025	2,000,000	2,095	1.6
Bouygues 5½% 2026	250,000	264	0.2
EDF 6¼% 2028	1,700,000	1,956	1.5
British Telecom Plc 5¾% 2028	300,000	291	0.2
Tesco 6% 2029	550,000	614	0.5
Statoil 6⅞% 2031	2,450,000	3,057	2.3
EDF 5⅞% 2031	1,200,000	1,318	1.0
Astrazeneca 5¼% 2031	2,500,000	2,747	2.0
East Japan Railway 4¾% 2031	750,000	736	0.5
General Electric 5⅞% 2033	2,500,000	2,565	1.9
Pfizer 6½% 2038	2,250,000	2,719	2.0
Dong Energy 5¾% 2040	500,000	531	0.4
EDF 5⅞% 2050	1,000,000	993	0.7
GDF Suez 5% 2060	400,000	394	0.3
		41,099	30.6
		134,337	100.0
Net current assets		3,445	
Total value of Fund		137,782	

All investments are listed on a recognised stock exchange

Affirmative Corporate Bond Fund for Charities

Summary of material portfolio changes

as at 31 October 2010

	Cost £'000s		Proceeds £'000s
Total purchases for the period	166,547	Total sales for the period	38,693
Largest purchases		Largest sales	
KFW 5½% 2014	4,393	Toyota 4½% 2011	2,071
Nationwide 5½% 2019	4,145	General Electric 5½% 2014	1,930
European Inv. Bank 4¾% 2015	3,125	General Electric 6½% 2012	1,596
Statoil 6¾% 2031	3,011	HBOS 4¾% 2010	1,410
Barclays Bank 5¼% 2021	2,870	E On Intl Finance 6¾% 2012	1,363
Westpac Bkg. Corp 5% 2019	2,750	European Inv. Bank 5¾% 2021	1,354
National Australia Bank 5½% 2021	2,710	Toronto Dominion Bank 6¾% 2011	1,345
Astrazeneca 5¼% 2031	2,688	KFW 5¼% 2012	1,335
Network Rail 4¾% 2015	2,681	Reseau Ferre 5½% 2021	1,303
Pfizer 6½% 2038	2,612	HSBC Holdings 6½% 2024	1,270
Svenska Handelsbanken 5½% 2016	2,551	KFW 5¾% 2014	1,119
General Electric 5¾% 2033	2,534	Roche Holdings 5¾% 2023	1,094
Ned.Waterschnaps Bank 5% 2015	2,502	European Inv. Bank 4¾% 2015	1,088
UBS Ag 6¾% 2016	2,209	UPS America 5½% 2031	1,080
Johnson & Johnson 5½% 2024	2,175	Abbey National 5½% 2014	1,079
Tele Emisiones 5¾% 2018	2,074	Reseau Ferre 5¼% 2028	1,051
Toyota 4½% 2011	2,071	Toyota 5¼% 2010	1,041
Rabobank Nederlands 5½% 2014	2,034	Danske Bank 4% 2015	1,040
HSBC Holdings 6% 2040	1,996	Eni Coordination 4¾% 2010	1,039
Cades 2¼% 2015	1,994	BNG 2¾% 2013	1,031
	53,125		25,639
Other purchases	113,422	Other sales	13,054
Total purchases	166,547	Total sales	38,693

Analysis of credit rating

Rating band	31/10/2010 £000's
AAA	28,050
AA	52,783
A	39,836
BBB	8,382
Not rated	5,286
Total portfolio of investments	134,337

Affirmative Corporate Bond Fund for Charities

Distribution

for the period ended 31 October 2010

Distribution period	2010 per unit	Date paid
1 October 2009 to 31 October 2009	0.35	15 December 2009
1 November 2009 to 31 January 2010	1.08	15 March 2010
1 February 2010 to 30 April 2010	1.07	15 June 2010
1 May 2010 to 31 July 2010	1.12	15 September 2010
1 August 2010 to 31 October 2010	1.14	15 December 2010

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

Performance record

Total return performance to 31 October 2010	1 year %	3 years % p.a.	5 years % p.a.
Affirmative Corporate Bond Fund for Charities	9.7	n/a	n/a
Composite Benchmark	9.7	n/a	n/a

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

Total expense ratios

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

(f) Comparative figures

The Fund was launched on 1 October 2009. The first accounting reference date as determined by the charity trustees is 31 October 2010. Therefore no comparative figures are presented.

2 Net gains on investments

Net gains on investments during the period comprise:

	01/10/2009 to 31/10/2010 £'000s
Proceeds from sales of investments	36,693
Original cost of investments sold	(36,067)
Losses realized on investments sold	626
Net unrealized gains	4,491
Net gains on investments	5,743

3. Gross income

	01/10/2009 to 31/10/2010 £'000s
Interest on debt securities	6,269
Bank interest	22
	6,291

4. Expenses

	01/10/2009 to 31/10/2010 £'000s
Payable to the Manager or associates – see Note 1(c)	392
	392
Payable to the Corporate Trustee or associates	
Corporate Trustee's fee	65
Safe custody fees and transaction charges	22
	87
Auditor's fees	9
Other expenses	3
Total expenses	491

5. Portfolio transaction costs

	31/10/2010 £'000s
Analysis of total purchase costs	
Purchases in period before transaction costs	166,547
Commissions	-
Custodian transaction costs	2
Total purchase costs	2
Gross purchases total	166,549
Analysis of total sale costs	
Gross sales before transaction costs	36,693
Commissions	-
Custodian transaction costs	(1)
Total sale costs	(1)
Total sales net of transaction costs	36,692

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:

	31/10/2010 £'000s
31 October 2009	373
31 January 2010	1,242
30 April 2010	1,350
31 July 2010	1,442
31 October 2010	1,510
	5,917
Income deducted on cancellation of units	6
Income received on creation of units	(130)
Net distribution for the period	5,793

Affirmative Corporate Bond Fund for Charities

Notes to the accounts

8. Debtors

	31/10/2010 £'000s
Sales awaiting settlement	296
Accrued income	3,364
	3,660

9. Cash and bank balances

	31/10/2010 £'000s
Affirmative Deposit Fund for Charities	2,304
Cash at bank	53
	2,357

10. Creditors

	31/10/2010 £'000s
Purchases awaiting settlement	958
Accrued expenses	104
	1,062

11. Portfolio turnover calculation

	31/10/2010 %
Portfolio turnover calculation	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 31 October 2010 was:

	31/10/2010 £'000s
£ floating rate financial assets	2,357
£ fixed rate financial assets	134,337
£ financial assets not carrying interest	3,660
£ financial liabilities not carrying interest	(2,572)
Total net assets	137,782

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 31 October 2010 was £3,049. 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

Report of independent auditors

To the unitholders of The Affirmative Deposit Fund for Charities

We have audited the financial statements of Affirmative Deposit Fund for Charities for the year ended 31 October 2010 which comprise the Statement of Total Return, the Balance Sheet, the Distribution Table and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the trustee in accordance with the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the trustee 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 fund and the trustees, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Manager and Auditors

As described in the Statement of Manager's Responsibilities the Manager is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Trustee is required to take reasonable care to ensure compliance by the Manager with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with section 42(1) of the Charities Act 1993, and whether the information given in the Report of the Investment Manager is consistent with the financial statements. We also report to you if, in our opinion, the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Comparative tables and the Report of the Trustee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 31 October 2010 and of the net income on the property of the Fund for the year then ended;
- the financial statements have been properly prepared in accordance with section 42(1) of the Charities Act 1993; and
- the information given in the Report of the Investment Manger is consistent with the financial statements.

We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Mazars LLP
Chartered Accountants
and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD
January 2011

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 year ended 31 October 2010

	Note	31/10/2010 £'000s	31/10/2009 £'000s
Gross income		6,557	14,989
Expenses	2	(212)	(192)
Net income and total return for the period		6,345	14,797
Finance costs: Distributions		(6,116)	(13,600)
Net increase in income reserve		229	1,197

Balance sheet

as at 31 October 2010

	Note	31/10/2010 £'000s	31/10/2009 £'000s
Assets			
Deposits with authorised banks		424,118	453,776
Debtors	5	1,856	3,262
Bank balances		72	42
Total assets		426,046	457,080
Liabilities			
Current deposits	6	331,575	360,540
Term deposits	6	92,700	95,000
Creditors	8	85	83
Income reserve	9	1,686	1,457
		426,046	457,080

Balance Sheet approved and signed on behalf of the Manager by:
 William T Seddon, Director
 Peter Forward, Director
 23 December 2010

Total expense ratios

Expense type	31/10/2010 %	31/10/2009 %
Manager's periodic charge (inc VAT)	0.24	0.23
Corporate Trustee's charge (inc VAT)	0.02	0.02
Other expenses	0.01	0.01

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

Distributions paid

For the year ended 31 October 2010

	Distribution rate %	AER rate %	£'000s
30 November 2009	1.01	1.01	554
31 December 2009	1.00	1.00	541
31 January 2010	1.00	1.00	532
28 February 2010	1.00	1.00	480
31 March 2010	1.00	1.00	535
30 April 2010	1.00	1.00	520
31 May 2010	1.00	1.00	527
30 June 2010	1.00	1.00	475
31 July 2010	1.00	1.00	483
31 August 2010	1.05	1.06	494
30 September 2010	1.05	1.06	479
31 October 2010	1.05	1.06	495
Average rate and total paid for year	1.01	1.02	6,115

Summary of deposits

as at 31 October 2010

By maturity	31/10/2010	31/10/2010	31/10/2009	31/10/2009
Repayable	£'000s	%	£'000s	%
On call	47,365	11.2	14,975	3.3
Within 5 business days	42,753	10.1	63,801	14.1
1 month	50,000	11.8	65,000	14.3
2 months	55,000	13.0	95,000	20.9
3 months	45,000	10.6	65,000	14.3
6 months	75,000	17.7	45,000	10.0
1 year	99,000	23.3	95,000	20.9
2 years	10,000	2.3	10,000	2.2
Total	424,118	100.0	453,776	100.0

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

	31/10/2010 £'000s	31/10/2009 £'000s
Payable to the Manager or associates		
Manager's periodic charge – see Note 1(c)	119	93
	119	93
Payable to the Corporate Trustees or associates and agents of either of them:	82	82
Other expenses:		
Audit fee	9	6
Bank charges	1	1
Other	1	10
Other expenses	11	17
Total expenses	212	192

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

	31/10/2010 £'000s	31/10/2009 £'000s
Interest receivable	1,856	3,262
Total debtors	1,856	3,262

6. Current & term deposits

	31/10/2010 £'000s	31/10/2009 £'000s
Central Finance Board of the Methodist Church Deposit Fund	365,740	403,680
Affirmative Equity Fund	766	805
Affirmative Fixed Interest Fund	280	416
Affirmative Corporate Bond Fund	2,304	449
Other Charities	55,185	50,190
Total deposits	424,275	455,540

7. Maturity analysis

Repayable:	31/10/2010 £'000s	31/10/2009 £'000s
On demand	331,575	360,540
Within 3 months	38,000	46,000
Within 1 year	54,700	45,000
Within 2 years	-	4,000
Total deposits	424,275	455,540

8. Creditors

	31/10/2010 £'000s	31/10/2009 £'000s
Accrued expenses	85	83
Total creditors	85	83

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.

	31/10/2010 £'000s	31/10/2009 £'000s
Balance at start of period	1,457	260
Transfer to reserve	229	1,197
Income reserve at 31 October 2010	1,686	1,457

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 31 October 2010 is set out below:

	31/10/2010 £000's	31/10/2009 £000's
£ floating rate financial assets	32,753	43,801
£ fixed rate financial assets	391,365	409,975
£ financial assets not carrying interest	1,928	3,304
£ financial liabilities not carrying interest	(1,771)	(1,540)
Total net assets	424,275	455,540

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 31 October 2010, outstanding balances due to Epworth Investment Management amounted to £21,593 (2009: £20,089). 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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