



the specialist investment service from Abbey National

Inscape Investment Fund

Report and Accounts for the six months
Ended 30th April 2005

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Introduction

I am pleased to present the Interim Report and Accounts of the Inscape Investment Fund for the six months ended 30 April 2005.

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

Thank you for investing with Inscape.

James Bevan
Managing Director Inscape Investments Limited

Report of the Authorised Corporate Director

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

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

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

The Company has no other directors.

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

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

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

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

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

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

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

Financial details and fund managers' reviews of the individual sub-funds for the six months ended 30 April 2005 are given in pages 15 to 111 of this report. Pages 7 to 14 provide a summary of the financial results and position of the company as a whole.

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

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

James Bevan
On behalf of the Authorised Corporate Director
30 June 2005

Investment Market Review

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

Over the period covered by this report the background to investment markets has been benign. Economic growth overall has continued, inflation has been controlled and whilst interest rates have risen in some areas, investors have generally viewed these increases as prudent economic management. Corporate results have been positive, with rising profits and strong balance sheets. There have of course been issues. Currency markets have been volatile and economic performance in Europe has continued to disappoint. Oil became a concern as demand growth began to challenge readily available supply, pushing the price higher and causing concern about the future pace of price changes.

Most investment markets have been able to make progress against this backcloth. Perhaps the most impressive performance has come from the bond sectors where prices have moved higher despite actual or expected interest rate increases. Prices moved higher on strong new money flows as some investors moved to increase their long term weighting to fixed income securities whilst others added to holdings ahead of an anticipated fall in borrowing costs later this year or early in 2006.

In equity markets prices moved higher on stronger earnings and improved cash flows as the disposal programmes from insurance companies and pension funds, adjusting asset allocation profiles, moderated. Merger activity picked up and this was another important boost to sentiment. Good returns were achieved in the UK, Europe and the Pacific Basin. Japan made modest progress after a weak phase earlier this year. The only disappointment was the United States where the indices pulled back as investors reacted to reduced expectations of economic growth.

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

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

Investment Manager	Appointment Effective
UK Equities Fund	
AXA Rosenberg Investment Management	18.12.2000
State Street Global Advisors Limited	18.12.2000
JP Morgan Fleming Asset Management (UK) Limited	23.10.2003
Europe (excluding UK) Equities Fund	
State Street Global Advisors Limited	18.12.2000
AXA Rosenberg Investment Management	28.06.2002
United States Equities Fund	
Goldman Sachs Asset Management International	18.12.2000
Deutsche Asset Management	09.03.2005
Alliance Capital Limited (16.09.2003 to 08.03.2005) was replaced by Deutsche Asset Management as investment adviser with effect from 9 March 2005.	
Japan Equities Fund	
Schroder Investment Management Limited	18.12.2000

Investment Market Review (continued)

Pacific Basin (excluding Japan) Equities Fund

RCM (UK) Limited	18.12.2000
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Sterling Bond Fund

Merrill Lynch Investment Managers Limited	18.12.2000
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Western Asset Management Company Limited	22.07.2002
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Barclays Global Investors Limited	22.07.2002
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The appointment of an investment adviser provides that the adviser will be responsible, subject to the overall control of the ACD, for the day-to-day investment of assets in accordance with relevant investment objectives.

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

Performance against benchmark

The table below shows the performance of the Inscape sub-funds against the comparative benchmarks for the period 1 November 2004 to 30 April 2005.

Sub-fund	Sub-fund Performance	Benchmark Index	Benchmark Performance
UK Equities Fund	5.30%	FTSE All Share	6.15%
Europe (excluding UK) Equities Fund	4.60%	FTSE World Europe ex-UK	5.03%
United States Equities Fund	-2.93%	FTSE World USA	-0.57%
Japan Equities Fund	-1.79%	FTSE World Japan	1.15%
Pacific Basin (excluding Japan) Equities Fund	7.69%	FTSE All World Asia Pacific ex-Japan	8.23%
Sterling Bond Fund	3.63%	20% FTSE Actuaries Government Securities All Stocks 80% iBoxx Non Gilts All Maturities	3.67%

Sub-fund performance includes the reinvestment of income and is calculated after the deduction of the 1% AMC.

Source of benchmark index is Thomson Financial Datastream.

Source of sub-fund performance is Lipper

Aggregated Financial Statements for Inscape Investment Fund (unaudited)

Statement of total return (unaudited)

for the six months ended 30 April 2005

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		15,276,250		22,649,828
Other gains	2		536,609		506,423
Income	3	18,993,409		14,909,423	
Expenses	4	(4,852,821)		(3,834,902)	
Net income before taxation		<u>14,140,588</u>		<u>11,074,521</u>	
Taxation	5	<u>(421,572)</u>		<u>(184,340)</u>	
Net income after taxation			<u>13,719,016</u>		<u>10,890,181</u>
Total return for the period			29,531,875		34,046,432
Distributions	6		(13,769,804)		(10,835,338)
Net increase in shareholders' funds from investment activities			<u><u>15,762,071</u></u>		<u><u>23,211,094</u></u>

Statement of movements in shareholders' funds (unaudited)

for the six months ended 30 April 2005

	2005	
	£	£
Net assets at the start of the period		871,479,500
Movement due to sales / repurchases of shares:		
Share exchange issues on inspecie transfer *	15,730,434	
Amounts receivable on issue of shares	98,309,355	
Less: Amounts payable on redemption of shares	<u>(18,746,295)</u>	
		95,293,494
Dilution levy		1,292,432
Net increase in shareholders' funds from investment activities (see above)		15,762,071
Stamp duty reserve tax		(95,561)
Retained distribution on accumulation shares		12,059,914
Net assets at the end of the period		<u><u>995,791,850</u></u>

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

Aggregated balance sheet (unaudited)

as at 30 April 2005

	Notes	30 April 2005 £	31 October 2004 £
Portfolio of investments		957,431,615	851,005,515
Net current assets			
Debtors	7	19,615,273	17,493,151
Cash and bank balances	8	31,112,311	14,952,793
		<u>50,727,584</u>	<u>32,445,944</u>
less			
Bank overdrafts	8	-	80,184
Creditors	9	12,367,349	11,891,775
		<u>12,367,349</u>	<u>11,971,959</u>
Net current assets		<u>38,360,235</u>	<u>20,473,985</u>
Net assets		<u>995,791,850</u>	<u>871,479,500</u>
Shareholders' funds		<u>995,791,850</u>	<u>871,479,500</u>

Accounting policies (unaudited)

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

a) Basis of accounting

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

b) Recognition of income

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

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

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

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

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

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

c) Treatment of expenses

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

d) Allocation of income and expenses to multiple share classes

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

e) Deferred tax

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

f) Distribution policy

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

Accounting policies (continued)

g) Basis of valuation of investments

Listed investments are valued at the mid-market value at 12 noon on 29 April 2005, net of any accrued interest which is included in the balance sheet as an income related item. Suspended securities are valued initially at the suspended price but are subject to constant review.

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

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

The mid-market value of investments are not materially different from their fair value.

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

h) Exchange rates

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

i) Efficient portfolio management

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

j) Reclassification of derivative contracts

Prior year derivative figures have been restated. The balance sheet and Statement of total return now show the market value of derivatives with a reconciliation to the economic exposure disclosed in the notes to the financial statements of the respective sub-fund.

Notes to the aggregated financial statements (unaudited)

as at 30 April 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	579,551,306	314,140,780
Original cost of investments sold during the period	<u>(565,455,673)</u>	<u>(306,979,870)</u>
Gains realised on investments sold during the period	14,095,633	7,160,910
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(6,328,410)</u>	<u>2,148,535</u>
	7,767,223	9,309,445
Net unrealised appreciation for the period	7,509,027	13,340,383
Net gains on investments	<u><u>15,276,250</u></u>	<u><u>22,649,828</u></u>
Included in net gains on investments are gains of £107,529 relating to futures contracts (2004 - £625,687).		
2. Other gains	2005	2004
	£	£
Realised currency gains	163,559	432,586
Unrealised currency gains	<u>373,050</u>	<u>73,837</u>
	<u><u>536,609</u></u>	<u><u>506,423</u></u>
3. Income	2005	2004
	£	£
Franked income	5,655,809	3,885,708
Scrip dividends	60,536	41,387
Interest on debt securities	10,234,600	8,830,967
Overseas income	2,569,404	1,250,868
Unfranked income	31,807	588,802
Stocklending commission	3,273	-
Bank and deposit interest	<u>437,980</u>	<u>311,691</u>
	<u><u>18,993,409</u></u>	<u><u>14,909,423</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>4,652,270</u>	<u>3,529,240</u>
	<u><u>4,652,270</u></u>	<u><u>3,529,240</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	62,925	93,213
Depository's fee (RBS)	<u>23,124</u>	<u>-</u>
	<u><u>86,049</u></u>	<u><u>93,213</u></u>
Other expenses:		
Audit fees	19,122	15,633
Publication fees	-	4,246
Transaction charges	50,319	137,166
Safe custody fees	43,455	50,746
Overdraft interest	<u>1,606</u>	<u>4,658</u>
	<u><u>114,502</u></u>	<u><u>212,449</u></u>
Total expenses	<u><u>4,852,821</u></u>	<u><u>3,834,902</u></u>

Notes to the aggregated financial statements (continued)

as at 30 April 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Corporation tax	278,609	71,351
Double tax relief	(232,186)	(70,910)
Overseas withholding tax	332,771	124,429
Income tax	969	415
Prior year adjustment	7,645	14,834
Current period tax charge (note 5b)	387,808	140,119
Increase in deferred tax during the period (note 5c)	33,764	44,221
	<u>421,572</u>	<u>184,340</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>14,140,588</u>	<u>11,074,521</u>
Corporation tax @ 20%	2,828,118	2,214,904
Tax effect of:		
Scrip dividends (not included for tax purposes)	(12,108)	(8,277)
UK dividends (not included for tax purposes)	(1,131,203)	(894,117)
Transaction charges (not deductible for tax purposes)	10,064	27,433
Management expenses not relieved	339,451	250,032
Management expenses brought forward now relieved	(1,078)	-
Timing differences on income	(32,185)	(47,061)
Interest distributions	(1,709,927)	(1,471,416)
Prior year tax adjustment	7,645	14,834
Overseas withholding tax	320,554	124,282
Double tax relief	(232,186)	(70,910)
Non taxable exchange rate differences on foreign tax	(306)	-
Irrecoverable income tax	969	415
Current period tax charge (note 5a)	<u>387,808</u>	<u>140,119</u>
c. Deferred tax		
Deferred tax provision at the start of the period	36,039	8,960
Deferred tax charge in statement of total return for the period (note 5a)	33,764	44,221
Deferred tax provision at the end of the period	<u>69,803</u>	<u>53,181</u>
Timing differences on UK tax	33,856	24,806
Timing differences on overseas tax	35,947	28,375
Provision for deferred tax	<u>69,803</u>	<u>53,181</u>
6. Distributions		
Reconciliation between net income and distributions:	2005	2004
	£	£
Net income after taxation per Statement of total return	13,719,016	10,890,181
Add:		
Undistributed income brought forward	492	423
Expenses paid from capital	50,319	137,166
Deduct:		
Special dividends	-	(191,422)
Undistributed income carried forward	(23)	(1,010)
Total accumulation distributions per Statement of total return	<u>13,769,804</u>	<u>10,835,338</u>

Notes to the aggregated financial statements (continued)

as at 30 April 2005

	30 April 2005	31 October 2004
	£	£
7. Debtors		
Amounts receivable on issue of shares	1,117,914	517,202
Sales awaiting settlement	7,785,244	7,301,020
Accrued income	10,651,056	9,547,648
Overseas withholding tax recoverable	53,380	123,159
Sundry debtor	1,166	-
Income tax debtor	6,513	4,122
	<u>19,615,273</u>	<u>17,493,151</u>
8. Cash and bank balances		
Amounts held at futures clearing houses	228,183	164,273
Cash and bank balances	19,784,128	10,988,520
Certificates of deposit	11,100,000	3,800,000
	<u>31,112,311</u>	<u>14,952,793</u>
Bank overdrafts	-	80,184
9. Creditors		
Amounts payable on redemption of shares	949,612	657,592
Purchases awaiting settlement	8,722,544	8,766,983
Accrued expenses	827,564	783,424
Corporation tax	87,936	41,512
Income tax payable	1,709,890	1,606,225
Deferred tax	69,803	36,039
	<u>12,367,349</u>	<u>11,891,775</u>

10. Stocklending

The total value of securities on loan at the balance sheet date was £9,925,091. Collateral of £10,782,080 is held by Bank of New York as detailed in the individual notes of the sub funds.

11. Dilution levy

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

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

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

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

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

12. Stamp duty reserve tax

Stamp duty reserve tax (SDRT) applies when you cash in and transfer shares to another Fund. This charge will normally be borne by the sub-fund and therefore may constrain growth in the sub-fund.

A provision for SDRT will usually be calculated by the ACD on the 14th day of each month. The ACD expects to make a charge of 0.5% in respect of SDRT and apply this to reduce the sums received by outgoing shareholders on a redemption of shares.

For more information on SDRT please refer to the Prospectus.

Notes to the aggregated financial statements (continued)

as at 30 April 2005

13. Related party transactions

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

The ACD

The fees received by the ACD are set out in note 4. The ACD is related to the Company as defined by Financial Reporting Standard 8 'Related Party Disclosures' and is named on page 112.

As at 30 April 2005, 9.73% (31 October 2004 - 2.93%) of the shares in issue were held by companies within the Abbey Group.

A net amount of £41,277 was due from the ACD as at 30 April 2005 (31 October 2004 - due to the ACD £847,886).

The Depository

The fees received by the Depository are set out in note 4. A net amount of £11,737 was due to the Depository as at 30 April 2005 (31 October 2004 - £14,362).

A net refund amount of £11,400 was due from the Depository as at 30 April 2005.

14. Derivatives and other financial instruments

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

15. Authorised share capital

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

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

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

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

UK Equities Fund

Interim Report and Financial Statements for the six months ended 30 April 2005

Investment objective and policy

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

Investment advisers

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

Review of investment activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

John Kelly
Fund Manager
June 2005

Comparative table

Number of shares in issue	30.04.05	31.10.04	31.10.03	31.10.02
A shares	256,338,300	239,515,600	186,007,100	121,252,250
B shares	386,381	1,545,522	1,545,522	1,102,194

Net Asset Value (NAV)	£	£	£	£
Total NAV of sub-fund	363,410,464	324,348,101	225,211,764	132,584,532
NAV attributable to A shareholders	362,863,570	322,269,118	223,356,376	131,390,183
NAV attributable to B shareholders	546,894	2,078,983	1,855,388	1,194,349

Net asset value per share	p	p	p	p
A shares	141.6	134.6	120.1	108.4
B shares	141.5	134.5	120.0	108.4

Performance record

		Net distribution per share	Highest share price	Lowest share price
Calendar year		p	p	p
2000	A shares	-	151.8	148.9
2000	B shares	-	151.8	148.9
2001	A shares	-	153.4	112.1
2001	B shares	-	153.4	112.1
2002	A shares	1.9652	139.6	99.33
2002	B shares	2.4296	139.6	99.33
2003	A shares	2.3828	125.6	91.37
2003	B shares	2.5212	125.6	91.37
2004	A shares	2.6946	142.2	123.8
2004	B shares	2.8315	142.2	123.8
2005*	A shares	1.5677	150.0	141.5
2005*	B shares	2.4610	149.9	141.5

* To 30 April 2005

Statement of total return (unaudited)*for the six months ended 30 April 2005*

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		12,173,920		17,777,186
Income	2	5,850,248		4,615,824	
Expenses	3	(1,821,663)		(1,360,610)	
Net income before taxation		<u>4,028,585</u>		<u>3,255,214</u>	
Taxation	4	<u>(9,364)</u>		<u>(650)</u>	
Net income after taxation			<u>4,019,221</u>		<u>3,254,564</u>
Total return for the period			16,193,141		21,031,750
Distributions	5		(4,028,124)		(3,090,727)
Net increase in shareholders' funds from investment activities			<u><u>12,165,017</u></u>		<u><u>17,941,023</u></u>

Statement of movements in shareholders' funds (unaudited)*for the six months ended 30 April 2005*

	2005	
	£	£
Net assets at the start of the period		324,348,101
Movement due to sales / repurchases of shares:		
Amounts receivable on issue of shares	28,501,844	
Less: Amounts payable on redemption of shares	<u>(6,126,634)</u>	
		22,375,210
Dilution levy		589,573
Net increase in shareholders' funds from investment activities (see above)		12,165,017
Stamp duty reserve tax		(95,561)
Retained distribution on accumulation shares		4,028,124
Net assets at the end of the period		<u><u>363,410,464</u></u>

Portfolio statement (unaudited)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Aerospace & Defence 2.00% (2.20%)			
BAE Systems	392,000	1,011,870	0.28
Chemring Group	6,702	30,963	0.01
Rolls-Royce Group	1,486,652	3,536,448	0.97
Rolls-Royce Group B **	68,526,000	68,526	0.02
Smiths Group	301,460	2,606,875	0.72
		<u>7,254,682</u>	<u>2.00</u>
Automobiles & Parts 0.74% (0.68%)			
Inchcape	147,039	2,624,646	0.72
Lookers	1,629	5,245	0.00
Wagon	37,127	62,002	0.02
		<u>2,691,893</u>	<u>0.74</u>
Banks 17.88% (19.77%)			
Barclays	1,775,816	9,576,088	2.64
Bradford & Bingley	149,366	453,893	0.12
HBOS	1,659,687	12,804,485	3.52
HSBC Holdings	2,327,560	19,429,307	5.35
Lloyds TSB Group	935,584	4,207,789	1.16
Northern Rock	246,277	1,826,760	0.50
Royal Bank of Scotland Group	1,054,234	16,683,253	4.59
		<u>64,981,575</u>	<u>17.88</u>
Beverages 2.57% (2.31%)			
Allied Domecq	177,324	1,217,329	0.33
Diageo	244,620	1,885,409	0.52
SABMiller	754,702	5,760,263	1.59
Scottish & Newcastle	104,000	476,455	0.13
		<u>9,339,456</u>	<u>2.57</u>
Chemicals 0.67% (0.74%)			
Croda International	167,695	627,397	0.17
Elementis	400,000	196,000	0.05
Imperial Chemical Industries	642,835	1,622,387	0.45
		<u>2,445,784</u>	<u>0.67</u>
Construction & Building Materials 3.13% (3.48%)			
Barratt Developments	400,393	2,341,298	0.65
Bellway	45,914	348,602	0.10
Berkeley Group Holdings	115,789	883,760	0.24
Bovis Homes Group	32,018	198,031	0.05
BPB	104,000	479,180	0.13
Galliford Try	220,000	122,100	0.03
Hanson	157,000	743,395	0.20
Low & Bonar	8,371	9,920	0.01
Alfred Mcalpine	70,680	234,481	0.06
Mccarthy & Stone	200,441	1,092,403	0.30
Mowlem	70,000	134,316	0.04
Persimmon	157,236	1,049,157	0.29
Pilkington	330,000	351,879	0.10

Portfolio statement (continued)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Construction & Building Materials (continued)			
Taylor Woodrow	324,388	916,818	0.25
Travis Perkins	13,342	218,342	0.06
Ultraframe	108,000	56,700	0.02
Westbury	63,000	263,579	0.07
Wilson Bowden	35,384	377,547	0.10
Wimpey George	401,135	1,553,395	0.43
		<u>11,374,903</u>	<u>3.13</u>
Electronic & Electrical Equipment 0.23% (0.56%)			
Laird Group	283,182	848,130	0.23
		<u>848,130</u>	<u>0.23</u>
Electricity 1.08% (1.04%)			
British Energy Group	386,637	1,233,372	0.34
Scottish & Southern Energy	69,474	651,840	0.18
Scottish Power	481,874	2,031,725	0.56
		<u>3,916,937</u>	<u>1.08</u>
Engineering & Machinery 1.38% (1.58%)			
Aga Foodservice Group	350,424	989,072	0.27
Bodycote International	648,352	1,020,376	0.28
Charter	703,299	1,753,887	0.48
Cookson Group	1,073,060	386,302	0.11
Fenner	104,000	127,400	0.04
Senior	232,000	99,760	0.03
Weir Group	205,115	621,498	0.17
		<u>4,998,295</u>	<u>1.38</u>
Food & Drug Retailers 2.14% (2.03%)			
Greggs	6,777	297,544	0.08
Somerfield	548,161	1,082,618	0.30
Tesco	2,072,630	6,407,121	1.76
		<u>7,787,283</u>	<u>2.14</u>
Food Producers & Processors 1.90% (2.06%)			
Associated British Foods	313,553	2,306,966	0.64
Cadbury Schweppes	315,650	1,650,060	0.45
Robert Wiseman Dairies	69,000	185,265	0.05
Sygen International	185,645	72,866	0.02
Tate & Lyle	102,036	474,212	0.13
Unilever	418,128	2,083,323	0.57
Uniq	75,151	108,593	0.03
Wincanton	12,802	29,765	0.01
		<u>6,911,050</u>	<u>1.90</u>
Forestry & Paper 0.13% (0.25%)			
DS Smith	304,411	455,855	0.13
		<u>455,855</u>	<u>0.13</u>

Portfolio statement (continued)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Health 0.83% (0.65%)			
Alliance Unichem	254,198	2,008,800	0.55
Whatman	424,721	1,023,068	0.28
		<u>3,031,868</u>	<u>0.83</u>
Household Goods & Textiles 0.05% (0.29%)			
Headlam Group	49,116	192,903	0.05
		<u>192,903</u>	<u>0.05</u>
Information Technology & Hardware 0.01% (0.21%)			
Psion	8,197	4,908	0.01
		<u>4,908</u>	<u>0.01</u>
Insurance 0.89% (0.44%)			
Atrium Underwriting	14,516	30,121	0.01
Catlin Group	50,201	190,011	0.05
Hiscox	394,243	596,293	0.16
Royal & Sun Alliance Insurance Group	1,968,218	1,488,563	0.41
SVB Holdings	110,000	24,200	0.01
Wellington Underwriting	974,760	922,415	0.25
		<u>3,251,603</u>	<u>0.89</u>
Investment Companies 0.25% (0.35%)			
3i Group	146,100	926,639	0.25
		<u>926,639</u>	<u>0.25</u>
Leisure & Hotels 2.54% (2.24%)			
De Vere Group	45,001	231,643	0.06
Enterprise Inns	253,086	1,838,037	0.50
First Choice Holidays	165,000	274,940	0.08
Fuller Smith & Turner	269	2,347	0.00
Greene King	68,261	804,115	0.22
Hilton Group	294,000	805,207	0.22
Luminar	41,931	205,986	0.06
Mitchells & Butlers	186,016	568,744	0.16
Punch Taverns	55,203	341,569	0.09
Whitbread	160,516	1,368,399	0.38
William Hill	481,827	2,592,229	0.71
Wolverhampton & Dudley Breweries	20,000	202,300	0.06
		<u>9,235,516</u>	<u>2.54</u>
Life Assurance 3.56% (3.37%)			
Aviva	1,225,855	7,113,024	1.96
Friends Provident	368,308	595,296	0.16
Legal & General Group	1,688,916	1,762,891	0.49
Old Mutual	2,762,472	3,463,587	0.95
Prudential	408	1,921	0.00
		<u>12,936,719</u>	<u>3.56</u>

Portfolio statement (continued)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Media & Entertainment 2.57% (2.84%)			
Aegis Group	1,006,702	957,676	0.26
Emap	140,422	1,106,174	0.30
ITV	116,785	140,002	0.04
Reed Elsevier	23,141	118,771	0.03
Reuters Group	549,402	2,131,020	0.59
St Ives Group	175,119	606,350	0.17
Trinity Mirror	154,549	968,249	0.27
United Business Media	231,703	1,146,351	0.32
WPP Group	1,845	10,410	0.00
Yell Group	540,539	2,153,399	0.59
		<u>9,338,402</u>	<u>2.57</u>
Mining 4.52% (4.27%)			
Anglo American	195,872	2,268,198	0.63
Antofagasta	52,620	587,239	0.16
Avocet Mining	95,036	71,277	0.02
BHP Billiton	796,083	5,084,980	1.40
Rio Tinto	297,681	4,709,313	1.30
UK Coal	132,000	161,700	0.04
Vedanta Resources	161,637	635,233	0.17
Xstrata	323,262	2,907,742	0.80
		<u>16,425,682</u>	<u>4.52</u>
Oil & Gas 14.19% (13.34%)			
Abbot Group	126,000	269,325	0.07
BG Group	617,298	2,533,268	0.70
BP	4,892,809	26,286,616	7.23
Burren Energy	389,337	1,880,498	0.52
Dana Petroleum	167,792	945,088	0.26
Expro International Group	1,191	5,151	0.00
Hunting	59,000	140,715	0.04
Paladin Resources	944,153	1,733,748	0.48
Premier Oil	18,900	105,557	0.03
Shell Transport & Trading	3,714,427	17,541,382	4.83
Venture Production	41,379	120,674	0.03
		<u>51,562,022</u>	<u>14.19</u>
Personal Care & Household Products 1.08% (1.29%)			
Mcbride	140,000	205,800	0.06
Reckitt Benckiser	219,584	3,714,263	1.02
		<u>3,920,063</u>	<u>1.08</u>
Pharmaceutical & Biotechnology 7.80% (7.18%)			
AstraZeneca	443,462	10,122,020	2.79
Cambridge Antibody Technology Group	79,614	446,635	0.12
GlaxoSmithKline	1,217,538	16,028,888	4.41
Shire Pharmaceuticals	321,179	1,732,761	0.48
		<u>28,330,304</u>	<u>7.80</u>

Portfolio statement (continued)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Real Estate 2.02% (1.42%)			
Ashtenne Holdings	33,000	152,295	0.04
British Land	97,300	786,914	0.22
Land Securities Group	215,874	2,847,378	0.78
London Merchant Securities	105,205	213,566	0.06
Pillar Property	86,426	647,763	0.18
Savills	159,433	1,013,595	0.28
Slough Estates	235,147	1,115,773	0.31
ST Modwen Properties	143,675	549,025	0.15
		<u>7,326,309</u>	<u>2.02</u>
Retailers General 2.92% (3.66%)			
Body Shop International	260,776	506,896	0.14
Dixons Group	483,950	685,418	0.19
GUS	387,714	3,251,951	0.89
Halfords Group	658,624	1,813,719	0.50
HMV Group	891,051	1,995,954	0.55
Marks & Spencer Group	447,811	1,516,423	0.42
Matalan	23,881	44,749	0.01
Next	54,936	805,087	0.22
		<u>10,620,197</u>	<u>2.92</u>
Software & Computer Services 0.51% (0.24%)			
Dimension Data Holdings	658,000	200,690	0.05
Sage Group	832,006	1,625,573	0.45
Systems Union Group	34,197	39,669	0.01
		<u>1,865,932</u>	<u>0.51</u>
Speciality & Other Finance 1.27% (1.18%)			
Close Brothers Group	106,351	741,532	0.20
Evolution Group	650,510	1,009,136	0.28
Investec	82,106	1,259,096	0.35
Man Group	39,097	475,615	0.13
Paragon Group	24,976	90,663	0.02
RT Group *	3,237	-	0.00
Schroders	156,372	1,062,548	0.29
		<u>4,638,590</u>	<u>1.27</u>
Steel & Other Metals 0.25% (0.14%)			
Corus Group	2,117,217	923,742	0.25
		<u>923,742</u>	<u>0.25</u>
Support Services 2.75% (2.19%)			
Aggreko	404,695	725,942	0.20
Atkins WS	222,635	1,348,055	0.37
Brambles Industries	384,564	1,119,581	0.31
Bunzl	157,008	798,778	0.22

Portfolio statement (continued)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Support Services (continued)			
Capita Group	600,014	2,265,833	0.62
Hays	433,676	558,922	0.16
Interserve	63,096	217,681	0.06
Intertek Group	167,573	1,281,515	0.35
Michael Page International	42,306	81,651	0.02
Mitie Group	582,139	863,021	0.24
PHS Group	531,364	439,066	0.12
RAC	33,600	293,328	0.08
		<hr/> 9,993,373	<hr/> 2.75
Telecom Services 9.08% (9.38%)			
BT Group	2,149,861	4,248,770	1.17
Cable & Wireless	504,000	606,715	0.16
O2	4,017,172	4,725,399	1.30
Virgin Mobile Holdings UK	472,308	973,569	0.27
Vodafone Group	16,459,082	22,446,896	6.18
		<hr/> 33,001,349	<hr/> 9.08
Tobacco 2.12% (1.63%)			
British American Tobacco	451,016	4,418,829	1.22
Gallaher Group	116,200	942,673	0.26
Imperial Tobacco Group	154,784	2,322,534	0.64
		<hr/> 7,684,036	<hr/> 2.12
Transport 2.04% (2.08%)			
Arriva	56,000	281,260	0.08
Autologic Holdings	11,099	26,083	0.01
BAA	393,496	2,291,130	0.63
British Airways	147,081	352,818	0.10
easyJet	112,171	246,496	0.07
Firstgroup	271,301	854,598	0.23
Go-Ahead Group	163,487	2,127,783	0.59
Northgate	115,447	950,417	0.26
Stagecoach Group	142,804	146,560	0.04
TDG	45,150	102,265	0.03
		<hr/> 7,379,410	<hr/> 2.04
Semiconductors Nil (0.14%)			
		-	-
Utilities Other 2.56% (2.90%)			
Centrica	725,745	1,608,469	0.44
National Grid Transco	848,434	4,355,690	1.20
Northumbrian Water Group	883,174	1,672,555	0.46
Severn Trent	86,990	843,586	0.23
United Utilities	129,000	820,117	0.23
		<hr/> 9,300,417	<hr/> 2.56

Portfolio statement (continued)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
Unit Trusts 1.06% (0.98%)			
JPMorgan Fleming - UK Smaller Companies Fund	1,538,807	3,853,173	1.06
		<u>3,853,173</u>	<u>1.06</u>
Equity Futures -0.01% (-0.01%)			
FTSE 100 June 2005		(24,935)	(0.01)
		<u>(24,935)</u>	<u>(0.01)</u>
<hr/>			
Portfolio of Investments		358,724,065	98.71
Net Current Assets		4,686,399	1.29
Net Assets		<u>363,410,464</u>	<u>100.00</u>

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

* Stock suspended

** Rolls Royce B shares will convert to Rolls Royce ordinary shares on 4 July 2005

Balance sheet (unaudited)*as at 30 April 2005*

	Notes	30 April 2005 £	31 October 2004 £
Portfolio of investments		358,724,065	321,454,081
Net current assets			
Debtors	6	4,838,695	1,637,508
Cash and bank balances	7	2,420,370	3,364,611
		<u>7,259,065</u>	<u>5,002,119</u>
less			
Creditors	8	2,572,666	2,108,099
		<u>2,572,666</u>	<u>2,108,099</u>
Net current assets		<u>4,686,399</u>	<u>2,894,020</u>
Net assets		<u>363,410,464</u>	<u>324,348,101</u>
Shareholders' funds		<u>363,410,464</u>	<u>324,348,101</u>

Summary of material portfolio changes (unaudited)

for the six months ended 30 April 2005

Major purchases	Cost £	Major sales	Proceeds £
Royal Bank of Scotland Group	7,695,001	BG Group	3,392,977
Shell Transport & Trading	4,829,345	BAE Systems	3,163,124
Rio Tinto	2,813,454	HSBC Holdings	3,114,268
BP	2,763,766	Next	2,884,879
GlaxoSmithKline	2,726,908	Standard Chartered	2,360,663
Smiths Group	2,583,973	Barclays	2,271,141
Lloyds TSB Group	2,093,362	Somerfield	2,085,995
BAE Systems	2,067,177	GlaxoSmithKline	1,752,720
Halfords Group	2,023,503	Kidde	1,714,715
AstraZeneca	1,980,683	Anglo American	1,676,916
Vodafone Group	1,767,410	Scottish & Southern Energy	1,659,845
Old Mutual	1,590,877	Group 4 Securicor	1,543,286
Royal & Sun Alliance Insurance Group	1,576,333	Lloyds TSB Group	1,496,899
Capita Group	1,480,853	Carnival	1,427,532
HSBC Holdings	1,429,613	Yell Group	1,390,511
Somerfield	1,421,427	Reed Elsevier	1,357,436
Sage Group	1,335,232	Cattles	1,269,162
Allied Domecq	1,328,552	Singer & Friedlander Group	1,234,977
Investec	1,296,064	BHP Billiton	1,201,206
Legal & General Group	1,269,850	Reuters Group	1,186,760
Other purchases for the period	71,630,620	Other sales for the period	54,254,803
Total cost of purchases for the period	117,704,003	Total proceeds from sales for the period	92,439,815

Notes to the financial statements (unaudited)

as at 30 April 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	92,439,815	75,153,047
Original cost of investments sold during the period	<u>(84,167,541)</u>	<u>(69,120,129)</u>
Gains realised on investments sold during the period	8,272,274	6,032,918
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(3,704,573)</u>	<u>1,464,555</u>
	4,567,701	7,497,473
Net unrealised appreciation for the period	<u>7,606,219</u>	<u>10,279,713</u>
Net gains on investments	<u><u>12,173,920</u></u>	<u><u>17,777,186</u></u>

Included in net gains on investments are gains of £81,896 relating to futures contracts (2004 - £525,848).

2. Income	2005	2004
	£	£
Franked income	5,655,809	3,885,708
Scrip dividends	28,243	41,387
Unfranked income	26,961	586,728
Stocklending commission	743	-
Bank interest	<u>138,492</u>	<u>102,001</u>
	<u><u>5,850,248</u></u>	<u><u>4,615,824</u></u>

3. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>1,776,526</u>	<u>1,289,345</u>
	1,776,526	1,289,345
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	20,740	33,378
Depository's fee (RBS)	<u>7,603</u>	<u>-</u>
	28,343	33,378
Other expenses:		
Audit fees	3,187	2,629
Publication fees	-	124
Transaction charges	8,715	27,625
Safe custody fees	<u>4,892</u>	<u>7,509</u>
	16,794	37,887
Total expenses	<u><u>1,821,663</u></u>	<u><u>1,360,610</u></u>

Notes to the financial statements (continued)

as at 30 April 2005

4. Taxation	2005	2004
	£	£
a. Analysis of charge in year		
Overseas withholding tax	2,199	650
Current period tax charge (note 4b)	<u>2,199</u>	<u>650</u>
Increase in deferred taxation during the period	<u>7,165</u>	<u>-</u>
	<u>9,364</u>	<u>650</u>
b. Factors affecting tax charge for year		
Net income before taxation	<u>4,028,585</u>	<u>3,255,214</u>
Corporation tax @20%	805,717	651,043
Tax effect of:		
Scrip dividends (not included for tax purposes)	(5,649)	(8,277)
UK dividends (not included for tax purposes)	(1,131,203)	(894,117)
Transaction charges (not deductible for tax purposes)	1,743	5,525
Management expenses not relieved	333,926	245,956
Timing differences on income	(2,661)	-
Overseas withholding tax	<u>326</u>	<u>520</u>
Current period tax charge (note 4a)	<u>2,199</u>	<u>650</u>
c. Deferred Tax		
Deferred tax provision at the start of the period	2,344	-
Deferred tax charge in Statement of total return for the period (note 4a)	<u>7,165</u>	<u>-</u>
Deferred tax provision at the end of the period	<u>9,509</u>	<u>-</u>
Timing differences on overseas tax	<u>9,509</u>	<u>-</u>
	<u>9,509</u>	<u>-</u>

At 30 April 2005 the sub-fund had surplus management expenses of £6,905,655 (31 October 2004 - £5,253,686). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

5. Distributions	2005	2004
	£	£
Reconciliation between net income and distributions:		
Net income after taxation per Statement of total return	4,019,221	3,254,564
Add:		
Undistributed income brought forward	202	162
Expenses paid from capital	8,715	27,625
Deduct:		
Special dividends	-	(191,422)
Undistributed income carried forward	<u>(14)</u>	<u>(202)</u>
Total accumulation distribution per Statement of total return	<u>4,028,124</u>	<u>3,090,727</u>

Details of the distribution per share are set out in the table on page 31.

Notes to the financial statements (continued)

as at 30 April 2005

	30 April 2005	31 October 2004
6. Debtors	£	£
Amounts receivable on issue of shares	489,947	145,669
Sales awaiting settlement	1,746,208	611,873
Accrued income	2,601,424	879,170
Overseas withholding tax recoverable	796	796
Sundry debtor	320	-
	<u>4,838,695</u>	<u>1,637,508</u>
7. Cash and bank balances	£	£
Amount held at futures clearing houses	115,718	146,946
Cash and bank balances	2,304,652	3,217,665
	<u>2,420,370</u>	<u>3,364,611</u>

As at 30 April 2005, the weighted average of the floating interest rate on bank balances was 4.325% (31 October 2004 - 3.69%).

	30 April 2005	31 October 2004
8. Creditors	£	£
Amounts payable on redemption of shares	-	26,043
Purchases awaiting settlement	2,267,998	1,805,627
Accrued expenses	295,159	274,085
Deferred taxation	9,509	2,344
	<u>2,572,666</u>	<u>2,108,099</u>

9. Stocklending

The total value of securities on loan at the balance sheet date was £895,000. Collateral of £939,750 in the form of an equity DBV FTSE 100 future contract is held by Bank of New York.

10. Derivatives and other financial instruments

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

a) Market price risk

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

b) Interest rate risk

The majority of the sub-fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

c) Liquidity risk

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

d) Foreign currency risk

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

Notes to the financial statements (continued)*as at 30 April 2005***10. Derivatives and other financial instruments (continued)****Reconciliation of market value per portfolio statement to economic exposure:**

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

	30 April 2005		31 October 2004	
	Market value	Economic exposure	Market value	Economic exposure
	£	£	£	£
UK - Investments	358,749,000	358,749,000	321,454,716	321,454,716
FTSE 100 June 2005	(24,935)	1,103,080	(635)	1,020,470
Total UK	<u>358,724,065</u>	<u>359,852,080</u>	<u>321,454,081</u>	<u>322,475,186</u>
<i>% of net assets</i>	98.71%	99.02%	99.11%	99.42%
Net current assets	4,686,399	4,686,399	2,894,020	2,894,020
Cash required to back positions	-	(1,128,015)	-	(1,021,105)
Total net assets	<u><u>363,410,464</u></u>	<u><u>363,410,464</u></u>	<u><u>324,348,101</u></u>	<u><u>324,348,101</u></u>

Distribution table (unaudited)*for the six months ended 30 April 2005***Interim distribution in pence per share**

	Net Income	Distribution Payable 30.06.2005	Distribution Paid 30.06.2004
Accumulation A shares	1.5677	1.5677	1.3794
Accumulation B shares	2.4610	2.4610	1.4881

Corporate shareholders

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

A shares

1. 96.80% of the accumulation distribution together with the tax credit is received as franked investment
2. 3.20% of the income distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked income.

B shares

1. 95.35% of the accumulation distribution together with the tax credit is received as franked investment
2. 4.65% of the income distribution is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked income.

Accumulation distributions

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

Europe (excluding UK) Equities Fund

Interim Report and Financial Statements for the six months ended 30 April 2005

Investment objective and policy

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

Investment advisers

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

Review of investment activities

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

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

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

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

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

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

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

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

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

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

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

John Kelly
Fund Manager
June 2005

Comparative table

Number of shares in issue	30.04.05	31.10.04	31.10.03	31.10.02
A shares	53,462,905	50,221,605	37,433,200	25,696,700
B shares	145,566	582,261	582,261	-
Net Asset Value (NAV)	£	£	£	£
Total NAV of sub-fund	68,362,799	61,991,312	40,224,816	23,147,062
NAV attributable to A shareholders	68,177,802	61,281,057	39,608,651	23,147,062
NAV attributable to B shareholders	184,997	710,256	616,165	-
Net asset value per share	p	p	p	p
A shares	127.5	122.0	105.8	90.08
B shares	127.1	122.0	105.8	-

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	153.8	148.4
2000	B shares	-	153.8	148.4
2001	A shares	-	157.9	97.30
2001	B shares	-	157.9	97.30
2002	A shares	0.8554	126.7	78.92
2002	B shares	-	126.7	78.92
2003	A shares	1.2104	114.6	104.9
2003	B shares	1.4473	114.6	104.9
2004	A shares	1.6266	131.4	108.3
2004	B shares	1.7119	131.4	108.4
2005*	A shares	0.8361	137.4	127.6
2005*	B shares	0.3217	137.4	127.4

* To 30 April 2005

Statement of total return (unaudited)*for the six months ended 30 April 2005*

	Notes	2005		2004	
		£	£	£	£
Net gains on investments during the period	1		2,282,099		3,762,251
Other losses	2		(19,852)		(28,068)
Income	3	953,856		541,522	
Expenses	4	(367,232)		(310,242)	
Net income before taxation		<u>586,624</u>		<u>231,280</u>	
Taxation	5	(148,013)		(94,132)	
Net income after taxation			<u>438,611</u>		<u>137,148</u>
Total return for the period			2,700,858		3,871,331
Distributions	6		(447,471)		(189,360)
Net increase in shareholders' funds from investment activities			<u><u>2,253,387</u></u>		<u><u>3,681,971</u></u>

Statement of movements in shareholders' funds (unaudited)*for the six months ended 30 April 2005*

	2005	
	£	£
Net assets at the start of the period		61,991,312
Movement due to sales / repurchases of shares:		
Amounts receivable on issue of shares	5,825,482	
Less: Amounts payable on redemption of shares	<u>(2,210,930)</u>	
		3,614,552
Dilution levy		56,077
Net increase in shareholders' funds from investment activities (see above)		2,253,387
Retained distribution on accumulation shares		447,471
Net assets at the end of the period		<u><u>68,362,799</u></u>

Portfolio statement (unaudited)
as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Austria 1.51% (0.78%)			
Bank Austria Creditanstalt	9,237	454,900	0.67
OMV	3,244	522,782	0.76
Voestalpine	1,700	57,788	0.08
		<u>1,035,470</u>	<u>1.51</u>
Belgium 3.47% (4.68%)			
Belgacom	15,271	305,410	0.45
Colruyt	2,262	179,620	0.26
Delhaize Group	2,800	97,126	0.14
Dexia	24,509	294,131	0.43
Fortis	60,927	879,648	1.29
KBC Groep	7,545	312,351	0.46
Mobistar	6,721	301,245	0.44
		<u>2,369,531</u>	<u>3.47</u>
Denmark 1.04% (1.51%)			
Carlsberg	3,500	90,311	0.13
Danisco	9,475	319,297	0.47
AP Moller - Maersk	65	302,608	0.44
		<u>712,216</u>	<u>1.04</u>
Finland 3.96% (3.61%)			
Elisa	25,000	184,623	0.27
Fortum	25,507	203,064	0.30
Kemira	4,925	36,454	0.05
M-real	5,795	16,694	0.02
Neste Oil	6,376	73,147	0.11
Nokia	155,303	1,294,279	1.89
Outokumpu	9,900	73,883	0.11
Rautaruukki	22,500	148,927	0.22
Sampo	89,848	659,259	0.96
Wartsila	1,450	19,986	0.03
		<u>2,710,316</u>	<u>3.96</u>
France 21.54% (22.43%)			
Air France-KLM	6,666	55,283	0.08
Arcelor	70,516	753,053	1.10
AXA	8,260	106,630	0.16
BNP Paribas	57,994	2,013,653	2.95
Bouygues	27,382	567,852	0.83
CapGemini	4,625	75,913	0.11
Carrefour	4,624	118,084	0.17
Casino Guichard Perrachon	4,200	163,767	0.24
Christian Dior	9,430	344,365	0.50
Cie de Saint-Gobain	17,371	511,075	0.75
CNP Assurances	4,800	168,291	0.25
Compagnie Generale des Etablissements Michelin	1,510	48,510	0.07
Elior	4,242	27,402	0.04
Eramet	1,000	49,295	0.07
European Aeronautic Defense and Space	44,900	670,320	0.98
France Telecom	68,708	1,056,724	1.55
Lagardere	2,729	102,617	0.15
LVMH Moet Hennessy Louis Vuitton	2,002	73,516	0.11

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value	Percentage of total net assets
France (continued)		£	%
Natexis Banques Populaires	1,285	97,727	0.14
Nexans	787	16,254	0.02
Peugeot	7,800	242,491	0.35
Rallye	1,800	47,004	0.07
Renault	14,224	628,862	0.92
Sa des Ciments Vicat	34	2,086	0.01
Sanofi-Aventis	22,614	1,052,678	1.54
Societe Fonciere Financiere et de Participations	540	57,082	0.08
Societe Generale	32,949	1,721,933	2.52
Sodexo Alliance	8,346	147,001	0.22
Suez	19,174	271,436	0.40
Thales	7,000	148,322	0.22
Total	17,151	2,012,944	2.94
Valeo	2,750	63,591	0.09
Veolia Environnement	12,000	235,681	0.34
Vinci	2,551	199,802	0.29
Vivendi Universal	55,022	875,138	1.28
		<u>14,726,382</u>	<u>21.54</u>
Greece 0.33% (0.30%)			
Bank of Greece	380	24,566	0.04
OPAP	14,436	198,834	0.29
		<u>223,400</u>	<u>0.33</u>
Germany 18.80% (16.64%)			
Adidas-Salomon	770	62,146	0.09
Allianz	8,585	538,097	0.79
Altana	6,727	221,513	0.32
BASF	26,999	917,779	1.34
Bayer	22,800	389,994	0.57
Bilfinger Berger	1,047	25,623	0.04
Celesio	6,225	256,122	0.37
Continental	10,661	415,658	0.61
DaimlerChrysler	34,300	712,714	1.04
Degussa	6,905	152,207	0.22
Deutsche Bank	18,995	831,490	1.22
Deutsche Post	21,188	259,590	0.38
Deutsche Telekom	131,540	1,295,963	1.90
E.ON	24,837	1,089,070	1.59
Energie Baden-Wuerttemberg	961	21,652	0.03
Fresenius	2,200	125,270	0.18
Henkel	6,377	272,967	0.40
Henkel (Pref.)	5,766	261,567	0.38

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Germany (continued)			
Infineon Technologies	28,712	128,740	0.19
Lanxess AG	7,421	80,608	0.12
MAN	12,621	280,044	0.41
Merck	7,655	305,433	0.45
Muenchener Rueckversicherungs	7,744	447,748	0.65
Puma Rudolf Dassler Sport	1,044	125,863	0.18
RWE	26,757	836,644	1.22
SAP	6,148	509,618	0.75
Schering	7,639	264,748	0.39
Siemens	28,871	1,107,247	1.62
ThyssenKrupp	69,292	668,591	0.98
TUI	19,827	249,971	0.37
		<u>12,854,677</u>	<u>18.80</u>
Ireland 1.23% (0.98%)			
Allied Irish Banks	55,133	590,831	0.86
Anglo Irish Bank	13,114	79,868	0.12
Eircom Group	131,674	168,357	0.25
		<u>839,056</u>	<u>1.23</u>
Italy 7.62% (5.94%)			
Banca Intesa	36,000	90,440	0.13
Banca Intesa RNC	276,593	625,723	0.92
Banca Monte dei Paschi di Siena	96,000	176,916	0.26
Banca Nazionale del Lavoro	100,356	164,537	0.24
Buzzi Unicem	5,247	40,047	0.06
CIR-Compagnie Industriali Riunite	32,620	45,356	0.07
Cofide	27,352	16,386	0.02
Danieli	1,493	5,237	0.01
Edison	77,664	84,781	0.12
Enel	56,185	278,868	0.41
ENI	159,679	2,110,040	3.09
Finmeccanica	95,000	46,673	0.07
Fondiarria-Sai	7,000	94,777	0.14
Fondiarria-Sai RNC	17,431	183,431	0.27
Italcementi	931	7,948	0.01
Italmobiliare	1,236	43,410	0.06
Mediaset	11,100	75,371	0.11
Sanpaolo IMI	40,000	312,479	0.46
Telecom Italia	385,000	689,597	1.01
Telecom Italia Media	91,370	23,504	0.03
Terna	57,712	82,103	0.12
Vianini Lavori	2,064	9,503	0.01
		<u>5,207,127</u>	<u>7.62</u>

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Netherlands 7.96% (10.99%)			
ABN AMRO Holding	60,774	784,134	1.15
Akzo Nobel	14,054	300,409	0.44
ASML Holding	13,491	102,191	0.15
Corio	8,300	228,949	0.33
DSM	23,617	826,427	1.21
ING Groep	104,494	1,488,471	2.18
Koninklijke BAM Groep	542	15,632	0.02
Mittal Steel	745	9,456	0.01
Randstad Holdings	9,654	209,171	0.31
Royal Dutch Petroleum	30,542	940,295	1.38
Royal KPN	44,148	193,164	0.28
Unilever	8,885	300,433	0.44
VNU	2,950	43,442	0.06
		<u>5,442,174</u>	<u>7.96</u>
Norway 2.51% (3.40%)			
Norsk Hydro	13,100	552,919	0.81
Orkla	26,230	462,157	0.68
Statoil	68,600	624,324	0.91
Stolt-Nielsen	251	4,464	0.01
Tandberg Television	13,800	73,059	0.10
		<u>1,716,923</u>	<u>2.51</u>
Portugal 0.75% (0.78%)			
Energias de Portugal	136,000	193,127	0.28
Jeronimo Martins	39,814	316,558	0.47
		<u>509,685</u>	<u>0.75</u>
Spain 8.82% (7.51%)			
Acciona	2,800	125,405	0.18
ACS Actividades Cons y Serv	38,994	497,436	0.73
Altadis	29,058	643,479	0.94
Antena 3 de Television	13,596	143,812	0.21
Banco Santander Central Hispano	165,425	1,009,728	1.48
Cia Espanola de Petroleos	3,686	74,767	0.11
Cie Automotive	582	4,868	0.01
Corp Financiera Alba	1,497	29,782	0.04
Cortefiel	11,003	106,018	0.16
Endesa	53,673	611,748	0.89
Fomento de Construcciones y Contratas	6,000	165,017	0.24
Gestevisión Telecinco	12,000	144,459	0.21
Iberdrola	28,868	395,264	0.58
Pescanova	380	4,665	0.01
Repsol YPF	79,844	1,064,821	1.56
Telefonica	100,306	893,052	1.30
Telefonica Publicidad e Informacion	24,414	116,832	0.17
		<u>6,031,153</u>	<u>8.82</u>

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Sweden 5.25% (5.36%)			
Electrolux	9,000	96,572	0.14
Gambro	44,000	311,639	0.46
Hennes & Mauritz	8,300	150,070	0.22
Hufvudstaden	6,215	25,596	0.04
Nordea Bank	290,467	1,456,466	2.13
SKF	11,400	252,440	0.37
Tele2	7,000	117,386	0.17
Telefonaktiebolaget LM Ericsson	270,602	418,802	0.61
TeliaSonera	114,000	317,918	0.47
Volvo A	4,000	82,222	0.12
Volvo B	16,700	357,465	0.52
		3,586,576	5.25
Switzerland 14.63% (13.93%)			
ABB	75,000	243,866	0.36
AFG Arbonia-Forster	154	20,709	0.03
Agie Charmilles Holding	10	457	0.01
Ascom Holding	2,407	19,845	0.03
Baloise Holding	10,440	279,049	0.41
Barry Callebaut	280	38,176	0.06
Charles Voegelé Holding	339	10,888	0.02
Ciba Specialty Chemicals	4,200	138,093	0.20
Compagnie Financière Richemont	33,638	526,115	0.77
Credit Suisse	87,733	1,917,582	2.81
Daetwyler Holding	12	15,562	0.02
Georg Fischer	127	19,388	0.03
Holcim	3,651	116,300	0.17
Leica Geosystems	22	3,292	0.01
Logitech International	9,338	282,530	0.40
Nestlé	7,188	990,741	1.45
Novartis	60,942	1,549,646	2.27
Roche Holding	11,931	750,109	1.10
Saurer	480	15,602	0.02
SIG Holding	159	17,182	0.03
Sulzer	210	44,823	0.07
Swiss Life Holding	1,473	106,149	0.16
Swiss Reinsurance	10,800	376,285	0.55
Syngenta	1,416	77,569	0.11
UBS	31,234	1,308,560	1.90
Unaxis Holding	485	36,373	0.05
Vetropack Holding	43	16,077	0.02
Zehnder Group	31	20,939	0.03
Zurich Financial Services	11,971	1,060,851	1.54
		10,002,758	14.63
Future Contracts Nil (0.01%)			
		-	-
Portfolio of Investments		67,967,444	99.42
Net Current Assets		395,355	0.58
Net Assets		68,362,799	100.00

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet (unaudited)*as at 30 April 2005*

	Notes	30 April 2005 £	31 October 2004 £
Portfolio of investments		67,967,444	61,278,121
Net current assets			
Debtors	7	2,422,708	291,675
Cash and bank balances	8	311,804	511,562
		<u>2,734,512</u>	<u>803,237</u>
less			
Creditors	9	2,339,157	90,046
		<u>2,339,157</u>	<u>90,046</u>
Net current assets		<u>395,355</u>	<u>713,191</u>
Net assets		<u>68,362,799</u>	<u>61,991,312</u>
Shareholders' funds		<u>68,362,799</u>	<u>61,991,312</u>

Summary of material portfolio changes (unaudited)*for the six months ended 30 April 2005*

Major purchases	Cost	Major sales	Proceeds
	£		£
Nokia	761,233	Koninklijke Philips Electronics	828,188
Altadis	655,391	Unilever	819,143
France Telecom	610,310	Anglo Irish Bank	747,242
Allied Irish Banks	607,657	Peugeot	659,220
ThyssenKrupp	580,485	Nestle	612,974
Banca Intesa	579,815	Almanij	514,902
Akzo Nobel	570,263	ING Groep	511,156
Compagnie Financiere Richemont	555,130	Dexia	503,875
ING Groep	545,121	Alcatel	471,348
Credit Suisse Group	474,645	TeliaSonera	468,444
SAP	469,620	Royal KPN	434,060
Telecom Italia	462,860	Roche Holding	428,291
Allianz	457,495	Telefonica	423,468
TeliaSonera	456,928	UBS	420,692
SKF	431,571	Frontline	378,124
European Aeronautic Defense and Space	431,544	TDC	363,150
Bank Austria Creditanstalt	421,151	Telenor	358,848
Suez	401,460	Italcementi	357,518
Societe Generale	398,859	Nordea Bank	354,377
Vivendi Universal	372,439	Akzo Nobel	354,102
Other purchases for the period	14,565,107	Other sales for the period	10,365,491
Total cost of purchases for the period	24,809,084	Total proceeds from sales for the period	20,374,613

Notes to the financial statements (unaudited)

as at 30 April 2005

1. Net gains on investments	2005	2004
	£	£
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	20,374,613	13,581,761
Original cost of investments sold during the period	(18,874,789)	(12,079,187)
Gains realised on investments sold during the period	<u>1,499,824</u>	<u>1,502,574</u>
Net realised appreciation thereon already recognised in earlier periods	<u>(922,590)</u>	<u>(8,987)</u>
	577,234	1,493,587
Net unrealised appreciation for the period	<u>1,704,865</u>	<u>2,268,664</u>
Net gains on investments	<u><u>2,282,099</u></u>	<u><u>3,762,251</u></u>
Included in net gains on investments are gains of £25,633 relating to futures contracts (2004 - £99,839)		
2. Other losses	2005	2004
	£	£
Realised currency losses	(19,471)	(29,350)
Unrealised currency (losses) / gains	<u>(381)</u>	<u>1,282</u>
	<u><u>(19,852)</u></u>	<u><u>(28,068)</u></u>
3. Income	2005	2004
	£	£
Overseas income	940,801	528,806
Stocklending commission	2,530	-
Bank interest	<u>10,525</u>	<u>12,716</u>
	<u><u>953,856</u></u>	<u><u>541,522</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>340,102</u>	<u>237,121</u>
	<u><u>340,102</u></u>	<u><u>237,121</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	6,135	6,074
Depository's fee (RBS)	<u>1,619</u>	<u>-</u>
	<u><u>7,754</u></u>	<u><u>6,074</u></u>
Other expenses:		
Audit fees	3,187	2,372
Publication fees	-	507
Transaction charges	8,817	52,902
Safe custody fees	7,372	10,321
Overdraft interest	-	945
	<u>19,376</u>	<u>67,047</u>
Total expenses	<u><u>367,232</u></u>	<u><u>310,242</u></u>

Notes to the financial statements (continued)

as at 30 April 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Corporation tax	105,786	28,713
Double tax relief	(105,786)	(28,713)
Overseas withholding tax	131,932	49,943
Prior year adjustment	-	14,834
Current period tax charge (note 5b)	<u>131,932</u>	<u>64,777</u>
Increase in deferred taxation during the period (note 5c)	<u>16,081</u>	<u>29,355</u>
	<u><u>148,013</u></u>	<u><u>94,132</u></u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>586,624</u>	<u>231,280</u>
Corporation tax @20%	117,325	46,256
Tax effect of:		
Transaction charges (not deductible for tax purposes)	1,763	10,580
Timing differences on income	(8,767)	(28,123)
Prior year adjustment	-	14,834
Overseas withholding tax	127,703	49,943
Double tax relief	(105,786)	(28,713)
Non taxable exchange rate differences on foreign tax	(306)	-
Current period tax charge (note 5a)	<u>131,932</u>	<u>64,777</u>
c. Deferred tax		
Deferred tax provision at the start of the year	2,112	1,718
Deferred tax charge per Statement of total return for the period (note 5a)	<u>16,081</u>	<u>29,355</u>
Deferred tax position at the end of the year	<u>18,193</u>	<u>31,073</u>
Timing differences on UK tax	-	16,489
Timing differences on overseas tax	<u>18,193</u>	<u>14,584</u>
Provision for deferred tax	<u>18,193</u>	<u>31,073</u>
6. Distributions		
Reconciliation between net income and distributions:	2005	2004
	£	£
Net income after taxation per Statement of total return	438,611	137,148
Add:		
Undistributed income brought forward	47	31
Expenses paid from capital	8,817	52,902
Deduct:		
Undistributed income carried forward	(4)	(721)
Total accumulation distribution per Statement of total return	<u>447,471</u>	<u>189,360</u>

Details of the distribution per share are set out in the table on page 46.

Notes to the financial statements (continued)

as at 30 April 2005

7. Debtors	30 April 2005	31 October 2004
	£	£
Amounts receivable on issue of shares	99,154	28,267
Sales awaiting settlement	2,134,482	51,171
Accrued income	136,133	89,923
Overseas withholding tax recoverable	52,535	122,314
Sundry debtor	404	-
	<u>2,422,708</u>	<u>291,675</u>

8. Cash and bank balances	30 April 2005	31 October 2004
	£	£
Amount held at futures clearing houses	16,533	17,327
Cash and bank balances	295,271	494,235
	<u>311,804</u>	<u>511,562</u>

As at 30 April 2005, the weighted average of the floating interest rate on bank balances was 2.08% (31 October 2004 - 1.88%).

9. Creditors	30 April 2005	31 October 2004
	£	£
Purchases awaiting settlement	2,257,304	24,855
Accrued expenses	63,660	63,079
Deferred tax	18,193	2,112
	<u>2,339,157</u>	<u>90,046</u>

10. Stocklending

The total value of securities on loan at the balance sheet date was £6,950,343. Collateral of £7,607,797 in the form of various bonds is held by Bank of New York.

11. Derivatives and other financial instruments

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

a) Market price risk

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

b) Interest rate risk

The majority of the sub-fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

c) Liquidity risk

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

d) Foreign currency risk

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

Notes to the financial statements (continued)

as at 30 April 2005

10. Derivatives and other financial instruments (continued)

Currency exposure:	30 April 2005	31 October 2004
	£	£
Net assets denominated in Euros:		
Investments	51,948,972	46,273,173
Cash and bank balances	127,982	229,572
Amounts held at futures clearing house	16,533	17,327
Sales awaiting settlement	1,804,132	18,922
Purchases awaiting settlement	(1,854,988)	(24,855)
Other net assets	136,133	89,923
	<u>52,178,764</u>	<u>46,604,062</u>
Net assets denominated in Sterling:		
Cash and bank balances	113,027	159,946
Other net assets	70,240	85,390
	<u>183,267</u>	<u>245,336</u>
Net assets denominated in Swiss Francs:		
Investments	10,002,758	8,629,138
Cash and bank balances	43,435	71,113
Sales awaiting settlement	239,499	-
Purchases awaiting settlement	(402,316)	-
	<u>9,883,376</u>	<u>8,700,251</u>
Net assets denominated in Danish Kroner:		
Investments	712,216	936,192
Cash and bank balances	8,436	22,415
	<u>720,652</u>	<u>958,607</u>
Net assets denominated in Norwegian Kroner:		
Investments	1,716,923	2,112,673
Cash and bank balances	1,469	3,242
	<u>1,718,392</u>	<u>2,115,915</u>
Net assets denominated in Swedish Kroner:		
Investments	3,586,575	3,326,945
Cash and bank balances	922	7,947
Sales awaiting settlement	90,851	32,249
	<u>3,678,348</u>	<u>3,367,141</u>
Total net assets	<u>68,362,799</u>	<u>61,991,312</u>

Distribution table (unaudited)*for the six months ended 30 April 2005***Interim distribution in pence per share**

	Net Income	Distribution Payable 30.06.2005	Distribution Paid 30.06.2004
Accumulation A shares	0.8361	0.8361	0.4082
Accumulation B shares	0.3217	0.3217	0.4268

Corporate shareholders

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

Accumulation distributions

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

United States Equities Fund

Interim Report and Financial Statements for the six months ended 30 April 2005

Investment objective and policy

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

Investment advisers

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

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

Review of investment activities

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

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

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

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

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

John Kelly
Fund Manager
June 2005

Comparative table

Number of shares in issue	30.04.05	31.10.04	31.10.03	31.10.02
A shares	61,210,300	53,037,800	36,125,600	23,276,100
B shares	496,075	1,984,300	1,984,300	392,335

Net Asset Value (NAV)	£	£	£	£
Total NAV of sub-fund	63,060,224	57,933,814	39,836,239	22,998,540
NAV attributable to A shareholders	62,552,928	55,843,847	37,762,117	22,617,309
NAV attributable to B shareholders	507,296	2,089,968	2,074,122	381,231

Net asset value per share	p	p	p	p
A shares	102.2	105.3	104.5	97.17
B shares	102.3	105.3	104.5	97.17

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	151.20	143.60
2000	B shares	-	151.20	143.60
2000	A shares	-	151.2	143.6
2000	B shares	-	151.2	143.6
2001	A shares	-	156.9	111.2
2001	B shares	-	156.9	111.2
2002	A shares	0.1087	138.1	83.21
2002	B shares	0.1139	138.1	83.21
2003	A shares	0.2939	107.4	102.6
2003	B shares	0.2155	107.4	102.6
2004	A shares	0.3281	110.3	98.53
2004	B shares	0.4083	110.3	98.54
2005*	A shares	0.4341	111.1	101.7
2005*	B shares	1.7244	111.0	101.7

* To 30 April 2005

Statement of total return (unaudited)*for the six months ended 30 April 2005*

	Notes	2005		2004	
		£	£	£	£
Net (losses) / gains on investments during the period	1		(2,307,099)		1,288,883
Other losses	2		(70,030)		(35,860)
Income	3	699,868		379,692	
Expenses	4	(328,272)		(253,915)	
Net income before taxation		<u>371,596</u>		<u>125,777</u>	
Taxation	5	<u>(106,002)</u>		<u>(60,771)</u>	
Net income after taxation			<u>265,594</u>		<u>65,006</u>
Total return for the period			(2,111,535)		1,318,029
Distributions	6		(274,269)		(81,671)
Net (decrease) / increase in shareholders' funds from investment activities			<u>(2,385,804)</u>		<u>1,236,358</u>

Statement of movements in shareholders' funds (unaudited)*for the six months ended 30 April 2005*

	2005	
	£	£
Net assets at the start of the period		57,933,814
Movement due to sales / repurchases of shares:		
Amounts receivable on issue of shares	9,594,071	
Less: Amounts payable on redemption of shares	<u>(2,400,108)</u>	
		7,193,963
Dilution levy		43,982
Net decrease in shareholders' funds from investment activities (see above)		(2,385,804)
Retained distribution on accumulation shares		274,269
Net assets at the end of the period		<u>63,060,224</u>

Portfolio statement (unaudited)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Aerospace & Defence 2.10% (2.55%)			
Boeing	4,100	125,970	0.20
General Dynamics	5,500	299,451	0.47
Northrop Grumman	10,700	303,232	0.48
Raytheon	30,600	601,917	0.95
		<u>1,330,570</u>	<u>2.10</u>
Automobiles & Parts 1.68% (1.54%)			
Autoliv	17,700	406,859	0.65
Autonation	26,700	252,268	0.40
Ford Motor	46,400	221,686	0.35
Polaris Industries	5,800	173,530	0.28
		<u>1,054,343</u>	<u>1.68</u>
Banks 9.05% (9.76%)			
Bank of America	62,696	1,465,093	2.32
Bank of Hawaii	4,800	118,205	0.19
Citigroup	36,800	888,531	1.41
JPMorgan Chase	32,200	589,688	0.94
Keycorp	2,000	34,053	0.05
North Fork Bancorporation	4,000	57,657	0.09
Regions Financial	6,000	103,117	0.16
SunTrust Banks	1,000	37,466	0.06
UnionBanCal	8,200	262,554	0.42
US Bancorp	25,636	368,518	0.58
Wachovia	29,600	784,818	1.24
Washington Mutual	16,200	347,470	0.55
Wells Fargo	21,100	656,726	1.04
		<u>5,713,896</u>	<u>9.05</u>
Beverages 0.10% (1.27%)			
Coca-Cola	1,400	31,240	0.05
PepsiAmericas	2,700	34,251	0.05
		<u>65,491</u>	<u>0.10</u>
Chemicals 0.66% (0.83%)			
Lubrizol	3,400	68,071	0.11
Monsanto	11,500	348,368	0.55
		<u>416,439</u>	<u>0.66</u>
Construction & Building Materials 0.06% (0.67%)			
Masco	2,100	35,053	0.06
		<u>35,053</u>	<u>0.06</u>
Diversified Industrials 2.11 % (2.81%)			
3M	12,100	476,089	0.75
Illinois Tool Works	1,300	56,246	0.09
Loews	7,600	277,468	0.44
Tyco International	32,300	522,763	0.83
		<u>1,332,566</u>	<u>2.11</u>

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Electronic & Electrical Equipment 4.52% (3.53%)			
Eaton	2,900	88,911	0.14
Energizer Holdings	7,500	223,647	0.35
General Electric	118,300	2,207,297	3.50
WW Grainger	5,300	150,989	0.24
Rockwell Automation	7,700	184,003	0.29
		<u>2,854,847</u>	<u>4.52</u>
Electricity 2.28% (2.25%)			
Dominion Resources	2,300	89,396	0.14
Duke Energy	10,500	157,994	0.25
Edison International	15,100	283,085	0.45
Entergy	3,000	112,759	0.18
Exelon	1,300	32,942	0.05
FPL Group	3,800	80,879	0.13
Northeast Utilities	3,100	29,371	0.05
NRG Energy	4,900	81,585	0.13
PG&E	16,000	287,950	0.46
TXU	6,200	275,936	0.44
		<u>1,431,897</u>	<u>2.28</u>
Engineering & Machinery 0.19% (0.05%)			
Cummins	1,500	53,441	0.08
Kennametal	1,600	37,331	0.06
Mettler Toledo International	1,300	30,987	0.05
		<u>121,759</u>	<u>0.19</u>
Food & Drug Retailers 0.98% (0.94%)			
CVS	1,200	32,146	0.05
Safeway	30,400	333,494	0.53
Supervalu	15,300	252,226	0.40
		<u>617,866</u>	<u>0.98</u>
Food Producers & Processors 3.24% (1.86%)			
Archer-Daniels-Midland	44,900	507,591	0.80
General Mills	3,000	76,938	0.12
Kellogg	10,700	243,660	0.39
McCormick	900	16,190	0.03
Pilgrim's Pride	24,900	469,805	0.75
Hershey	15,100	501,965	0.80
Tyson Foods	17,500	153,125	0.24
WM Wrigley Jr	2,000	71,145	0.11
		<u>2,040,419</u>	<u>3.24</u>
Forestry & Paper 0.00% (0.44%)			
	-	-	-

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Health 5.98% (5.53%)			
Aetna	6,000	223,760	0.35
Amgen	25,100	752,475	1.19
Becton Dickinson	15,000	456,315	0.72
Caremark Rx	1,600	32,816	0.05
Cooper Cos	1,300	44,575	0.07
Coventry Health Care	2,300	80,344	0.13
Dade Behring Holdings	6,300	198,358	0.31
Genentech	3,200	117,113	0.19
Genzyme	6,300	194,964	0.31
Gilead Sciences	1,600	30,762	0.05
Guidant	1,800	69,190	0.11
HCA	1,600	45,983	0.07
Kinetic Concepts	7,000	224,846	0.36
McKesson	4,000	75,314	0.12
Medtronic	19,800	537,510	0.85
St Jude Medical	2,700	54,628	0.09
UnitedHealth Group	13,200	638,253	1.01
		<hr/> 3,777,206	<hr/> 5.98
Household Goods & Textiles 1.51% (1.45%)			
Black & Decker	800	34,868	0.06
Coach	19,600	278,675	0.44
Harman International Industries	5,500	224,876	0.36
Mattel	10,600	99,126	0.16
Maytag	4,300	22,017	0.03
Owens-Illinois	8,600	111,390	0.18
VF	5,800	175,805	0.28
		<hr/> 946,757	<hr/> 1.51
Information Technology Hardware 7.46% (7.26%)			
Advanced Micro Devices	42,900	317,711	0.50
Apple Computer	20,300	377,121	0.60
Broadcom	7,400	114,406	0.18
Cisco Systems	26,100	233,835	0.37
Comverse Technology	6,200	73,285	0.12
Dell	30,800	562,358	0.89
Freescale Semiconductor A	9,400	91,345	0.14
Freescale Semiconductor B	6,935	68,207	0.11
Hewlett-Packard	33,519	355,789	0.56
Ingram Micro	10,900	84,087	0.13
Intel	90,600	1,098,857	1.74
MEMC Electronic Materials	20,300	123,531	0.20
Micron Technology	40,400	202,211	0.32
Motorola	20,400	163,990	0.26
NCR	5,600	96,316	0.15
Qualcomm	9,400	171,211	0.28
Tellabs	44,900	176,359	0.28
Texas Instruments	15,000	193,109	0.31
Western Digital	30,200	200,359	0.32
		<hr/> 4,704,087	<hr/> 7.46

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Insurance 2.80% (3.04%)			
American International Group	14,494	387,783	0.61
WR Berkley	33,550	567,033	0.90
Berkshire Hathaway	9	393,045	0.62
Cincinnati Financial	1,550	32,005	0.05
CNA Financial	6,300	87,910	0.14
Genworth Financial	17,800	258,854	0.41
Progressive	1,000	47,079	0.07
		<hr/> 1,773,709	<hr/> 2.80
Investment Companies 0.58% (0.26%)			
Goldman Sachs Group	6,600	366,659	0.58
		<hr/> 366,659	<hr/> 0.58
Investment Entities 0.02% (0.72%)			
SPDR Trust Series 1	254	15,175	0.02
		<hr/> 15,175	<hr/> 0.02
Leisure & Hotels 2.12% (1.14%)			
Carnival	1,700	42,593	0.07
Choice Hotels International	1,700	52,236	0.08
Darden Restaurants	2,800	43,655	0.07
McDonald's	9,800	151,844	0.24
MGM Mirage	3,700	133,177	0.22
Omnicom Group	8,000	347,280	0.55
Starbucks	17,100	434,387	0.69
Station Casinos	1,200	39,565	0.06
Yum! Brands	3,700	91,135	0.14
		<hr/> 1,335,872	<hr/> 2.12
Life Assurance 0.74% (1.51%)			
Metlife	7,800	154,654	0.25
Prudential Financial	10,800	312,053	0.49
		<hr/> 466,707	<hr/> 0.74
Media & Entertainment 4.44% (4.04%)			
American Greetings	7,200	84,954	0.13
Cablevision Systems	5,100	69,592	0.11
Comcast A	12,596	209,955	0.33
Comcast Special A	16,800	276,954	0.44
Hearst-Argyle Television	2,400	31,199	0.05
Liberty Media	61,200	323,124	0.51
McGraw-Hill	10,100	455,240	0.72
Time Warner	51,200	451,615	0.72
Viacom A	800	14,634	0.03
Viacom B	14,495	263,556	0.42
Walt Disney	38,500	521,622	0.83
John Wiley & Sons	5,000	93,201	0.15
		<hr/> 2,795,646	<hr/> 4.44

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Mining 0.04% (0.06%)			
Newmont Mining	1,300	25,031	0.04
		25,031	0.04
Oil & Gas 8.52% (6.95%)			
Anadarko Petroleum	2,500	94,181	0.15
Apache	15,300	452,998	0.72
Burlington Resources	22,300	561,174	0.89
Chevron	1,656	44,301	0.07
ConocoPhillips	9,895	531,365	0.84
Devon Energy	18,800	442,321	0.70
EOG Resources	7,800	192,899	0.31
Exxon Mobil	49,900	1,461,376	2.32
Marathon Oil	17,300	414,856	0.66
Occidental Petroleum	2,300	80,951	0.13
Premcor	900	30,945	0.05
Pride International	4,400	51,836	0.08
Schlumberger	5,300	189,616	0.30
Sunoco	12,400	638,873	1.00
Valero Energy	3,200	112,937	0.18
XTO Energy	4,666	72,650	0.12
		5,373,279	8.52
Personal Care & Household Products 2.32% (3.00%)			
Avon Products	5,800	119,443	0.19
Clorox	8,700	285,981	0.45
Gillette	13,400	361,947	0.57
Kimberly-Clark	3,700	119,205	0.20
Procter & Gamble	20,300	573,220	0.91
		1,459,796	2.32
Pharmaceutical & Biotechnology 7.98% (7.34%)			
Abbott Laboratories	23,200	583,701	0.93
Allergan	6,100	225,177	0.36
Barr Pharmaceuticals	12,500	335,970	0.53
Biogen Idec	8,500	159,997	0.25
Covance	2,800	65,658	0.10
Eli Lilly	8,200	248,680	0.40
Endo Pharmaceuticals Holdings	7,400	76,303	0.12
ImClone Systems	7,900	132,652	0.21
Invitrogen	1,500	55,940	0.09
Johnson & Johnson	47,100	1,666,606	2.63
Merck	12,600	222,477	0.35
Pfizer	90,380	1,261,633	2.01
		5,034,794	7.98

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Real Estate 1.23% (0.91%)			
Boston Properties	1,700	58,887	0.09
Camden Property Trust	2,400	62,793	0.10
CBL & Associates Properties	800	31,922	0.05
Equity Office Properties Trust	11,500	183,206	0.29
Liberty Property Trust	3,200	65,648	0.10
Prologis	11,000	224,574	0.36
Public Storage	2,300	69,475	0.11
Simon Property Group	2,400	80,385	0.13
		<hr/>	<hr/>
		776,890	1.23
Retailers General 3.70% (6.16%)			
Abercrombie & Fitch	4,300	122,804	0.19
American Eagle Outfitters	8,600	118,025	0.19
Best Buy	4,900	126,959	0.20
Circuit City Stores	10,887	88,599	0.14
Costco Wholesale	2,400	50,573	0.08
Dillard's	15,600	195,041	0.31
eBay	3,800	63,241	0.10
Gap	10,500	117,466	0.19
Home Depot	7,000	128,449	0.20
Michaels Stores	17,600	311,636	0.49
Pacific Sunwear Of California	9,100	108,753	0.17
Petco Animal Supplies	5,900	90,567	0.15
Staples	16,650	165,760	0.26
Target	3,700	90,604	0.15
Wal-Mart Stores	22,700	558,714	0.88
		<hr/>	<hr/>
		2,337,191	3.70
Software & Computer Services 5.99% (7.84%)			
Adobe Systems	14,500	443,342	0.70
Autodesk	22,300	364,824	0.58
Citrix Systems	5,900	68,828	0.11
Computer Sciences	11,900	267,843	0.42
Google	1,100	126,238	0.20
International Business Machines	12,800	508,285	0.81
Microsoft	119,300	1,525,567	2.42
Oracle	4,400	26,752	0.04
Symantec	8,500	82,266	0.12
Unisys	28,100	92,663	0.15
Yahoo!	15,200	272,797	0.44
		<hr/>	<hr/>
		3,779,405	5.99

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Speciality & Other Finance 4.95% (6.08%)			
American Express	9,200	248,766	0.39
AmeriCredit	9,900	122,041	0.19
Bear Stearns	3,500	171,485	0.27
Blackrock	2,800	109,349	0.17
First American	12,300	225,318	0.36
Freddie Mac	2,700	84,827	0.13
Golden West Financial	13,500	439,456	0.70
Lehman Brothers	4,000	191,674	0.30
MBIA	10,100	271,966	0.43
Merrill Lynch	14,800	413,734	0.66
Moody's	6,700	283,664	0.45
Morgan Stanley	8,400	221,620	0.35
Nationwide Financial Services	1,800	32,936	0.06
Nuveen Investments	4,900	86,711	0.14
Principal Financial Group	6,900	136,177	0.22
Providian Financial	9,300	81,375	0.13
		<hr/> 3,121,099	<hr/> 4.95
Steel & Other Metals 1.64% (0.80%)			
Nucor	10,100	262,827	0.42
Phelps Dodge	6,400	280,753	0.45
Southern Peru Copper	2,100	56,350	0.09
United States Steel	19,500	426,461	0.68
		<hr/> 1,026,391	<hr/> 1.64
Support Services 1.05% (1.32%)			
Brink's	5,200	88,865	0.14
Cendant	26,700	275,030	0.44
Checkfree	4,400	83,812	0.13
Corporate Executive Board	4,400	148,512	0.24
Total System Services	1,000	12,738	0.02
WebMD	10,700	50,394	0.08
		<hr/> 659,351	<hr/> 1.05
Telecom Services 3.23% (3.42%)			
Alltel	6,300	187,781	0.30
AT&T	16,200	161,492	0.26
CenturyTel	15,100	238,899	0.38
Nextel Communications	9,300	138,746	0.22
Nextel Partners	2,100	25,701	0.04
Sprint	27,900	330,948	0.52
Verizon Communications	52,100	955,348	1.51
		<hr/> 2,038,915	<hr/> 3.23
Tobacco 1.32% (1.00%)			
Altria Group	10,800	364,161	0.58
Reynolds American	5,700	231,220	0.37
UST	9,900	232,976	0.37
		<hr/> 828,357	<hr/> 1.32

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Transport 2.36% (0.73%)			
Burlington Northern Santa Fe	22,200	552,504	0.88
CNF	1,800	40,058	0.07
FedEx	1,600	70,004	0.11
Norfolk Southern	29,400	486,976	0.77
Ryder System	17,400	336,989	0.53
		1,486,531	2.36
Utilities Other 0.22% (0.27%)			
El Paso	17,600	92,326	0.15
Sempra Energy	2,200	45,059	0.07
		137,385	0.22
Equity Futures 0.01% (Nil)			
S&P 500 June 2005	9	590	0.01
		590	0.01
<hr/>			
Portfolio of Investments		61,281,969	97.18
Net Current Assets		1,778,255	2.82
Net Assets		63,060,224	100.00

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet (unaudited)*as at 30 April 2005*

	Notes	30 April 2005 £	31 October 2004 £
Portfolio of investments		61,281,969	57,545,972
Net current assets			
Debtors	7	159,779	288,672
Cash and bank balances	8	<u>2,430,596</u>	<u>446,133</u>
		<u>2,590,375</u>	<u>734,805</u>
less			
Creditors	9	<u>812,120</u>	<u>346,963</u>
		<u>812,120</u>	<u>346,963</u>
Net current assets		<u>1,778,255</u>	<u>387,842</u>
Net assets		<u>63,060,224</u>	<u>57,933,814</u>
Shareholders' funds		<u>63,060,224</u>	<u>57,933,814</u>

Summary of material portfolio changes (unaudited)*for the six months ended 30 April 2005*

Major purchases	Cost £	Major sales	Proceeds £
SPDR Trust Series 1	4,708,865	SPDR Trust Series 1	5,102,586
Burlington Resources	901,833	Freddie Mac	727,068
Walt Disney	725,656	Boeing	699,718
International Business Machines	718,441	International Business Machines	648,416
Verizon Communications	709,623	Chevron	583,193
Sunoco	683,400	Gillette	546,670
Golden West Financial	655,232	eBay	539,669
Medtronic	648,465	Occidental Petroleum	538,060
JPMorgan Chase	633,290	Countrywide Financial	519,756
Apple Computer	625,389	Zimmer Holdings	483,706
Ryder System	613,343	Motorola	481,789
WR Berkley	597,254	SBC Communications	467,859
Burlington Northern Santa Fe	593,385	Exxon Mobil	459,042
Computer Sciences	581,705	Genentech	458,384
Johnson & Johnson	571,655	Procter & Gamble	454,239
Amgen	553,105	Caremark Rx	453,072
Abbott Laboratories	543,864	PepsiCo	451,559
Bank of America	514,274	American International Group	450,739
3M	509,484	Qualcomm	429,884
Hershey	507,583	Sprint	426,807
Other purchases for the period	46,073,530	Other sales for the period	41,704,092
Total cost of purchases for the period	62,669,376	Total proceeds from sales for the period	56,626,308

Notes to the financial statements (unaudited)

as at 30 April 2005

1. Net (losses) / gains on investments	2005	2004
	£	£
The net (losses) / gains on investments during the period comprise:		
Proceeds from sales of investments during the period	56,626,308	17,373,138
Original cost of investments sold during the period	<u>(55,851,846)</u>	<u>(17,497,846)</u>
Gains / (losses) realised on investments sold during the period	774,462	(124,708)
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(55,980)</u>	<u>249,416</u>
	718,482	124,708
Net unrealised (depreciation) / appreciation for the period	<u>(3,025,581)</u>	<u>1,164,175</u>
Net (losses) / gains on investments	<u><u>(2,307,099)</u></u>	<u><u>1,288,883</u></u>
2. Other losses	2005	2004
	£	£
Realised currency losses	(39,145)	(37,314)
Unrealised currency (losses) / gains	<u>(30,885)</u>	<u>1,454</u>
	<u><u>(70,030)</u></u>	<u><u>(35,860)</u></u>
3. Income	2005	2004
	£	£
Overseas income	691,146	376,662
Bank interest	<u>8,722</u>	<u>3,030</u>
	<u><u>699,868</u></u>	<u><u>379,692</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>307,055</u>	<u>223,905</u>
	<u><u>307,055</u></u>	<u><u>223,905</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	5,595	5,686
Depository's fee (RBS)	<u>1,468</u>	<u>-</u>
	<u><u>7,063</u></u>	<u><u>5,686</u></u>
Other expenses:		
Audit fees	3,187	2,629
Publication fees	-	411
Transaction charges	8,659	16,648
Safe custody fees	2,308	3,492
Overdraft interest	<u>-</u>	<u>1,144</u>
	<u><u>14,154</u></u>	<u><u>24,324</u></u>
Total expenses	<u><u>328,272</u></u>	<u><u>253,915</u></u>

Notes to the financial statements (continued)

as at 30 April 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Corporation tax	75,410	21,490
Double tax relief	(75,410)	(21,490)
Overseas withholding tax	101,981	51,630
Current period tax charge (note 5b)	<u>101,981</u>	<u>51,630</u>
Increase in deferred taxation during the period (note 5c)	4,021	9,141
	<u>106,002</u>	<u>60,771</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>371,596</u>	<u>125,777</u>
Corporation tax @ 20%	74,319	25,155
Tax effect of:		
Transaction charges (not deductible for tax purposes)	1,732	3,330
Timing differences on income	(641)	(6,995)
Overseas withholding tax	101,981	51,630
Double tax relief	(75,410)	(21,490)
Current period tax charge (note 5a)	<u>101,981</u>	<u>51,630</u>
c. Deferred tax		
Deferred tax provision at the start of the period	8,347	6,357
Deferred tax charge per Statement of total return for the period (note 5a)	4,021	9,141
Deferred tax provision at the end of the period	<u>12,368</u>	<u>15,498</u>
Timing differences on UK tax	4,967	3,874
Timing differences on overseas tax	7,401	11,624
Provision for deferred tax	<u>12,368</u>	<u>15,498</u>
6. Distributions		
Reconciliation between net income and distributions:	2005	2004
	£	£
Net income after taxation per Statement of total return	265,594	65,006
Add:		
Undistributed income brought forward	49	66
Expenses paid from capital	8,659	16,648
Deduct:		
Undistributed income carried forward	(33)	(49)
Total accumulation distribution per Statement of total return	<u>274,269</u>	<u>81,671</u>
Details of the distribution per share are set out in the table on page 65.		
7. Debtors		
	30 April 2005	31 October 2004
	£	£
Amounts receivable on issue of shares	97,572	52,564
Sales awaiting settlement	-	177,426
Accrued income	61,840	58,633
Recoverable withholding tax	49	49
Sundry debtor	318	-
	<u>159,779</u>	<u>288,672</u>

Notes to the financial statements (continued)

as at 30 April 2005

8. Cash and bank balances	30 April 2005	31 October 2004
	£	£
Amount held at futures clearing houses	95,932	-
Cash and bank balances	2,334,664	446,133
	<u>2,430,596</u>	<u>446,133</u>

As at 30 April 2005, the weighted average of the floating interest rate on cash and bank balances was 1.84% (31 October 2004 - 1.63%).

9. Creditors	30 April 2005	31 October 2004
	£	£
Amounts payable on redemption of shares	743,576	-
Purchases awaiting settlement	-	281,651
Accrued expenses	56,176	56,965
Deferred tax	12,368	8,347
	<u>812,120</u>	<u>346,963</u>

10. Stocklending

The total value of securities on loan at the balance sheet date was £1,655,344. Collateral of £1,786,970 in the form of various Government bonds is held by Bank of New York.

11. Derivatives and other financial instruments

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

a) Market price risk

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

b) Interest rate risk

The majority of the sub-fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

c) Liquidity risk

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

d) Foreign currency risk

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

Notes to the financial statements (continued)*as at 30 April 2005***11. Derivatives and other financial instruments (continued)**

	30 April 2005 £	31 October 2004 £
Currency exposure:		
Net assets denominated in US Dollars:		
Investments	61,281,969	57,545,972
Cash and bank balances	1,956,708	329,369
Sales awaiting settlement	-	177,426
Purchases awaiting settlement	-	(281,651)
Other net assets	61,889	58,682
	<u>63,300,566</u>	<u>57,829,798</u>
Net assets denominated in Sterling:		
Cash and bank balances	473,888	116,763
Other net assets	(714,230)	(12,747)
	<u>(240,342)</u>	<u>104,016</u>
Total net assets	<u><u>63,060,224</u></u>	<u><u>57,933,814</u></u>

Notes to the financial statements (continued)

as at 30 April 2005

11. Derivatives and other financial instruments (continued)**Reconciliation of market value per portfolio statement to economic exposure:**

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

	30 April 2005		31 October 2004	
	Market value £	Economic exposure £	Market value £	Economic exposure £
North America - Investments	61,281,379	61,281,379	57,545,972	57,545,972
S&P 500 June 2005	590	1,367,446	-	-
Total North America	<u>61,281,969</u>	<u>62,648,825</u>	<u>57,545,972</u>	<u>57,545,972</u>
<i>% of net assets</i>	97.18%	99.35%	99.33%	99.33%
Net current assets	1,778,255	1,778,255	387,842	387,842
Cash required to back positions	-	(1,366,856)	-	-
Total net assets	<u><u>63,060,224</u></u>	<u><u>63,060,224</u></u>	<u><u>57,933,814</u></u>	<u><u>57,933,814</u></u>

Distribution table (unaudited)*for the six months ended 30 April 2005***Interim distribution in pence per share**

	Net Income	Distribution Payable 30.06.05	Distribution Paid 30.06.04
Accumulation A shares	0.4341	0.4341	0.2213
Accumulation B shares	1.7244	1.7244	0.1628

Corporate shareholders

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

Accumulation distributions

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

Japan Equities Fund

Interim Report and Financial Statements for the six months ended 30 April 2005

Investment objective and policy

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

Investment adviser

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

Review of investment activities

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

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

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

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

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

John Kelly
Fund Manager
June 2005

Comparative table

Number of shares in issue	30.04.05	31.10.04	31.10.03	31.10.02
A shares	31,792,700	26,854,500	19,736,500	12,400,500
B shares	64,994	259,975	259,975	-
D shares [^]	19,577,819	10,076,514	307,900	-

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

Net Asset Value (NAV)	£	£	£	£
Total NAV of sub-fund	56,330,885	41,427,459	21,965,674	11,978,209
NAV attributable to A shareholders	34,726,532	29,876,246	21,351,250	11,978,209
NAV attributable to B shareholders	71,083	289,418	281,212	-
NAV attributable to D shareholders	21,533,270	11,261,795	333,212	-

Net asset value per share	p	p	p	p
A shares	109.2	108.2	108.2	96.59
B shares	109.4	108.2	108.2	-
D Shares	110.0	108.2	108.2	-

Performance record

		Net distribution per share	Highest share price	Lowest share price
Calendar year		p	p	p
2000	A shares	-	150.0	142.8
2000	B shares	-	150.0	142.8
2001	A shares	0.0623	153.8	111.7
2001	B shares	-	153.8	111.7
2002	A shares	-	129.2	93.15
2002	B shares	-	129.2	93.15
2003	A shares	0.0837	114.4	83.87
2003	B shares	0.3197	114.4	83.87
2003	D shares	-	114.5	103.0
2004	A shares	0.1303	121.2	101.1
2004	B shares	0.0795	121.2	101.1
2004	D shares	0.2992	121.5	101.3
2005*	A shares	0.1172	117.6	107.2
2005*	B shares	-	117.6	107.4
2005*	D shares	0.3852	118.3	107.9

* To 30 April 2005

Statement of total return (unaudited)*for the six months ended 30 April 2005*

	Notes	2005		2004	
		£	£	£	£
Net (losses) / gains on investments during the period	1		(1,470,588)		2,254,147
Other gains	2		6,215		22,197
Income	3	371,260		149,556	
Expenses	4	(217,290)		(145,131)	
Net income before taxation		<u>153,970</u>		<u>4,425</u>	
Taxation	5	<u>(45,737)</u>		<u>(1,214)</u>	
Net income after taxation			<u>108,233</u>		<u>3,211</u>
Total return for the period			<u>(1,356,140)</u>		<u>2,279,555</u>
Distributions	6		(112,674)		(9,167)
Net (decrease) / increase in shareholders' funds from investment activities			<u><u>(1,468,814)</u></u>		<u><u>2,270,388</u></u>

Statement of movements in shareholders' funds (unaudited)*for the six months ended 30 April 2005*

	2005	
	£	£
Net assets at the start of the period		41,427,459
Movement due to sales / repurchases of shares:		
Share exchange issues on inspecie transfer*	7,536,704	
Amounts receivable on issue of shares	11,430,826	
Less: Amounts payable on redemption of shares	<u>(2,778,509)</u>	
		16,189,021
Dilution levy		70,543
Net decrease in shareholders' funds from investment activities (see above)		(1,468,814)
Retained distribution on accumulation shares		112,674
Net assets at the end of the period		<u><u>56,330,883</u></u>

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

Portfolio statement (unaudited)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Automobiles & Parts 13.35% (13.99%)			
Bridgestone	177,000	1,772,862	3.15
Honda Motor	67,300	1,699,453	3.02
NGK Spark Plug	56,000	304,555	0.54
Toyota Motor	196,500	3,739,831	6.64
		<u>7,516,701</u>	<u>13.35</u>
Banks 3.81% (nil)			
Chiba Bank	16,000	51,350	0.09
Mitsubishi Tokyo Financial Group	192	866,974	1.54
Mizuho Financial Group	85	208,297	0.37
Sumitomo Mitsui Financial Group	302	1,018,062	1.81
		<u>2,144,683</u>	<u>3.81</u>
Chemicals 4.17% (4.73%)			
Daicel Chemical Industries	93,000	260,525	0.46
Kaneka	94,000	532,265	0.94
Kuraray	89,000	429,113	0.76
Mitsui Chemicals	51,000	150,735	0.27
Nitto Denko	28,700	818,980	1.45
Sumitomo Bakelite	50,000	162,209	0.29
		<u>2,353,827</u>	<u>4.17</u>
Construction & Building Materials 4.62% (4.88%)			
Mitsubishi	121,600	867,037	1.54
Mitsui	350,000	1,732,803	3.08
		<u>2,599,840</u>	<u>4.62</u>
Electronic & Electrical Equipment 16.83% (17.90%)			
Canon	55,000	1,495,584	2.65
Keyence	2,100	243,359	0.43
Mabuchi Motor	9,300	291,298	0.52
Matsushita Electric Industrial	164,000	1,249,330	2.22
Murata Manufacturing	41,900	1,085,157	1.93
Omron	109,400	1,243,831	2.21
Ricoh	241,000	2,001,388	3.55
Rohm	29,700	1,460,801	2.59
Sony	21,300	413,335	0.73
		<u>9,484,083</u>	<u>16.83</u>
Electricity 1.86% (1.37%)			
Electric Power Development	48,300	760,640	1.35
Tokyo Electric Power	22,800	285,092	0.51
		<u>1,045,732</u>	<u>1.86</u>
Engineering & Machinery 2.14% (1.56%)			
Daikin Industries	12,300	159,736	0.28
SMC	12,700	695,427	1.23
THK	36,300	355,459	0.63
		<u>1,210,622</u>	<u>2.14</u>
Food Producers & Processors 0.48% (0.47%)			
Ajinomoto	43,000	269,158	0.48
		<u>269,158</u>	<u>0.48</u>

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Forestry & Paper 2.25% (2.37%)			
Nippon Paper Group	565	1,265,083	2.25
		<u>1,265,083</u>	<u>2.25</u>
Household Goods & Textiles 2.01% (2.55%)			
Funai Electric	5,100	301,851	0.54
Heiwa	13,900	119,513	0.21
Sankyo	14,500	373,007	0.66
World	19,500	339,109	0.60
		<u>1,133,480</u>	<u>2.01</u>
Information Technology Hardware 1.22% (0.95%)			
Mitsubishi Electric	249,000	687,623	1.22
		<u>687,623</u>	<u>1.22</u>
Insurance 1.51% (3.71%)			
Sompo Japan Insurance	168,000	849,299	1.51
		<u>849,299</u>	<u>1.51</u>
Leisure & Hotels 0.35% (nil)			
Oriental Land	6,000	196,144	0.35
		<u>196,144</u>	<u>0.35</u>
Life Assurance 1.42% (0.41)			
T&D Holdings	31,250	802,339	1.42
		<u>802,339</u>	<u>1.42</u>
Media & Entertainment 2.22% (2.17%)			
Fuji Photo Film	33,200	570,748	1.01
Nippon Television Network	3,780	307,328	0.55
Toho	44,900	369,298	0.66
		<u>1,247,374</u>	<u>2.22</u>
Oil & Gas 0.73% (1.65%)			
Showa Shell Sekiyu	77,900	408,929	0.73
		<u>408,929</u>	<u>0.73</u>
Pharmaceutical & Biotechnology 9.98% (10.44%)			
Astellas Pharma	126,800	2,381,739	4.23
Dainippon Pharmaceutical	55,000	280,508	0.50
Suzuken	17,500	248,427	0.44
Takeda Pharmaceutical	107,000	2,709,939	4.81
		<u>5,620,613</u>	<u>9.98</u>
Real Estate 1.72% (0.19%)			
Mitsubishi Estate	140,000	790,646	1.40
TOC	41,000	178,301	0.32
		<u>968,947</u>	<u>1.72</u>
Retailers General 3.56% (3.36%)			
Ito-Yokado	57,300	1,030,673	1.83
Marui	104,900	700,986	1.24
Shimamura	4,200	180,978	0.32
York-Benimaru	6,400	95,471	0.17
		<u>2,008,108</u>	<u>3.56</u>

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Software & Computer Services nil (0.36%)	-	-	-
Speciality & Other Finance 4.24% (3.66%)			
Nomura Holdings	250,070	1,664,852	2.96
Promise	21,350	718,660	1.28
		<u>2,383,512</u>	<u>4.24</u>
Steel & Other Metals 2.32% (2.81%)			
Sumitomo Electric Industries	241,000	1,309,476	2.32
		<u>1,309,476</u>	<u>2.32</u>
Telecom Services 5.39% (5.23%)			
KDDI	489	1,177,639	2.09
Nippon Telegraph & Telephone	695	1,521,582	2.70
NTT DoCoMo	422	339,112	0.60
		<u>3,038,333</u>	<u>5.39</u>
Transport 5.35% (5.59%)			
East Japan Railway	927	2,523,045	4.48
West Japan Railway	252	489,643	0.87
		<u>3,012,688</u>	<u>5.35</u>
Unit Trusts 4.41% (4.24%)			
Schroder Institutional Japanese Smaller Companies Fund Income Units	6,584,491	2,486,962	4.41
		<u>2,486,962</u>	<u>4.41</u>
<hr/>			
Portfolio of Investments		54,043,556	95.94
Net Current Assets		2,287,327	4.06
Net Assets		<u>56,330,883</u>	<u>100.00</u>

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet (unaudited)*as at 30 April 2005*

	Notes	30 April 2005 £	31 October 2004 £
Portfolio of investments		54,043,556	39,822,261
Net current assets			
Debtors	7	503,459	341,360
Cash and bank balances	8	2,273,889	2,063,249
		<u>2,777,348</u>	<u>2,404,609</u>
less			
Creditors	9	490,021	799,411
		<u>490,021</u>	<u>799,411</u>
Net current assets		<u>2,287,327</u>	<u>1,605,198</u>
Net assets		<u>56,330,883</u>	<u>41,427,459</u>
Shareholders' funds		<u>56,330,883</u>	<u>41,427,459</u>

Summary of material portfolio changes (unaudited)*for the six months ended 30 April 2005*

Major purchases	Cost £	Major sales	Proceeds £
Mitsubishi Estate	909,719	Millea Holdings	1,132,950
Mitsubishi Tokyo Financial Group	899,051	Showa Shell Sekiyu	456,912
Toyota Motor	679,917	Kuraray	366,491
T&D Holdings	603,001	Sumitomo Electric Industries	285,207
Nomura Holdings	591,238	Mitsui	235,374
Sumitomo Mitsui Financial Group	567,748	Nomura Research Institute	232,122
Schroder Institutional Japanese Smaller Companies Fund Income Units	558,639	Tokyo Electric Power	147,961
Electric Power Development	472,095	Sony	141,284
East Japan Railway	471,897	Sompo Japan Insurance	125,580
Takeda Pharmaceutical	430,749	Sankyo	112,756
Omron	394,867	Heiwa	100,812
KDDI	386,866	Dainippon Pharmaceutical	77,211
Ricoh	365,415	Mabuchi Motor	35,667
Matsushita Electric Industrial	362,443	Schroder Institutional Japanese Smaller Companies Fund Income Units	892
Nippon Telegraph & Telephone	321,857		
Astellas Pharma	313,708		
Bridgestone	299,007		
Rohm	229,702		
Murata Manufacturing	216,603		
Honda Motor	212,526		
Other purchases for the period	9,859,494	Other sales for the period	-
Total cost of purchases for the period	19,146,542	Total proceeds from sales for the period	3,451,219

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

Notes to the financial statements (unaudited)

as at 30 April 2005

1. Net (losses) / gains on investments	2005	2004
	£	£
The net (losses) / gains on investments during the period comprise:		
Proceeds from sales of investments during the period	3,451,219	2,008,658
Original cost of investments sold during the period	<u>(3,145,571)</u>	<u>(2,009,148)</u>
Gains / (losses) realised on investments sold during the period	305,648	(490)
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(101,382)</u>	<u>69,534</u>
	204,266	69,044
Net unrealised (depreciation) / appreciation for the period	<u>(1,674,854)</u>	<u>2,185,103</u>
Net (losses) / gains on investments	<u><u>(1,470,588)</u></u>	<u><u>2,254,147</u></u>
2. Other gains	2005	2004
	£	£
Realised currency gains	6,694	27,115
Unrealised currency losses	<u>(479)</u>	<u>(4,918)</u>
	<u><u>6,215</u></u>	<u><u>22,197</u></u>
3. Income	2005	2004
	£	£
Overseas income	317,597	123,174
Unfranked income	4,846	2,074
Bank interest	<u>48,817</u>	<u>24,308</u>
	<u><u>371,260</u></u>	<u><u>149,556</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>200,195</u>	<u>124,803</u>
	<u><u>200,195</u></u>	<u><u>124,803</u></u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	4,713	3,346
Depository's fee (RBS)	<u>1,504</u>	<u>-</u>
	<u><u>6,217</u></u>	<u><u>3,346</u></u>
Other expenses:		
Audit fees	3,187	2,629
Publication fees	-	2,398
Transaction charges	4,209	5,830
Safe custody fees	3,482	3,556
Overdraft interest	<u>-</u>	<u>2,569</u>
	<u><u>10,878</u></u>	<u><u>16,982</u></u>
Total expenses	<u><u>217,290</u></u>	<u><u>145,131</u></u>

Notes to the financial statements (continued)

as at 30 April 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Overseas withholding tax	22,420	799
Income tax	969	415
Prior year adjustment	7,645	-
Current period tax charge (note 5b)	<u>31,034</u>	<u>1,214</u>
Increase in deferred taxation during the period (note 5c)	<u>14,703</u>	<u>-</u>
	<u>45,737</u>	<u>1,214</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>153,970</u>	<u>4,425</u>
Corporation tax @ 20%	30,794	885
Tax effect of:		
Transaction charges (not deductible for tax purposes)	842	1,166
Management expenses not relieved	-	4,045
Management expenses brought forward now relieved	(1,078)	-
Timing differences on income	(28,076)	(6,218)
Prior year adjustment	7,645	-
Overseas withholding tax	19,938	921
Irrecoverable income tax	969	415
Current period tax charge (note 5a)	<u>31,034</u>	<u>1,214</u>
c. Deferred tax		
Deferred tax provision at the start of the period	-	-
Deferred tax charge in Statement of total return for the period (note 5a)	14,703	-
Deferred tax provision at the end of the period	<u>14,703</u>	<u>-</u>
Timing differences on UK tax	14,703	-
Timing differences on overseas tax	-	-
Provision for deferred tax	<u>14,703</u>	<u>-</u>

At 30 April 2005 the sub-fund had surplus management expenses of £113,921 (31 October 2004 - £119,313). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

6. Distributions	2005	2004
	£	£
Reconciliation between net income and distributions:		
Net income after taxation per Statement of total return	108,233	3,211
Add:		
Undistributed income brought forward	7	-
Expenses paid from capital	4,209	5,830
Deduct:		
Income deficit carried forward	225	126
Total accumulation distribution per Statement of total return	<u>112,674</u>	<u>9,167</u>

Details of the distribution per share are set out in the table on page 78.

Notes to the financial statements (continued)

as at 30 April 2005

7. Debtors	30 April 2005	31 October 2004
	£	£
Amounts receivable on issue of shares	77,002	46,273
Sales awaiting settlement	159,929	151,334
Accrued income	266,475	143,753
Sundry debtor	53	-
	<u>503,459</u>	<u>341,360</u>

8. Cash and bank balances	30 April 2005	31 October 2004
	£	£
Cash and bank balances	<u>2,273,889</u>	<u>2,063,249</u>

As at 30 April 2005, the weighted average of the floating interest rate on bank balances was 3.96% (31 October 2004 - 3.69%).

9. Creditors	30 April 2005	31 October 2004
	£	£
Amounts payable on redemption of shares	82,731	66,067
Purchases awaiting settlement	352,599	695,292
Accrued expenses	39,988	38,052
Deferred tax	14,703	-
	<u>490,021</u>	<u>799,411</u>

10. Derivatives and other financial instruments

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

a) Market price risk

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

b) Interest rate risk

The majority of the sub-fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

c) Liquidity risk

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

Notes to the financial statements (continued)*as at 30 April 2005***10. Derivatives and other financial instruments (continued)**

d) Foreign currency risk

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

Currency exposure:	30 April 2005	31 October 2004
	£	£
Net assets denominated in Japanese Yen:		
Investments	51,556,594	38,067,905
Cash and bank balances	192,669	-
Sales awaiting settlement	78,996	151,334
Purchases awaiting settlement	(271,666)	(589,256)
Other net assets	266,475	143,753
	<u>51,823,068</u>	<u>37,773,736</u>
Net assets denominated in Sterling:		
Investments	2,486,962	1,754,356
Cash and bank balances	2,081,220	2,063,249
Sales awaiting settlement	80,933	-
Purchases awaiting settlement	(80,933)	(106,036)
Other net liabilities	(60,367)	(57,846)
	<u>4,507,815</u>	<u>3,653,723</u>
Total net assets	<u>56,330,883</u>	<u>41,427,459</u>

Distribution table (unaudited)*for the six months ended 30 April 2005***Interim distribution in pence per share**

	Net Income	Distribution Payable 2005	Distribution Paid 2004
Accumulation A shares	0.1172	0.1172	0.0210
Accumulation B shares	-	-	-
Accumulation D shares	0.3852	0.3852	0.1617

Corporate shareholders

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

Accumulation distributions

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

Pacific Basin (excluding Japan) Equities Fund Interim Report and Financial Statements for the six months ended 30 April 2005

Investment objective and policy

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

Investment adviser

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

Review of investment activities

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

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

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

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

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

John Kelly
Fund Manager
June 2005

Comparative table

Number of shares in issue	30.04.05	31.10.04	31.10.03	31.10.02
A shares	12,279,300	11,204,300	8,382,800	6,789,200
B shares	161,350	645,401	645,401	222,494
D shares [^]	13,315,885	7,401,033	313,800	-

[^] Increase in number of shares due to investment by Scottish Mutual Assurance plc on 24 November 200

Net Asset Value (NAV)	£	£	£	£
Total NAV of sub-fund	46,150,941	32,054,991	15,085,435	8,379,910
NAV attributable to A shareholders	21,934,878	18,620,384	13,540,664	8,114,000
NAV attributable to B shareholders	288,540	1,071,597	1,042,587	265,910
NAV attributable to D shareholders	23,927,523	12,363,010	502,184	-

Net asset value per share	p	p	p	p
A shares	178.6	166.2	161.5	119.5
B shares	178.8	166.0	161.5	119.5
D Shares	179.7	167.0	160.0	-

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	151.4	147.0
2000	B shares	-	151.4	147.0
2001	A shares	1.0933	161.0	106.0
2001	B shares	-	161.0	106.0
2002	A shares	1.4356	153.0	109.4
2002	B shares	1.1629	153.0	109.4
2003	A shares	1.4955	166.0	109.1
2003	B shares	1.4464	166.0	109.1
2003	D shares	0.1690	166.0	150.5
2004	A shares	2.3447	177.1	147.4
2004	B shares	2.4591	176.8	147.2
2004	D shares	1.7662	177.9	147.7
2005*	A shares	1.2158	189.1	175.6
2005*	B shares	2.0188	189.0	175.6
2005*	D shares	1.5415	190.1	176.6

* To 30 April 2005

Statement of total return (unaudited)*for the six months ended 30 April 2005*

	Notes	2005		2004	
		£	£	£	£
Net gains / (losses) on investments during the period	1		2,084,975		(31,995)
Other losses	2		(68,109)		(33,265)
Income	3	636,059		232,609	
Expenses	4	(183,130)		(111,288)	
Net income before taxation		<u>452,929</u>		<u>121,321</u>	
Taxation	5	<u>(107,612)</u>		<u>(27,573)</u>	
Net income after taxation			<u>345,317</u>		<u>93,748</u>
Total return for the period			2,362,183		28,488
Distributions	6		(357,814)		(107,485)
Net increase / (decrease) in shareholders' funds from investment activities			<u>2,004,369</u>		<u>(78,997)</u>

Statement of movements in shareholders' funds (unaudited)*for the six months ended 30 April 2005*

	2005	
	£	£
Net assets at the start of the period		32,054,991
Movement due to sales / repurchases of shares:		
Share exchange issues on inspecie transfer*	8,193,730	
Amounts receivable on issue of shares	7,465,708	
Less: Amounts payable on redemption of shares	<u>(4,105,263)</u>	
		11,554,175
Dilution levy		179,592
Net increase in shareholders' funds from investment activities (see above)		2,004,369
Retained distribution on accumulation shares		357,814
Net assets at the end of the period		<u>46,150,941</u>

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

Portfolio statement (unaudited)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Australia 29.60% (30.34%)			
Australia & New Zealand Banking Group	97,598	861,629	1.87
BHP Billiton	289,825	1,901,951	4.12
Brambles Industries	196,509	631,915	1.37
Coca-Cola Amatil	156,114	526,622	1.14
Commonwealth Bank of Australia	59,515	885,160	1.92
CSL	60,434	778,836	1.69
Foster's Group	206,467	431,073	0.93
Lend Lease	50,487	245,955	0.53
Macquarie Bank	12,041	224,657	0.49
National Australia Bank	81,230	970,357	2.10
Newcrest Mining	33,393	202,529	0.44
Orica	46,579	298,424	0.65
Origin Energy	230,858	664,401	1.44
QBE Insurance Group	109,310	667,217	1.45
Rinker Group	90,639	421,710	0.91
Rio Tinto	24,570	416,424	0.90
St George Bank	20,982	212,766	0.46
Suncorp-Metway	28,630	230,135	0.50
TABCORP Holdings	25,027	158,449	0.34
Wesfarmers	19,258	283,663	0.61
Westfield Group	85,518	568,381	1.23
Westpac Banking	92,097	731,437	1.59
Woodside Petroleum	69,179	664,687	1.44
Woolworths	108,977	681,469	1.48
		<u>13,659,847</u>	<u>29.60</u>
China 3.65% (2.77%)			
China Telecom	4,915,000	869,875	1.88
Hainan Meilan International Airport	727,000	219,172	0.48
PetroChina	894,000	279,703	0.61
Ping An Insurance Group	395,000	315,120	0.68
		<u>1,683,870</u>	<u>3.65</u>
Hong Kong 15.58% (16.32%)			
Brilliance China Automotive Holdings	1,818,000	164,080	0.36
Cheung Kong Holdings	88,000	433,283	0.94
CNOOC	1,645,500	465,135	1.01
Esprit Holdings	92,500	359,231	0.78
Giordano International	1,770,000	638,400	1.38
Hong Kong Exchanges and Clearing	517,000	660,886	1.43
Hong Kong & China Gas	573,000	614,238	1.33
Hopewell Holdings	534,000	678,138	1.47
Hutchison Whampoa	232,000	1,083,912	2.35
Jardine Matheson Holdings	45,600	430,481	0.93
Shanghai Industrial Holdings	383,000	409,921	0.89
Sun Hung Kai Properties	127,000	635,959	1.38
Swire Pacific	140,000	611,810	1.33
		<u>7,185,474</u>	<u>15.58</u>

Portfolio statement (continued)

as at 30 April 2005

	Holding	Mid-market value £	Percentage of total net assets %
Investment			
India 3.15% (3.48%)			
ICICI Bank	48,800	210,644	0.46
Larsen & Toubro	34,828	403,702	0.87
Oil & Natural Gas	47,961	466,554	1.01
Ranbaxy Laboratories	34,012	372,688	0.81
		<u>1,453,588</u>	<u>3.15</u>
Indonesia 1.29% (1.89%)			
HM Sampoerna	491,500	280,320	0.61
Perusahaan Gas Negara	2,212,500	313,198	0.68
		<u>593,518</u>	<u>1.29</u>
Korea 14.41% (11.88%)			
Daewoo International	42,140	305,506	0.66
Hyundai Heavy Industries	8,900	236,857	0.51
Hyundai Mobis	6,240	211,223	0.46
Kookmin Bank	27,130	597,174	1.29
KT&G	28,920	544,065	1.18
Nong Shim	2,507	399,987	0.87
POSCO	4,469	420,078	0.91
S-Oil	6,890	250,388	0.54
Samsung Electronics	10,062	2,383,654	5.17
Shinhan Financial Group	30,940	418,196	0.91
Shinsegae	4,156	689,779	1.49
SK Telecom	2,260	194,067	0.42
		<u>6,650,974</u>	<u>14.41</u>
Malaysia 3.83% (6.78%)			
AMMB Holdings	1,072,633	372,770	0.81
Bursa Malaysia	30,000	15,814	0.03
Public Bank	404,875	381,716	0.83
Tanjong	133,500	234,272	0.51
Telekom Malaysia	267,500	356,208	0.77
Tenaga Nasional	280,600	407,445	0.88
		<u>1,768,225</u>	<u>3.83</u>
New Zealand 2.09% (1.26%)			
Telecom Corporation of New Zealand	229,578	533,175	1.16
Warehouse Group	298,270	427,865	0.93
		<u>961,040</u>	<u>2.09</u>
Philippines 0.65% (nil)			
Manila Water	590,000	34,362	0.07
SM Investments	111,350	267,444	0.58
		<u>301,806</u>	<u>0.65</u>
Singapore 5.39% (3.67%)			
CapitaLand	381,000	311,217	0.67
City Developments	5,600	7,770	0.02
Datacraft Asia	400,000	195,084	0.42
Jurong Technologies Industrial	545,000	286,622	0.62
Keppel	133,000	457,096	0.99

Portfolio statement (continued)

as at 30 April 2005

Investment	Holding	Mid-market value £	Percentage of total net assets %
Singapore (continued)			
Singapore Technologies Engineering	340,000	270,117	0.59
Singapore Telecommunications	446,000	366,450	0.79
United Overseas Bank	129,280	593,103	1.29
		<u>2,487,459</u>	<u>5.39</u>
Taiwan 15.61% (16.09%)			
Cathay Financial Holding	849,000	800,187	1.73
Chi Mei Optoelectronics	292,000	257,401	0.56
China Steel	454,000	244,486	0.53
Chinatrust Financial Holding	1,083,451	645,014	1.40
Formosa Chemicals & Fibre	538,000	571,350	1.24
HON HAI Precision Industry	195,630	484,657	1.05
MediaTek	128,000	506,413	1.10
Novatek Microelectronics	185,000	430,499	0.93
Siliconware Precision Industries	990,000	449,169	0.97
Synnex Technology International	737,900	606,691	1.31
Taiwan Semiconductor Manufacturing	2,228,433	1,934,594	4.19
Wan Hai Lines	508,000	279,084	0.60
		<u>7,209,545</u>	<u>15.61</u>
Thailand 1.56% (3.14%)			
Bangkok Bank	164,900	216,500	0.47
PTT Exploration & Production	110,000	504,928	1.09
		<u>721,428</u>	<u>1.56</u>
<hr/>			
Portfolio of Investments		44,676,774	96.81
Net Current Assets		1,474,167	3.19
Net Assets		<u>46,150,941</u>	<u>100.00</u>

All shares are listed ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2004.

Balance sheet (unaudited)*as at 30 April 2005*

	Notes	30 April 2005 £	31 October 2004 £
Portfolio of investments		44,676,774	31,293,255
Net current assets			
Debtors	7	703,560	476,436
Cash and bank balances	8	1,204,851	1,013,333
		<u>1,908,411</u>	<u>1,489,769</u>
less			
Bank overdraft	8	-	69,802
Creditors	9	434,244	658,231
		<u>434,244</u>	<u>728,033</u>
Net current assets		<u>1,474,167</u>	<u>761,736</u>
Net assets		<u>46,150,941</u>	<u>32,054,991</u>
Shareholders' funds		<u>46,150,941</u>	<u>32,054,991</u>

Summary of material portfolio changes (unaudited)*for the six months ended 30 April 2005*

Major purchases	Cost £	Major sales	Proceeds £
Samsung Electronics	1,107,991	AMP	1,187,367
Taiwan Semiconductor Manufacturing	910,279	Great Eagle Holdings	791,454
Giordano International	849,495	Hyundai Mobis	734,624
Shinsegae	713,162	DBS Group Holdings	580,128
Woolworths	711,799	Advantech	578,923
China Telecom	631,998	Insurance Australia Group	510,761
Westfield Group	601,149	Newcrest Mining	498,864
National Australia Bank	593,822	Woodside Petroleum	482,226
Coca-Cola Amatil	563,103	Samsung Fire & Marine Insurance	473,946
MediaTek	487,798	HON HAI Precision Industry	452,278
Warehouse Group	469,013	Genting	429,802
United Overseas Bank	459,190	LG Electronics	403,465
Siliconware Precision Industries	456,353	China Steel	388,708
Shanghai Industrial Holdings	443,840	Bangkok Bank	375,944
Rinker Group	419,128	Catcher Technology	374,494
Lend Lease	401,416	Gamuda	368,075
Synnex Technology International	399,574	Merry Electronics	363,069
BHP Billiton	386,170	Indosat	359,646
Hutchison Whampoa	379,952	National Australia Bank	329,598
Nong Shim	375,969	CSL	327,954
Other purchases for the period	16,222,800	Other sales for the period	6,275,005
Total cost of purchases for the period	27,584,001	Total proceeds from sales for the period	16,286,331

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

Notes to the financial statements (unaudited)

as at 30 April 2005

1. Net gains / (losses) on investments	2005	2004
	£	£
The net gains / (losses) on investments during the period comprise:		
Proceeds from sales of investments during the period	16,286,331	5,146,112
Original cost of investments sold during the period	(14,557,245)	(4,326,408)
Gains realised on investments sold during the period	<u>1,729,086</u>	<u>819,704</u>
Net realised appreciation thereon already recognised in earlier periods	(1,104,109)	(65,213)
	<u>624,977</u>	<u>754,491</u>
Net unrealised appreciation / (depreciation) for the period	<u>1,459,998</u>	<u>(786,486)</u>
Net gains / (losses) on investments	<u><u>2,084,975</u></u>	<u><u>(31,995)</u></u>
2. Other losses	2005	2004
	£	£
Realised currency losses	(68,847)	(31,627)
Unrealised currency gains / (losses)	738	(1,638)
	<u>(68,109)</u>	<u>(33,265)</u>
3. Income	2005	2004
	£	£
Overseas income	619,860	222,226
Bank interest	16,199	10,383
	<u>636,059</u>	<u>232,609</u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	151,396	85,940
	<u>151,396</u>	<u>85,940</u>
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	3,917	2,461
Depository's fee (RBS)	1,260	-
	<u>5,177</u>	<u>2,461</u>
Other expenses:		
Audit fees	3,187	2,140
Publication fees	-	714
Transaction charges	12,498	13,740
Safe custody fees	9,266	6,293
Overdraft interest	1,606	-
	<u>26,557</u>	<u>22,887</u>
Total expenses	<u><u>183,130</u></u>	<u><u>111,288</u></u>

Notes to the financial statements (continued)

as at 30 April 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Corporation tax	97,413	21,148
Double tax relief	(50,990)	(20,707)
Overseas withholding tax	69,395	21,407
Current period tax charge (note 5b)	<u>115,818</u>	<u>21,848</u>
(Decrease) / increase in deferred taxation during the period (note 5c)	<u>(8,206)</u>	<u>5,725</u>
 Total tax for period	 <u><u>107,612</u></u>	 <u><u>27,573</u></u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>452,929</u>	<u>121,321</u>
 Corporation tax @ 20%	 90,586	 24,264
Tax effect of:		
Transaction charges (not deductible for tax purposes)	2,500	2,748
Timing differences on income	7,960	(5,725)
Overseas withholding tax	65,762	21,268
Double tax relief	(50,990)	(20,707)
Current period tax charge (note 5a)	<u>115,818</u>	<u>21,848</u>
c. Deferred tax		
Deferred tax position at the start of the period	23,236	885
Deferred tax charge in Statement of total return for the period	(8,206)	5,725
Deferred tax position at the end of the period	<u>15,030</u>	<u>6,610</u>
 Timing differences on UK tax	 14,186	 4,443
Timing differences on overseas tax	844	2,167
Provision for deferred tax	<u>15,030</u>	<u>6,610</u>
6. Distributions		
Reconciliation between net income and distributions:	2005	2004
	£	£
Net income after taxation per Statement of total return	345,317	93,748
Add:		
Undistributed income brought forward	12	7
Expenses paid from capital	12,498	13,740
Deduct:		
Undistributed income carried forward	(13)	(10)
Total distribution per Statement of total return	<u>357,814</u>	<u>107,485</u>

Details of the distribution per share are set out in the table on page 92.

Notes to the financial statements (continued)

as at 30 April 2005

7. Debtors	30 April 2005	31 October 2004
	£	£
Amounts receivable on the issue of shares	90,922	55,408
Sales awaiting settlement	539,923	301,523
Accrued income	72,644	119,505
Sundry debtor	71	-
	<u>703,560</u>	<u>476,436</u>

8. Cash and bank balances	30 April 2005	31 October 2004
	£	£
Cash and bank balances	<u>1,204,851</u>	<u>1,013,333</u>

As at 30 April 2005, the weighted average of the floating interest rate on bank balances was 2.87% (31 October 2004 - 2.07%).

Bank overdraft	<u>-</u>	<u>69,802</u>
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As at 30 April 2005, the weighted average of the floating interest rate on bank overdraft balances was nil (31 October 2004 - nil).

9. Creditors	30 April 2005	31 October 2004
	£	£
Amounts payable on redemption of shares	106,843	77,260
Purchases awaiting settlement	191,221	485,383
Accrued expenses	33,214	30,840
Corporation tax payable	87,936	41,512
Deferred tax	15,030	23,236
	<u>434,244</u>	<u>658,231</u>

10. Stocklending

The total value of securities on loan at the balance sheet date was £424,404. Collateral of £447,563 held in the form of German Government Bonds is held by Bank of New York

11. Derivatives and other financial instruments

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

a) Market price risk

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

b) Interest rate risk

The majority of the sub-fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

Notes to the financial statements (continued)

as at 30 April 2005

11. Derivatives and other financial instruments (continued)

c) Liquidity risk

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

d) Foreign currency risk

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

Currency exposure:

	30 April 2005	31 October 2004
	£	£
Net assets denominated in Taiwanese Dollars:		
Investments	7,209,545	5,157,122
Cash and bank balances	406,162	-
Bank overdraft	-	(69,802)
Sales awaiting settlement	-	12,834
Other net assets	-	105,606
	<u>7,615,707</u>	<u>5,205,760</u>
Net assets denominated in Malaysian Ringitts:		
Investments	1,768,225	2,174,368
Cash and bank balances	-	445,494
Other net assets	2,236	3,117
	<u>1,770,461</u>	<u>2,622,979</u>
Net assets denominated in Australian Dollars:		
Investments	13,659,847	9,730,409
Sales awaiting settlement	-	158,883
Purchases awaiting settlement	-	(158,883)
Other net assets	-	4,942
	<u>13,659,847</u>	<u>9,735,351</u>
Net assets denominated in Hong Kong Dollars:		
Investments	8,438,863	5,717,867
Sales awaiting settlement	-	129,806
Purchases awaiting settlement	-	(161,074)
Other net assets	48,937	1,767
	<u>8,487,800</u>	<u>5,688,366</u>
Net assets denominated in Korean Won:		
Investments	6,650,974	3,809,333
Sales awaiting settlement	240,053	-
	<u>6,891,027</u>	<u>3,809,333</u>
Net assets denominated in other foreign currencies*:		
Investments	6,949,320	4,704,156
Sales awaiting settlement	299,870	-
Purchases awaiting settlement	(191,221)	-
Other net assets	21,471	4,074
	<u>7,079,440</u>	<u>4,708,230</u>

Notes to the financial statements (continued)*as at 30 April 2005***11. Derivatives and other financial instruments (continued)**

	30 April 2005 £	31 October 2004 £
Net assets denominated in Sterling:		
Cash and bank balances	798,689	567,838
Purchases awaiting settlement	-	(165,426)
Other net liabilities	(152,030)	(117,440)
	<u>646,659</u>	<u>284,972</u>
 Total net assets	 <u>46,150,941</u>	 <u>32,054,991</u>

* each individual foreign currency included within 'others' above amounts to less than 5% (31 October 2004 - 4%) of the net asset value of the sub-fund.

Distribution table (unaudited)*for the six months ended 30 April 2005***Interim distribution in pence per share**

	Net Income	Distribution Payable 2005	Distribution Paid 2004
Accumulation A shares	1.2158	1.2158	0.8166
Accumulation B shares	2.0188	2.0188	0.8663
Accumulation D shares	1.5415	1.5415	0.7425

Corporate shareholders

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

Accumulation distributions

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

Sterling Bond Fund

Interim Report and Financial Statements for the six months ended 30 April 2005

Investment objective and policy

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

Investment adviser

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

Review of investment activities

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

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

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

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

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

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

John Kelly
Fund Manager
June 2005

Comparative table

Number of shares in issue	30.04.05	31.10.04	31.10.03	31.10.02
A shares	210,888,900	192,420,500	168,865,800	97,035,400
B shares	61,611	246,446	246,446	246,446
C shares	-	-	-	32,988

Net Asset Value (NAV)	£	£	£	£
Total NAV of sub-fund	398,476,539	353,723,823	293,079,407	162,870,779
NAV attributable to A shareholders	398,359,979	353,270,159	292,652,304	162,402,653
NAV attributable to B shareholders	116,560	453,664	427,103	412,469
NAV attributable to C shareholders	-	-	-	55,657

Net asset value per share	p	p	p	p
A shares	188.9	183.6	173.3	167.4
B shares	189.2	184.1	173.3	167.4
C Shares	-	-	-	168.7

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	150.4	149.4
2000	B shares	-	150.4	149.4
2001	A shares	4.5854	162.7	147.7
2001	B shares	-	162.7	147.7
2002	A shares	4.6918	170.6	157.0
2002	B shares	6.2630	170.6	157.0
2002	C shares	0.9454	172.4	159.5
2003	A shares	5.7617	181.2	166.6
2003	B shares	6.6150	181.2	166.6
2003	C shares	1.2392	183.9	168.2
2004	A shares	6.4172	189.4	173.6
2004	B shares	6.6673	189.7	173.9
2005*	A shares	3.2405	191.5	186.5
2005*	B shares	9.2638	191.8	186.9

* To 30 April 2005

Statement of total return (unaudited)*for the six months ended 30 April 2005*

	Notes	2005		2004	
		£	£	£	£
Net gains / (losses) on investments during the period	1		2,512,943		(2,400,644)
Other gains	2		688,385		581,419
Gross income	3	10,482,118		8,990,220	
Expenses	4	(1,935,234)		(1,653,716)	
Net income before taxation		<u>8,546,884</u>		<u>7,336,504</u>	
Taxation	5	(4,844)		-	
Net income after taxation			<u>8,542,040</u>		<u>7,336,504</u>
Total return for the period			11,743,368		5,517,279
Distributions	6		(8,549,452)		(7,356,928)
Net increase / (decrease) in shareholders' funds from investment activities			<u>3,193,916</u>		<u>(1,839,649)</u>

Statement of movements in shareholders' funds (unaudited)*for the six months ended 30 April 2005*

	2005	
	£	£
Net assets at the start of the period		353,723,823
Movement due to sales / repurchases of shares:		
Amounts receivable on issue of shares	35,491,424	
Less: Amounts payable on redemption of shares	<u>(1,124,851)</u>	
		34,366,573
Dilution levy		352,665
Net increase in shareholders' funds from investment activities (see above)		3,193,916
Retained distribution on accumulation shares		6,839,562
Net assets at the end of the period		<u>398,476,539</u>

Portfolio statement (unaudited)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
UK Government 18.28% (17.17%)				
Treasury 4% 2009	£ 2,910,000	2,857,911	0.72	AAA
Treasury 4.25% 2032	£ 3,954,000	3,818,026	0.96	AAA
Treasury 4.25% 2036	£ 878,000	847,471	0.21	AAA
Treasury 4.5% 2007	£ 10,500,000	10,495,957	2.63	AAA
Treasury 4.75% 2015	£ 5,185,000	5,270,703	1.32	AAA
Treasury 5% 2012	£ 570,000	585,355	0.15	AAA
Treasury 5% 2014	£ 12,619,663	13,052,215	3.28	AAA
Treasury 5% 2025	£ 1,178,000	1,251,942	0.31	AAA
Treasury 5.75% 2009	£ 7,000,000	7,354,011	1.85	AAA
Treasury 6% 2028	£ 9,058,000	11,045,543	2.77	AAA
Treasury 7.25% 2007	£ 70,000	74,632	0.02	AAA
Treasury 7.5% 2006	£ 70,000	73,169	0.02	AAA
Treasury 8% 2021	£ 3,487,000	4,849,856	1.22	AAA
Treasury 8.5% 2005	£ 885,000	905,360	0.23	AAA
Treasury 8.75% 2017	£ 900,000	1,252,684	0.31	AAA
Treasury 9% 2011	£ 6,700,000	8,303,035	2.08	AAA
Treasury 4.75% 2020	£ 431,000	440,178	0.11	Unrated
Treasury Principal Strip 0% 2032	£ 1,150,000	351,670	0.09	Unrated
		72,829,718	18.28	
Foreign Government 6.58% (3.75%)				
Bundesobligation 3.25% 2009	€ 280,000	193,979	0.05	AAA
Bundesobligation 4.5% 2007	€ 2,938,000	2,086,195	0.52	AAA
Canada Government International Bond 0.7% 2006	JPY 63,000,000	315,415	0.08	AAA
Deutsche Bundesrepublik 3.75% 2013	€ 76,000	53,280	0.01	AAA
Deutsche Bundesrepublik 4% 2037	€ 1,356,000	925,268	0.23	AAA
Deutsche Bundesrepublik 4.75% 2034	€ 1,465,000	1,124,565	0.28	AAA
Deutsche Bundesrepublik 5.25% 2011	€ 3,350,000	2,543,609	0.64	AAA
Deutsche Bundesrepublik 5.5% 2031	€ 5,121,000	4,323,376	1.08	AAA
Norway Government Bond 5% 2015	NOK 4,560,000	416,691	0.10	AAA
Norway Government Bond 6.5% 2013	NOK 11,560,000	1,152,201	0.29	AAA
Sweden Government Bond 3.5% 2028	SEK 3,600,000	398,403	0.10	AAA
United States Treasury Inflation Indexed Bonds 3.375% 2007	\$ 2,880,000	1,584,120	0.40	AAA
United States Treasury Inflation Indexed Bonds 3.875% 2029	\$ 1,020,000	861,737	0.22	AAA
Australia Government Bond 6.25% 2015	AUD 4,580,000	2,001,357	0.50	Aaa*
United States Treasury 4% 2015	\$ 1,739,000	897,156	0.23	Aaa*
Hungary Government International Bond 5.5% 2014	£ 421,000	432,342	0.11	A-
Bulgaria Government International Bond 8.25% 2015	\$ 440,000	284,815	0.07	BBB
Russia Government International Bond 5% 2030	\$ 2,080,000	1,154,226	0.29	BBB
Bulgaria Government International Bond 8.25% 2015	\$ 120,000	77,589	0.02	BBB-
Mexico Government International Bond 6.75% 2024	£ 1,998,000	2,013,734	0.51	BBB-
Colombia Government International Bond 10.5% 2010	\$ 150,000	88,376	0.02	BB
Colombia Government International Bond 11.75% 2020	\$ 200,000	127,092	0.03	BB
Panama Government International Bond 10.75% 2020	\$ 180,000	123,340	0.03	BB
Panama Government International Bond 9.375% 2023	\$ 20,000	12,368	0.00	BB
Panama Government International Bond 9.625% 2011	\$ 140,000	86,036	0.02	BB
Peru Government International Bond 5% 2017	\$ 260,000	109,610	0.03	BB
Peru Government International Bond 5% 2017	\$ 50,000	21,079	0.01	BB
Peru Government International Bond 8.75% 2033	\$ 170,000	94,025	0.02	BB
Brazilian Government International Bond 4.3125% 2012	\$ 220,000	108,078	0.03	BB-
Brazilian Government International Bond 8% 2014	\$ 490,000	269,821	0.07	BB-
Brazilian Government International Bond 8.875% 2019	\$ 90,000	46,483	0.01	BB-
Brazilian Government International Bond 10.125% 2027	\$ 380,000	214,396	0.05	BB-
Brazilian Government International Bond 11% 2040	\$ 170,000	100,693	0.03	BB-
Brazilian Government International Bond 14.5% 2009	\$ 600,000	401,281	0.10	BB-
France Government Bond OAT Principal Strip 0% 2032	€ 7,222,500	1,581,318	0.40	Unrated
		26,224,054	6.58	

Portfolio statement (continued)
as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds 67.64% (74.87%)				
Anglian Water Services Financing 5.837% 2022	£ 771,000	826,725	0.21	AAA
Annes Gate Property 5.661% 2031	£ 500,000	552,660	0.14	AAA
ASIF II 5.625% 2012	£ 678,000	692,095	0.17	AAA
Autolink Concessionaires 8.39% 2022	£ 300,000	383,320	0.10	AAA
Bank Nederlandse Gemeenten 7.375% 2007	£ 1,300,000	1,369,355	0.34	AAA
British Broadcasting Corporation 5.0636% 2033	£ 1,950,000	1,949,603	0.49	AAA
Broadgate Financing 4.821% 2033	£ 1,090,000	1,056,448	0.27	AAA
Broadgate Financing 4.949% 2029	£ 860,000	846,322	0.21	AAA
Canary Wharf Finance II 6.455% 2030	£ 4,315,000	4,913,007	1.23	AAA
Care Homes No 3 6.125% 2028	£ 500,000	576,629	0.14	AAA
Chester Asset Receivables Dealings No 12 6% 2013	£ 1,600,000	1,670,662	0.42	AAA
Compagnie de Financement Foncier 0.4% 2006	JPY 252,000,000	1,260,721	0.32	AAA
Connect M77 5.404% 2034	£ 466,000	486,406	0.12	AAA
Craegmoor Funding 2 5.321% 2018	£ 370,000	379,977	0.10	AAA
Cumbernauld Funding 5.2% 2007	£ 187,000	188,063	0.05	AAA
Depfa ACS Bank 4.875% 2008	£ 820,000	820,075	0.21	AAA
Derby Healthcare 5.564% 2041	£ 1,200,000	1,289,035	0.32	AAA
Dexia Municipal Agency 4.875% 2008	£ 1,000,000	1,000,331	0.25	AAA
Dwr Cymru Financing 6.015% 2028	£ 1,500,000	1,682,574	0.42	AAA
Equity Release Funding 5.7% 2031	£ 1,345,000	1,449,133	0.36	AAA
Equity Release Funding 5.88% 2032	£ 1,034,000	1,139,249	0.29	AAA
European Investment Bank 4.5% 2013	£ 1,500,000	1,471,168	0.36	AAA
European Investment Bank 5.625% 2032	£ 1,750,000	1,981,497	0.50	AAA
European Investment Bank 6.25% 2014	£ 325,000	358,432	0.09	AAA
Exchequer Partnership 5.396% 2036	£ 500,000	520,431	0.13	AAA
Fixed-Link Finance 2 5.78% 2028	£ 1,100,000	1,128,194	0.28	AAA
GE Capital UK Funding 4.75% 2010	£ 1,140,000	1,126,529	0.28	AAA
GE Capital UK Funding 5.125% 2015	£ 550,000	546,856	0.14	AAA
General Electric Capital 1.4% 2006	JPY 190,000,000	964,299	0.24	AAA
General Electric Capital 5.75% 2005	£ 300,000	300,144	0.08	AAA
General Electric Capital 6.125% 2012	£ 383,000	405,988	0.10	AAA
General Electric Capital 6.25% 2017	£ 94,000	102,851	0.03	AAA
General Electric Capital 6.44% 2022	£ 538,000	571,485	0.14	AAA
GHG Finance 5.941% 2018	£ 230,000	248,292	0.06	AAA
Holmes Financing 6.62% 2013	£ 1,000,000	1,074,633	0.27	AAA
Hoteloc 5.3575% 2007	£ 700,000	699,510	0.18	AAA
Housing Association Funding 8.25% 2027	£ 400,000	493,419	0.12	AAA
Juneau Investments 5.9% 2021	£ 534,000	574,581	0.14	AAA
KFW International Finance 5.375% 2011	£ 1,000,000	1,031,313	0.26	AAA
Kreditanstalt fuer Wiederaufbau 4.5% 2008	£ 290,000	287,168	0.07	AAA
Kreditanstalt fuer Wiederaufbau 4.75% 2010	£ 1,100,000	1,096,478	0.28	AAA
Kreditanstalt fuer Wiederaufbau 5.5% 2015	£ 1,450,000	1,528,919	0.38	AAA
Kreditanstalt fuer Wiederaufbau 5.5% 2025	£ 1,265,000	1,375,752	0.35	AAA
Kreditanstalt fuer Wiederaufbau 5.625% 2017	£ 1,400,000	1,500,591	0.38	AAA
Landwirtschaftliche Rentenbank 5.375% 2008	£ 1,129,000	1,146,895	0.29	AAA
Lunar Funding I 5.75% 2033	£ 700,000	772,457	0.19	AAA
Meadowhall CMR Finance 5.26% 2035	£ 1,215,000	1,247,843	0.31	AAA
Metronet Rail BCV Finance 5.305% 2032	£ 1,170,000	1,195,254	0.30	AAA
Mitchells & Butlers Finance 5.574% 2030	£ 1,701,000	1,667,927	0.42	AAA
National Air Traffic Services 5.25% 2026	£ 1,078,000	1,092,229	0.27	AAA
Network Rail Infrastructure Finance 4.875% 2015	£ 575,000	577,099	0.14	AAA

Portfolio statement (continued)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Network Rail MTN Finance 4.875% 2009	£ 1,500,000	1,504,446	0.38	AAA
Octagon Healthcare Funding 5.333% 2035	£ 1,440,000	1,485,995	0.37	AAA
Permanent Financing 5.521% 2042	£ 940,000	962,212	0.24	AAA
Punch Taverns Finance 6.82% 2020	£ 600,000	685,670	0.17	AAA
RMPA Services 5.337% 2038	£ 1,390,000	1,435,860	0.36	AAA
Romulus Finance 5.441% 2023	£ 509,000	525,388	0.13	AAA
Slough Estates 7% 2022	£ 103,000	116,033	0.03	AAA
South East Water 5.5834% 2029	£ 360,000	383,575	0.10	AAA
South East Water 5.6577% 2019	£ 1,550,000	1,627,777	0.41	AAA
Southern Water Services Finance 6.192% 2029	£ 1,469,000	1,682,510	0.42	AAA
Spirit Issuer 5.472% 2034	£ 700,000	741,825	0.19	AAA
Spirit Issuer 5.86% 2021	£ 264,000	280,087	0.07	AAA
Summit Finance 6.484% 2028	£ 151,000	160,594	0.04	AAA
Telereal Securitisation 5.3887% 2033	£ 2,250,000	2,317,705	0.58	AAA
Telereal Securitisation 5.5534% 2031	£ 715,000	752,750	0.19	AAA
Toyota Finance Australia 5.25% 2007	£ 550,000	555,427	0.14	AAA
Trafford Centre Finance 6.5% 2033	£ 390,000	461,412	0.12	AAA
White City Property Finance 5.1202% 2035	£ 1,080,000	1,091,945	0.27	AAA
Freshwater Finance 5.182% 2035	£ 1,585,000	1,708,297	0.43	AAA
Metronet Rail SSL Finance 5.309% 2032	£ 480,000	489,865	0.12	AAA
Yorkshire Electric 5.125% 2035	£ 1,600,000	1,605,584	0.40	AAA
Aire Valley Mortgages 5.15875% 2034	£ 320,000	320,448	0.08	Aaa*
GE Capital UK Funding 5.625% 2014	£ 820,000	850,002	0.21	Aaa*
John Hancock Global Funding II 6% 2011	£ 800,000	835,412	0.21	AA+
Allstate Life Funding 6.375% 2011	£ 1,148,000	1,215,608	0.31	AA
Broadgate Financing 4.999% 2031	£ 1,935,000	1,900,044	0.48	AA
Canary Wharf Finance 7.425% 2027	£ 130,000	152,475	0.04	AA
ENI Coordination Center 5.25% 2007	£ 790,000	795,173	0.20	AA
Metropolitan Life Global Funding I 5.25% 2008	£ 900,000	903,173	0.23	AA
Monumental Global Funding 5.75% 2007	£ 200,000	202,606	0.05	AA
Pacific Life Funding 6.25% 2011	£ 753,000	792,436	0.20	AA
Rabobank Capital Funding 5.556% Perpetual	£ 384,000	389,729	0.10	AA
SBC Jersey 8.75% 2005	£ 600,000	603,000	0.15	AA
Telereal Securitisation 5.9478% 2033	£ 200,000	216,620	0.05	AA
Total Capital 4.875% 2010	£ 855,000	853,400	0.21	AA
Trafford Centre Finance 7.03% 2029	£ 100,000	114,487	0.03	AA
Travelers Insurance Co Institutional Funding 5.75% 2011	£ 659,000	680,398	0.17	AA
Travelers Insurance Co Institutional Funding 6.125% 2011	£ 650,000	681,182	0.17	AA
Wal-Mart Stores 5.25% 2035	£ 650,000	659,604	0.17	AA
Royal Bank of Scotland 5.5% Perpetual	£ 1,575,000	1,574,042	0.39	Aa2*
ABN Amro Bank 4.875% 2010	£ 852,000	848,168	0.21	AA-
Australia & New Zealand Banking Group 4.875% 2008	£ 700,000	698,261	0.18	AA-
Bank of Scotland 6.375% 2019	£ 283,000	312,203	0.08	AA-
Bank of Scotland 7.375% Perpetual	£ 300,000	361,813	0.09	AA-
BBC Pacific Quay Finance 5.5653% 2034	£ 430,000	453,084	0.11	AA-
Citigroup 5.5% 2015	£ 880,000	899,076	0.23	AA-
Development Bank of Japan 2.875% 2006	JPY 40,000,000	208,285	0.05	AA-
E.ON International Finance 6.375% 2032	£ 2,713,000	3,096,833	0.78	AA-
Electricite de France 5.25% 2007	£ 840,000	844,368	0.21	AA-
Electricite de France 5.875% 2031	£ 674,000	714,240	0.18	AA-
Halifax 11% 2014	£ 550,000	767,352	0.19	AA-

Portfolio statement (continued)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Halifax 9.375% 2021	£ 380,000	542,855	0.14	AA
Harbour Funding 5.28% 2044	£ 640,000	651,593	0.16	AA
JPMorgan Fleming Mercantile Investment Trust 6.125% 2030	£ 38,000	40,953	0.01	AA
Legal & General Finance 5.875% 2031	£ 364,000	390,493	0.10	AA
Lloyds TSB Bank 5.75% 2025	£ 860,000	898,872	0.23	AA
Nationwide Life Global Funding I 6.25% 2011	£ 600,000	633,860	0.16	AA
North British Housing 5.09% 2043	£ 330,000	325,809	0.08	AA
Royal Bank of Scotland 9.625% 2015	£ 200,000	268,193	0.07	AA
Scottish & Southern Energy 5.875% 2022	£ 400,000	422,555	0.11	AA
Scottish & Southern Energy 7.875% 2007	£ 350,000	367,705	0.09	AA
Westpac Banking 5.875% 2018	£ 260,000	270,782	0.07	AA
Annington Repackaging No 1 5.3236% 2023	£ 300,000	301,936	0.08	Aa3*
Aviva 8.625% 2005	£ 500,000	506,875	0.13	Aa3*
Bank of Scotland 10.25% Perpetual	£ 200,000	273,425	0.07	Aa3*
Bank of Scotland 8.625% Perpetual	£ 200,000	243,144	0.06	Aa3*
Goldman Sachs Group 5.25% 2015	£ 2,650,000	2,604,613	0.65	Aa3*
3i Group 6.875% 2007	£ 380,000	395,841	0.10	A+
Alliance & Leicester 4.25% 2008	£ 390,000	380,213	0.10	A+
Alliance & Leicester 5.5% 2007	£ 868,000	878,259	0.22	A+
American Express Credit 5.5% 2007	£ 1,940,000	1,956,818	0.49	A+
American General Finance 5.625% 2010	£ 1,500,000	1,512,238	0.38	A+
Angel Trains Finance 5.25% 2008	£ 865,000	871,189	0.22	A+
Australia & New Zealand Banking Group 4.75% 2018	£ 100,000	96,656	0.02	A+
Australia & New Zealand Banking Group 5.625% 2015	£ 130,000	132,784	0.03	A+
BAA 5.75% 2013	£ 750,000	775,136	0.19	A+
BAA 5.75% 2031	£ 410,000	428,278	0.11	A+
Barclays Bank 6.125% Perpetual	£ 405,000	438,772	0.11	A+
Barclays Bank 6.375% Perpetual	£ 700,000	755,880	0.19	A+
Barclays Bank 6.875% Perpetual	£ 1,550,000	1,726,483	0.43	A+
Barclays Bank 7.125% Perpetual	£ 1,375,000	1,608,526	0.40	A+
Bradford & Bingley 5% 2007	£ 1,895,000	1,892,463	0.47	A+
Carrefour 5.375% 2012	£ 540,000	544,245	0.14	A+
Citigroup 5.125% 2018	£ 755,000	737,764	0.19	A+
Clerical Medical Finance 7.375% Perpetual	£ 850,000	979,531	0.25	A+
Credit Agricole 5% Perpetual	£ 550,000	527,356	0.13	A+
Delamare Finance 5.5457% 2029	£ 570,000	593,047	0.15	A+
Deutsche Bank 5.25% 2015	£ 366,000	367,857	0.09	A+
HSBC Bank 5.375% 2030	£ 3,100,000	3,108,881	0.78	A+
HSBC Bank 5.375% 2033	£ 1,400,000	1,406,346	0.35	A+
HSBC Bank 5.75% 2017	£ 300,000	309,512	0.08	A+
HSBC Bank 9% 2005	£ 200,000	204,144	0.05	A+
Lloyds TSB Bank 5.125% Perpetual	£ 1,345,000	1,305,738	0.33	A+
Lloyds TSB Bank 6.5% Perpetual	£ 188,000	206,123	0.05	A+
Lloyds TSB Bank 6.625% Perpetual	£ 600,000	637,319	0.16	A+
Lloyds TSB Group 6% Perpetual	£ 570,000	606,038	0.15	A+
Mellon Funding 6.375% 2011	£ 281,000	299,181	0.08	A+
Morgan Stanley 5.375% 2013	£ 400,000	400,009	0.10	A+
National Westminster Bank 7.625% Perpetual	£ 598,000	656,464	0.16	A+
Nationwide Building Society 5.625% 2007	£ 670,000	679,925	0.17	A+
Royal Bank of Scotland 5.125% Perpetual	£ 1,496,000	1,454,212	0.36	A+
Royal Bank of Scotland 5.625% Perpetual	£ 1,350,000	1,362,770	0.34	A+
Royal Bank of Scotland 5.625% Perpetual	£ 850,000	859,514	0.22	A+
Royal Bank of Scotland 6% Perpetual	£ 2,220,000	2,318,184	0.58	A+

Portfolio statement (continued)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Royal Bank of Scotland 6.2% Perpetual	£ 475,000	509,266	0.13	A+
Royal Bank of Scotland 6.25% Perpetual	£ 660,000	697,085	0.17	A+
Royal Bank of Scotland 7.375% Perpetual	£ 200,000	219,658	0.06	A+
RWE Finance 4.625% 2010	£ 245,000	239,188	0.06	A+
RWE Finance 5.625% 2023	£ 880,000	892,412	0.22	A+
RWE Finance 6.25% 2030	£ 580,000	636,935	0.16	A+
RWE Finance 6.375% 2013	£ 295,000	315,531	0.08	A+
Societe Generale 5.4% 2018	£ 468,000	472,983	0.12	A+
Telstra 6.125% 2014	£ 409,000	432,773	0.11	A+
Tesco 5.125% 2009	£ 75,000	75,390	0.02	A+
Bear Stearns 5.125% 2010	£ 950,000	945,739	0.24	A1*
BMW US Capital 4.625% 2006	£ 740,000	735,533	0.18	A1*
Abbey National Sterling Capital 11.5% 2017	£ 400,000	610,946	0.15	A
Allied Irish Banks 5.25% 2025	£ 1,880,000	1,839,736	0.46	A
American Express Credit 5.625% 2009	£ 1,810,000	1,837,740	0.46	A
Bank of Western Australia 9% 2006	£ 350,000	370,874	0.09	A
Canary Wharf Finance 7.75% 2027	£ 400,000	580,996	0.15	A
Coca-Cola Enterprises 4.125% 2006	£ 350,000	347,016	0.09	A
Corp Andina de Fomento 7.625% 2010	£ 469,000	517,445	0.13	A
Danske Bank 5.375% 2021	£ 382,000	380,520	0.10	A
EDF Energy Networks 5.75% 2024	£ 452,000	467,234	0.12	A
Grand Metropolitan Finance 9% 2005	£ 150,000	150,397	0.04	A
Halifax 7.5% Perpetual	£ 950,000	1,099,945	0.28	A
HBOS 5.625% Perpetual	£ 2,660,000	2,669,451	0.67	A
HBOS 5.75% Perpetual	£ 1,235,000	1,258,985	0.32	A
HBOS 5.75% Perpetual	£ 1,120,000	1,138,423	0.29	A
HBOS Capital Funding 6.461% Perpetual	£ 760,000	815,277	0.20	A
HFC Bank 7% 2015	£ 84,000	95,423	0.02	A
Household Finance 6.125% 2010	£ 200,000	207,831	0.05	A
Household Finance 7% 2012	£ 470,000	516,023	0.13	A
HSBC Bank Funding 5.844% Perpetual	£ 445,000	451,667	0.11	A
HSBC Holdings 5.75% 2027	£ 60,000	63,281	0.02	A
International Endesa 6.125% 2012	£ 400,000	417,946	0.10	A
Legal & General Group 5.875% Perpetual	£ 230,000	233,543	0.06	A
Metliffe 5.375% 2024	£ 500,000	487,990	0.12	A
Mitchells & Butlers Finance 5.965% 2025	£ 120,000	120,856	0.03	A
Mitchells & Butlers Finance 6.013% 2028	£ 227,000	247,262	0.06	A
National Grid 6.5% 2028	£ 1,244,000	1,409,367	0.35	A
Pubmaster Finance 5.943% 2024	£ 355,000	379,980	0.10	A
Pubmaster Finance 7.369% 2022	£ 379,000	447,448	0.11	A
Sanpaolo IMI 5.625% 2024	£ 177,000	181,228	0.05	A
Severn Trent Water Utilities Finance 6.125% 2024	£ 213,000	229,975	0.06	A
Svenska Handelsbanken 6.125% Perpetual	£ 212,000	218,852	0.05	A
TCNZ Finance 5.625% 2018	£ 114,000	115,950	0.03	A
TCNZ Finance 6.125% 2008	£ 212,000	218,860	0.05	A
THPA Finance 7.127% 2024	£ 650,000	738,831	0.19	A
Transco 5.375% 2009	£ 165,000	167,103	0.04	A
Transco 6.125% 2006	£ 405,000	411,379	0.10	A
UK Hospitals No 1 6.254% 2022	£ 900,000	830,371	0.21	A
Unique Pub Finance 5.659% 2027	£ 170,000	177,420	0.04	A
Unique Pub Finance 6.542% 2021	£ 600,000	670,063	0.17	A
West Coast Train Finance 6% 2015	£ 400,000	342,413	0.09	A
Anglo Irish Bank 5% 2007	£ 1,700,000	1,700,263	0.43	A2*
Bradford & Bingley 5.625% Perpetual	£ 775,000	774,183	0.19	A2*

Portfolio statement (continued)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Bradford & Bingley 6% Perpetual	£ 220,000	225,278	0.06	A2*
Bradford & Bingley 7.625% 2010	£ 310,000	339,252	0.09	A2*
Nationwide Building Society 7.971% Perpetual	£ 300,000	354,358	0.09	A2*
Tussauds Finance 7.078% 2020	£ 300,000	344,632	0.09	A2*
Abbey National 6.984% Perpetual	£ 64,000	71,659	0.02	A-
Abbey National 7.037% Perpetual	£ 232,000	267,294	0.07	A-
Abbey National 7.5% Perpetual	£ 1,140,000	1,317,343	0.33	A-
Alliance & Leicester 5.827% Perpetual	£ 538,000	546,060	0.14	A-
Allied Irish Banks 5.625% 2030	£ 1,374,000	1,404,146	0.35	A-
Anglian Water Services Financing 5.25% 2015	£ 440,000	435,064	0.11	A-
Anglian Water Services Financing 6.293% 2030	£ 90,000	99,551	0.02	A-
Annington Finance No 4 6.5676% 2023	£ 990,000	1,067,203	0.27	A-
Aviva 6.125% 2036	£ 500,000	523,864	0.13	A-
Aviva 6.125% Perpetual	£ 1,230,000	1,262,156	0.32	A-
AWG 6.875% 2023	£ 597,000	692,836	0.17	A-
Bank of Ireland UK Holdings 6.25% Perpetual	£ 610,000	642,255	0.16	A-
Birmingham Airport Finance 6.25% 2021	£ 500,000	528,229	0.13	A-
British Telecommunications 5.75% 2028	£ 93,000	91,720	0.02	A-
British Telecommunications 7.375% 2006	£ 650,000	672,311	0.17	A-
British Telecommunications 7.75% 2016	£ 481,000	562,877	0.14	A-
British Telecommunications 8.625% 2020	£ 420,000	535,683	0.13	A-
Deutsche Telekom International Finance 7.125% 2012	£ 1,785,000	1,969,505	0.49	A-
Deutsche Telekom International Finance 7.625% 2005	£ 1,500,000	1,504,158	0.38	A-
Deutsche Telekom International Finance 7.625% 2030	£ 150,000	186,388	0.05	A-
Dwr Cymru Financing 6.907% 2021	£ 805,000	926,886	0.23	A-
France Telecom 5.625% 2034	£ 235,000	233,373	0.06	A-
France Telecom 7% 2005	£ 1,100,000	1,109,200	0.28	A-
France Telecom 7.25% 2020	£ 902,000	1,057,836	0.27	A-
France Telecom 7.75% 2011	£ 1,019,000	1,140,041	0.29	A-
France Telecom 8% 2017	£ 310,000	378,658	0.09	A-
Friends Provident 6.875% Perpetual	£ 365,000	391,982	0.10	A-
HSBC Capital Funding 8.208% Perpetual	£ 189,000	226,379	0.06	A-
Hutchison Ports UK Finance 6.75% 2015	£ 910,000	984,625	0.25	A-
KBC Bank 6.202% Perpetual	£ 610,000	637,459	0.16	A-
Munich Re Finance 7.625% 2028	£ 460,000	521,011	0.13	A-
National Capital Trust I 5.62% Perpetual	£ 452,000	449,388	0.11	A-
Nationwide Building Society 5.769% Perpetual	£ 330,000	329,118	0.08	A-
Nordea Bank Finland 6.25% Perpetual	£ 154,000	163,202	0.04	A-
Saint-Gobain Nederland 6.25% 2008	£ 640,000	659,078	0.17	A-
SL Finance 6.75% Perpetual	£ 623,000	664,792	0.17	A-
SL MACS 6.546% Perpetual	£ 720,000	731,706	0.18	A-
Southern Water Services Finance 6.64% 2026	£ 463,000	536,872	0.13	A-
Telereal Securitisation 6.1645% 2033	£ 1,190,000	1,220,706	0.31	A-
TI Group 7.875% 2010	£ 110,000	122,373	0.03	A-
Transco Holdings 7% 2024	£ 500,000	584,738	0.15	A-
United Utilities Water 5.625% 2027	£ 494,000	504,653	0.13	A-
Zurich Finance UK 6.625% Perpetual	£ 420,000	439,086	0.11	A-
Commerzbank 7.875% 2007	£ 750,000	797,394	0.20	A3*
Countrywide Home Loans 5.875% 2008	£ 240,000	244,155	0.06	A3*
EGG Banking 5.125% 2007	£ 1,300,000	1,294,712	0.32	A3*
Irish Nationwide Building Society 5.875% 2008	£ 720,000	736,688	0.18	A3*
Kaupthing Bank 5.901% Perpetual	€ 160,000	122,687	0.03	A3*
Volvo Treasury 5.25% 2006	£ 375,000	376,214	0.09	A3*

Portfolio statement (continued)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Rentokil Initial 6.125% 2008	£ 578,000	586,950	0.15	BBB+
Safeway 6% 2017	£ 203,000	206,001	0.05	BBB+
Anglo Irish Asset Finance 7.625% Perpetual	£ 427,000	520,024	0.13	Baa*
Banco Bradesco 8% 2014	€ 100,000	72,351	0.02	Baa*
BUPA Finance 6.125% Perpetual	£ 1,233,000	1,225,563	0.31	Baa*
Co-Operative Bank 5.875% 2019	£ 425,000	432,559	0.11	Baa*
Hammerson 10.75% 2013	£ 480,000	647,103	0.16	Baa*
Investec Finance 5.25% 2008	£ 1,100,000	1,102,978	0.28	Baa*
Old Mutual 6.376% Perpetual	£ 256,000	256,431	0.06	Baa*
Tyco International Group 6.5% 2031	£ 168,000	179,934	0.05	Baa*
Chelsea Building Society 6.25% 2017	£ 375,000	392,716	0.10	Baa1*
Derbyshire Building Society 5.875% 2015	£ 590,000	602,976	0.15	Baa1*
Imperial Tobacco Canada 6.5% 2008	£ 1,050,000	1,088,700	0.27	Baa1*
Punch Taverns Finance 7.567% 2026	£ 360,000	433,949	0.11	Baa1*
Allied Domecq Financial Services 6.625% 2011	£ 430,000	433,310	0.11	BBB
American Standard 7.125% 2006	€ 150,000	106,239	0.03	BBB
Anglian Water Services Financing 5.5% 2040	£ 2,075,000	2,008,034	0.50	BBB
Anglian Water Services Financing 7.882% 2037	£ 1,100,000	1,237,359	0.31	BBB
Annington Finance No 4 8.07% 2023	£ 290,000	362,956	0.09	BBB
AXA 7.125% 2020	£ 291,000	329,347	0.08	BBB
BAT International Finance 5.75% 2013	£ 1,120,000	1,124,207	0.28	BBB
BAT International Finance 6.375% 2019	£ 429,000	444,607	0.11	BBB
Cadbury Schweppes Finance 4.875% 2010	£ 1,508,000	1,473,121	0.37	BBB
Capital One Multi-Asset Execution Trust 6.625% 2017	£ 100,000	107,957	0.03	BBB
Carlton Communications 5.625% 2009	£ 750,000	745,276	0.19	BBB
Compass Group 6.375% 2012	£ 590,000	611,081	0.15	BBB
Daily Mail & General Trust 10% 2021	£ 500,000	702,388	0.18	BBB
Daily Mail & General Trust 5.75% 2018	£ 480,000	471,329	0.12	BBB
Daily Mail & General Trust 7.5% 2013	£ 110,000	121,678	0.03	BBB
Daily Mail & General Trust 9.75% 2005	£ 400,000	406,880	0.10	BBB
Dignity Finance 8.151% 2030	£ 340,000	433,311	0.11	BBB
Emap 6.25% 2013	£ 1,060,000	1,092,883	0.27	BBB
Enterprise Inns 6.375% 2031	£ 900,000	934,224	0.23	BBB
Enterprise Inns 6.5% 2018	£ 1,055,000	1,102,160	0.28	BBB
Gallaher Group 6.625% 2009	£ 1,679,000	1,758,314	0.44	BBB
General Motors Acceptance 4.75% 2009	€ 499,000	291,735	0.07	BBB
General Motors Nova Scotia Finance 8.375% 2015	£ 209,000	153,972	0.04	BBB
GKN Holdings 6.75% 2019	£ 845,000	858,861	0.22	BBB
Greene King Finance 5.702% 2034	£ 1,330,000	1,273,385	0.32	BBB
Highbury Finance 7.017% 2023	£ 550,000	554,228	0.14	BBB
Hilton Group Finance 7.25% 2008	£ 600,000	632,215	0.16	BBB
ICI Investments Netherlands 7.625% 2007	£ 650,000	681,162	0.17	BBB
Imperial Tobacco Finance 6.25% 2018	£ 234,000	241,135	0.06	BBB
Imperial Tobacco Finance 6.875% 2012	£ 1,750,000	1,882,100	0.47	BBB
International Credit Recovery 4.479% 2011	€ 170,000	122,202	0.03	BBB
Investec Finance 7.75% 2016	£ 288,000	307,934	0.08	BBB
ISS Global 4.75% 2010	€ 149,000	94,093	0.02	BBB
Kingfisher 5.625% 2014	£ 435,000	429,060	0.11	BBB
Macquarie Capital Funding 6.177% Perpetual	£ 450,000	464,280	0.12	BBB
MBNA Credit Card Master Note Trust 6.1% 2013	£ 190,000	196,581	0.05	BBB
MBNA Europe Funding 6% 2010	£ 420,000	428,902	0.11	BBB
Next 5.25% 2013	£ 700,000	680,580	0.17	BBB
Northumbrian Water Finance 6% 2017	£ 381,000	398,326	0.10	BBB
Ondeo Services 6.875% 2023	£ 860,000	988,963	0.25	BBB

Portfolio statement (continued)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Ondeo Services 8.625% 2006	£ 1,600,000	1,659,781	0.42	BBB
Pearson 7% 2014	£ 443,000	485,249	0.12	BBB
Pemex Project Funding Master Trust 7.5% 2013	£ 1,420,000	1,505,051	0.38	BBB
Pubmaster Finance 6.962% 2028	£ 110,000	124,820	0.03	BBB
Rexam 7.125% 2009	£ 1,614,000	1,697,989	0.43	BBB
Royal & Sun Alliance Insurance Group 8.5% Perpetual	£ 191,000	214,963	0.05	BBB
Scottish & Newcastle 5.625% 2007	£ 1,000,000	1,005,941	0.25	BBB
Spirit Issuer 6.582% 2027	£ 800,000	835,481	0.21	BBB
Tate & Lyle International Finance 6.5% 2012	£ 1,300,000	1,356,637	0.34	BBB
Telecom Italia 5.25% 2055	€ 1,200,000	761,499	0.19	BBB
Telecom Italia 6.375% 2019	£ 2,200,000	2,331,787	0.59	BBB
THPA Finance 8.241% 2028	£ 1,100,000	1,404,689	0.35	BBB
Tomkins 8% 2011	£ 115,000	129,256	0.03	BBB
Tomkins Finance 6.125% 2015	£ 745,000	758,785	0.19	BBB
UK Hospitals No 1 6.812% 2027	£ 600,000	658,315	0.17	BBB
Unique Pub Finance 7.395% 2024	£ 200,000	234,309	0.06	BBB
UPM-Kymmene 6.625% 2017	£ 175,000	188,373	0.05	BBB
VNU 5.625% 2017	£ 714,000	713,534	0.18	BBB
Wessex Water Services Finance 5.375% 2028	£ 1,020,000	996,965	0.25	BBB
Wessex Water Services Finance 5.75% 2033	£ 848,000	870,075	0.22	BBB
Wessex Water Services Finance 5.875% 2009	£ 900,000	920,662	0.23	BBB
Hammerson 6% 2026	£ 310,000	312,192	0.08	Baa2*
Sampo 4.625% 2014	€ 383,000	272,091	0.07	Baa2*
Zagrebacka Banka 4.25% 2009	€ 260,000	182,448	0.05	BBB-
Barry Callebaut Services 9.25% 2010	€ 180,000	136,955	0.03	BB-
Gazprom 9.625% 2013	\$ 10,000	6,198	0.00	BB-
Gazprom OAO 9.625% 2013	€ 40,000	24,634	0.01	BB-
Kaufman & Broad 8.75% 2009	€ 50,000	38,680	0.01	BB-
Kronos International 8.875% 2009	€ 70,000	51,007	0.01	BB-
Yell Finance 10.75% 2011	£ 46,000	50,715	0.01	BB-
Fiat Finance & Trade 7% 2005	£ 125,000	125,625	0.03	Ba3*
Central European Media Enterprises 7.647% 2012	€ 100,000	67,783	0.02	B+
Enodis 10.375% 2012	£ 75,000	83,625	0.02	B+
IT Holding Finance 9.875% 2012	€ 103,000	69,467	0.02	B+
Focus DIY Finance 9.375% 2015	£ 50,000	48,218	0.01	B
GAL Finance 11.5% 2009	€ 70,000	52,193	0.01	B
Cognis 9.5% 2014	€ 150,000	108,283	0.03	B-
Eco-Bat Finance 10.125% 2013	€ 278,000	211,868	0.05	B-
JSG Funding 10.125% 2012	€ 184,000	135,128	0.03	B-
Ray Acquisition 9.375% 2015	€ 150,000	95,635	0.02	CCC+
Nyco Holdings 2 11.5% 2013	€ 80,000	62,105	0.02	CCC
Rhodia 8% 2010	€ 50,000	32,366	0.01	CCC
Aggregate Industries 6.25% 2009	£ 1,225,000	1,274,773	0.32	Unrated
Associated British Ports Holdings 6.625% 2008	£ 400,000	416,695	0.10	Unrated
British Assets Trust 6.625% 2008	£ 170,000	176,673	0.04	Unrated
British Land 8.875% 2035	£ 1,200,000	1,703,206	0.43	Unrated
Cattles 6.875% 2014	£ 412,000	433,110	0.11	Unrated
Cattles 8.625% 2007	£ 250,000	269,634	0.07	Unrated
Euronext 5.125% 2009	£ 1,505,000	1,490,034	0.37	Unrated
F&C Commercial Property Finance 5.23% 2017	£ 950,000	959,310	0.24	Unrated
Firstgroup 6.125% 2019	£ 471,000	484,620	0.12	Unrated
Housing Finance 11.5% 2016	£ 180,000	275,908	0.07	Unrated
John Lewis 10.5% 2014	£ 290,000	385,977	0.10	Unrated
John Lewis 6.375% 2012	£ 483,000	507,993	0.13	Unrated

Portfolio statement (continued)

as at 30 April 2005

Investment	Nominal Value	Mid-market value £	Percentage of total net assets %	Credit Rating
Corporate Bonds (continued)				
Land Securities Capital Markets 5.391% 2026	£ 968,000	991,319	0.25	Unrated
Lloyds TSB Group 10.625% 2008	£ 300,000	351,274	0.09	Unrated
Prudential 5.5% 2009	£ 390,000	395,509	0.10	Unrated
Slough Estates Finance 10% 2017	£ 650,000	882,570	0.22	Unrated
Slough Estates Finance 7.125% 2010	£ 420,000	450,051	0.11	Unrated
		<u>269,542,925</u>	<u>67.64</u>	
Unit Trusts 0.43% (0.35%)				
Holding				
Western Asset Funds - US High Yield Bond Fund	3,342	1,713,266	0.43	
		<u>1,713,266</u>	<u>0.43</u>	
<hr/>				
Portfolio Of Investments		370,309,963	92.93	
Currency hedges		427,844	0.11	
Investments per balance sheet		370,737,807	93.04	
Net Current Assets		<u>27,738,732</u>	<u>6.96</u>	
Net Assets		<u>398,476,539</u>	<u>100.00</u>	

Source for credit rating: Standard & Poors. Where marked *, Moody's used.

Figures in brackets represent sector distribution at 31 October 2004.

Weighted average interest rate of fixed interest securities: 5.96% (6.14%)

Weighted average period to maturity of fixed interest securities: 13.28 years (12.77 years)

Balance sheet (unaudited)*as at 30 April 2005*

	Notes	30 April 2005 £	31 October 2004 £
Portfolio of investments		370,737,807	339,611,825
Net current assets			
Debtors	7	10,987,072	14,457,500
Cash and bank balances	8	22,470,801	7,553,905
		<u>33,457,873</u>	<u>22,011,405</u>
less			
Bank overdrafts		-	10,382
Creditors	9	5,719,141	7,889,025
		<u>5,719,141</u>	<u>7,899,407</u>
Net current assets		<u>27,738,732</u>	<u>14,111,998</u>
Net assets		<u>398,476,539</u>	<u>353,723,823</u>
Shareholders' funds		<u>398,476,539</u>	<u>353,723,823</u>

Summary of material portfolio changes (unaudited)

for the six months ended 30 April 2005

Major purchases	Cost £	Major sales	Proceeds £
Treasury 9.5% 2005	52,636,896	Treasury 9.5% 2005	52,521,323
Treasury 4.5% 2007	34,924,086	Treasury 4.5% 2007	36,356,482
Treasury 5% 2014	29,749,891	Treasury 8.5% 2005	22,843,731
Treasury 6% 2028	23,158,236	Treasury 4.75% 2015	18,031,280
Treasury 4.75% 2015	20,395,570	Treasury 5% 2014	16,854,275
Treasury 9% 2011	20,201,441	Treasury 6% 2028	15,332,604
Treasury 8.5% 2005	16,401,120	Treasury 4.25% 2032	13,512,794
Treasury 5.75% 2009	13,089,790	Treasury 4.75% 2038	12,287,637
Treasury 4% 2009	11,441,218	Treasury 9% 2011	11,950,030
Treasury 4.75% 2038	11,180,210	Treasury 6.75% 2004	11,911,310
Treasury Inflation Linked 2% 2006	10,473,139	Treasury Inflation Linked 2% 2006	10,503,870
Deutsche Bundesrepublik 4.75% 2034	10,441,722	Treasury 5.75% 2009	9,451,059
Treasury 4.25% 2036	8,131,981	Deutsche Bundesrepublik 4.75% 2034	9,380,179
Treasury 8% 2021	7,646,180	Treasury 4% 2009	9,113,982
Treasury 8% 2013	7,492,800	Treasury 4.25% 2036	8,180,469
Treasury 4.25% 2032	7,431,610	Treasury 8% 2013	7,428,000
Deutsche Bundesrepublik 5.5% 2031	5,401,637	Treasury 5% 2012	5,949,314
Treasury 4.75% 2020	4,835,442	Treasury 4.75% 2020	4,460,424
European Investment Bank 5.625% 2032	4,165,196	Treasury 4.75% 2010	4,053,000
Treasury 5% 2012	4,155,357	Treasury Inflation Linked 2.5% 2009	3,994,898
Other purchases for the period	118,159,076	Other sales for the period	106,256,359
Total cost of purchases for the period	421,512,598	Total proceeds from sales for the period	390,373,020

Notes to the financial statements (unaudited)

as at 30 April 2005

1. Net gains / (losses) on investments	2005	2004
	£	£
The net gains / (losses) on investments during the period comprise:		
Proceeds from sales of investments during the period	390,373,020	200,878,064
Original cost of investments sold during the period	<u>(388,858,681)</u>	<u>(201,947,152)</u>
Gains / (losses) realised on investments sold during the period	1,514,339	(1,069,088)
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	<u>(439,776)</u>	<u>439,230</u>
	1,074,563	(629,858)
Net unrealised appreciation / (depreciation) for the period	<u>1,438,380</u>	<u>(1,770,786)</u>
Net gains / (losses) on investments	<u><u>2,512,943</u></u>	<u><u>(2,400,644)</u></u>
2. Other gains	2005	2004
	£	£
Realised currency gains	284,328	503,762
Unrealised currency gains	<u>404,057</u>	<u>77,657</u>
	<u><u>688,385</u></u>	<u><u>581,419</u></u>
3. Gross income	2005	2004
	£	£
Stock dividends	32,293	-
Interest on debt securities	10,234,600	8,830,967
Bank and deposit interest	<u>215,225</u>	<u>159,253</u>
	<u><u>10,482,118</u></u>	<u><u>8,990,220</u></u>
4. Expenses	2005	2004
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>1,876,996</u>	<u>1,568,126</u>
	1,876,996	1,568,126
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fee (Citigroup)	21,825	42,268
Depository's fee (RBS)	<u>9,670</u>	<u>-</u>
	31,495	42,268
Other expenses:		
Transaction charges	7,421	20,421
Safe custody fees	16,135	19,575
Audit fees	3,187	3,234
Publication fees	<u>-</u>	<u>92</u>
	26,743	43,322
Total expenses	<u><u>1,935,234</u></u>	<u><u>1,653,716</u></u>

Notes to the financial statements (continued)

as at 30 April 2005

5. Taxation	2005	2004
	£	£
a. Analysis of charge in period		
Overseas withholding tax	4,844	-
Current period tax charge (note 5b)	<u>4,844</u>	<u>-</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>8,546,884</u>	<u>7,336,504</u>
Corporation tax @ 20%	1,709,377	1,467,301
Tax effect of:		
Scrip dividends (not included for tax purposes)	(6,459)	-
Transaction charges (not deductible for tax purposes)	1,484	4,084
Management expenses not relieved	5,525	31
Interest distributions	(1,709,927)	(1,471,416)
Overseas withholding tax	4,844	-
Current period tax charge (note 5a)	<u>4,844</u>	<u>-</u>

c. Deferred tax

At 30 April 2005 the sub-fund had surplus management expenses of £28,218 (31 October 2004 - £593). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

6. Distributions	2005	2004
	£	£
Reconciliation between net income and distributions:		
Net income after taxation per Statement of total return	8,542,040	7,336,504
Add:		
Undistributed income brought forward	175	157
Expenses paid from capital	7,421	20,421
Deduct:		
Undistributed income carried forward	(184)	(154)
Total distribution per Statement of total return	<u>8,549,452</u>	<u>7,356,928</u>

Details of the distribution per share are set out in the table on page 111.

7. Debtors	30 April	31 October
	2005	2004
	£	£
Amounts receivable on the issue of shares	263,317	189,021
Sales awaiting settlement	3,204,702	6,007,693
Accrued income	7,512,540	8,256,664
Income tax debtor	6,513	4,122
	<u>10,987,072</u>	<u>14,457,500</u>

Notes to the financial statements (continued)

as at 30 April 2005

8. Cash and bank balances	30 April 2005	31 October 2004
	£	£
Cash and bank balances	11,370,801	3,753,905
Certificates of deposit	11,100,000	3,800,000
	<u>22,470,801</u>	<u>7,553,905</u>

As at 30 April 2005, the weighted average of the floating interest rate on bank balances was 4.30% (31 October 2004 - 3.97%).

Bank overdraft	<u>-</u>	<u>10,382</u>
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As at 30 April 2005, the weighted average of the floating interest rate on bank overdraft balances was nil (31 October 2004 - 3.88%).

9. Creditors	30 April 2005	31 October 2004
	£	£
Amounts payable on redemption of shares	16,462	488,222
Purchases awaiting settlement	3,653,422	5,474,175
Accrued expenses	339,367	320,403
Income tax payable	1,709,890	1,606,225
	<u>5,719,141</u>	<u>7,889,025</u>

10. Derivatives and other financial instruments

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

a) Market price risk

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

b) Interest rate risk

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

Numerical disclosures regarding interest rate exposure are included within the portfolio statement on page 103 of the accounts.

c) Liquidity risk

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

Notes to the financial statements (continued)*as at 30 April 2005***10. Derivatives and other financial instruments (continued)**

d) Foreign currency risk

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

Currency exposure:	30 April 2005	31 October 2004
	£	£
Net assets denominated in foreign currencies*:		
Investments	31,042,198	14,848,456
Currency hedges	(16,143,293)	(13,956,761)
Cash and bank balances	1,875,172	832,733
Bank overdrafts	-	(10,382)
Sales awaiting settlement	71,823	28,050
Purchases awaiting settlement	(67,593)	(29,852)
Other net assets	494,883	159,095
	<u>17,273,190</u>	<u>1,871,339</u>
Net assets denominated in Sterling:		
Investments	339,267,765	325,212,062
Currency hedges	16,571,137	13,508,068
Cash and bank balances	20,595,629	6,721,172
Sales awaiting settlement	3,132,879	5,979,643
Purchases awaiting settlement	(3,585,829)	(5,444,323)
Other net assets	5,221,768	5,875,862
	<u>381,203,349</u>	<u>351,852,484</u>
Total net assets	<u>398,476,539</u>	<u>353,723,823</u>

* each individual foreign currency included within 'foreign currencies' above amounts to less than 1% (31 October 2004 - 1%) of the net asset value of the sub-fund.

Distribution table (unaudited)*for the six months ended 30 April 2005***Interim Interest distribution in pence per share**

	Gross income	Income tax at 20%	Net interest payable	Distribution payable 2005	Distribution paid 2004
Accumulation A shares	4.0506	0.8101	3.2405	3.2405	3.0825
Accumulation B shares	11.5798	2.3160	9.2638	9.2638	3.3229

Corporate shareholders

Corporate shareholders should note that of the interim distribution:-

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

Accumulation distributions

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

Appointments

ACD and Registrar

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

Depository (1 November 2004 to 20 February 2005)

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

Depository from 21 February 2005

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

Auditors

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

Investment advisers:

RCM Limited

155 Bishopsgate
London EC2M 3AD
United Kingdom

AXA Rosenberg Investment Management Limited

9a Devonshire Square
London EC2M 4YY
United Kingdom

Barclays Global Investore Limited

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

Deutsche Asset Management

One Appold Street
London EC2A 2UU
United Kingdom

Appointments (continued)

Goldman Sachs Asset Management

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

JP Morgan Fleming Asset Management (UK) Limited

10 Aldermanbury
London EC2V 7RF
United Kingdom

Merrill Lynch Investment Managers Limited

33 King William Street
London EC4R 9AS
United Kingdom

Schroder Investment Management Limited

31 Gresham Street
London EC2V 7QA
United Kingdom

Western Asset Management Company Limited

155 Bishopsgate
London EC2M 3XG
United Kingdom

Inscape Investments limited

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

Authorised and Regulated by the
Financial Services Authority

Inscape is a registered trademark
of Abbey National plc

Inscape Investments Limited
is a wholly owned subsidiary
of Abbey National plc