



the specialist investment service from Abbey National

Inscape Investment Fund

Report and Accounts for the Year
Ended 31st October 2004

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Introduction

I am pleased to present the Final Report and Accounts of the Inscape Investment Fund for the year ended 31 October 2004.

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 year ended 31 October 2004 are given in pages 14 to 106 of this report.

James Bevan
On behalf of the Authorised Corporate Director
28 February 2005

Fund objectives

The objective of each of the sub-funds is to provide investors with superior, risk-adjusted returns over the long term.

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.

Investment advisers

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 Limited	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 Limited	28.06.2002
United States Equities Fund	
Goldman Sachs Asset Management International	18.12.2000
Alliance Capital Limited	16.09.2003
Japan Equities Fund	
Schroder Investment Management Limited	18.12.2000
Pacific Basin (excluding Japan) Equities Fund	
RCM (UK) Limited	18.12.2000
Sterling Bond Fund	
Merrill Lynch Investment Managers Limited	18.12.2000
Western Asset Management Company Limited	22.07.2002
Barclays Global Investors Limited	22.07.2002

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

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

Performance against benchmark

The table below shows the performance of the Inscope sub-funds against the comparative benchmarks for the year ended 31 October 2004.

Sub-fund	Sub-fund Performance	Benchmark Index	Benchmark Performance
UK Equities Fund	12.08%	FTSE All Share	11.63%
Europe (excluding UK) Equities Fund	15.30%	FTSE World Europe ex-UK	14.03%
United States Equities Fund	0.77%	FTSE World USA	1.44%
Japan Equities Fund	1.74%	FTSE World Japan	0.72%
Pacific Basin (excluding Japan) Equities Fund	2.97%	FTSE All World Asia Pacific ex-Japan	6.54%
Sterling Bond Fund	5.95%	20% FTSE Actuaries Government Securities All Stocks 80% iBoxx Non Gilts All Maturities	7.80%

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.

Aggregated Financial Statements for Inscape Investment Fund

Aggregated statement of total return

for the year ended 31 October 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net gains on investments during the period	1		36,917		27,657
Other gains	2		357		150
Income	3	31,562		21,562	
Expenses	4	(8,205)		(5,405)	
Net income before taxation		<u>23,357</u>		<u>16,157</u>	
Taxation	5	<u>(486)</u>		<u>(253)</u>	
Net income after taxation			<u>22,871</u>		<u>15,904</u>
Total return for the period			60,145		43,711
Distributions	6		(22,916)		(16,047)
Net increase in shareholders' funds from investment activities			<u><u>37,229</u></u>		<u><u>27,664</u></u>

Aggregated statement of movements in shareholders' funds

for the year ended 31 October 2004

	2004		2003	
	£000	£000	£000	£000
Net assets at the start of the period		635,403		361,960
Movement due to sales / repurchases of shares:				
Share exchange issues on inspecie transfer*	9,120		-	
Amounts receivable on issue of shares	189,332		233,261	
Less: Amounts payable on redemption of shares	<u>(21,839)</u>		<u>(3,124)</u>	
		176,613		230,137
Dilution levy		2,673		1,995
Net increase in shareholders' funds from investment activities (see above)		37,229		27,664
Stamp duty reserve tax		(278)		(156)
Retained distribution on accumulation shares		19,839		13,803
Net assets at the end of the period		<u><u>871,479</u></u>		<u><u>635,403</u></u>

*relating to the inspecie transfer from Scottish Provident Limited on 29 September 2004.

Aggregated balance sheet

as at 31 October 2004

	Notes	2004 £000	2003 £000
Portfolio of investments		852,218	622,801
Net current assets			
Debtors	7	17,493	11,530
Cash and bank balances	8	14,953	11,947
		<u>32,446</u>	<u>23,477</u>
less			
Bank overdrafts	8	80	-
Creditors	9	13,105	10,875
		<u>13,185</u>	<u>10,875</u>
Net current assets		<u>19,261</u>	<u>12,602</u>
Net assets		<u>871,479</u>	<u>635,403</u>
Shareholders' funds		<u>871,479</u>	<u>635,403</u>

Accounting policies

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

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Prospectus. They have also been prepared in accordance with applicable United Kingdom Accounting standards, the Statement of Recommended Practice (SORP) for authorised Open-Ended Investment Companies issued by the FSA in November 2000, 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.

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.

g) Basis of valuation of investments

Listed investments are valued at the mid-market value at 12 noon on 29 October 2004, net of any accrued interest which is included in the balance sheet as an income related item. Suspended securities are valued initially at the suspended price but are subject to constant review.

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

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

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

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

Accounting policies (continued)

h) Exchange rates

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

i) Efficient portfolio management

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

Notes to the aggregated financial statements
as at 31 October 2004

1. Net gains on investments	2004	2003
	£000	£000
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	717,217	487,395
Original cost of investments sold during the period	(711,750)	(497,097)
Gains / (losses) realised on investments sold during the period	<u>5,467</u>	<u>(9,702)</u>
Net realised depreciation thereon already recognised in earlier periods	<u>2,703</u>	<u>19,095</u>
	8,170	9,393
Net unrealised appreciation for the period	28,747	18,264
Net gains on investments	<u><u>36,917</u></u>	<u><u>27,657</u></u>
Included in net gains on investments are gains of £621,837 relating to futures contracts (2003 - £556,000).		
2. Other gains	2004	2003
	£000	£000
Realised currency gains / (losses)	797	(298)
Unrealised currency (losses) / gains	(440)	448
	<u>357</u>	<u>150</u>
3. Income	2004	2003
	£000	£000
Franked income	9,052	5,762
Scrip dividends	137	-
Interest on debt securities	18,464	13,523
Overseas income	3,197	1,841
Unfranked income	30	7
Bank and deposit interest	682	429
	<u>31,562</u>	<u>21,562</u>
4. Expenses	2004	2003
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>7,619</u>	<u>5,018</u>
	7,619	5,018
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	<u>192</u>	<u>116</u>
	192	116
Other expenses:		
Audit fees	37	53
Publication fees	7	26
Transaction charges	236	127
Safe custody fees	109	65
Overdraft interest	5	-
	<u>394</u>	<u>271</u>
Total expenses	<u><u>8,205</u></u>	<u><u>5,405</u></u>

Notes to the aggregated financial statements (continued)

as at 31 October 2004

5. Taxation	2004 £000	2003 £000
a. Analysis of charge in period		
Corporation tax	284	175
Double tax relief	(243)	(156)
Avoir fiscal	-	7
Overseas withholding tax	413	225
Income tax	2	1
Prior year adjustment	2	-
Current period tax charge (note 5b)	458	252
Increase in deferred tax during the period (note 5c)	28	1
	<u>486</u>	<u>253</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>23,357</u>	<u>16,157</u>
Corporation tax @ 20%	4,671	3,231
Tax effect of:		
Scrip dividends (not included for tax purposes)	(65)	-
UK dividends (not included for tax purposes)	(1,775)	(1,152)
Transaction charges (not included for tax purposes)	49	25
Management expenses not relieved	542	324
Timing differences on income	(53)	(9)
Interest distributions	(3,077)	(2,243)
Prior year tax adjustment	2	-
Overseas withholding tax	405	225
Double tax relief	(243)	(156)
Irrecoverable income tax	2	-
Avoir fiscal	-	7
Current period tax charge (note 5a)	<u>458</u>	<u>252</u>
c. Deferred tax		
Deferred tax provision at the start of the period	7	6
Deferred tax charge in statement of total return for the period (note 5a)	28	1
Deferred tax provision at the end of the period	<u>35</u>	<u>7</u>
Timing differences on UK tax	2	1
Timing differences on overseas tax	33	6
Provision for deferred tax	<u>35</u>	<u>7</u>
6. Distributions		
Reconciliation between net income and distributions:	2004 £000	2003 £000
Net income after taxation per statement of total return	22,871	15,904
Add:		
Expenses paid from capital	236	127
Distribution shortfall	-	16
Deduct:		
Special dividends	(191)	-
Total accumulation distributions per statement of total return	<u>22,916</u>	<u>16,047</u>

Notes to the aggregated financial statements (continued)

as at 31 October 2004

7. Debtors	2004	2003
	£000	£000
Amounts receivable on issue of shares	517	358
Sales awaiting settlement	7,300	3,272
Accrued income	9,549	7,810
Overseas withholding tax recoverable	123	77
Prepaid expenses	-	5
Management charge rebate	-	6
Income tax debtor	4	-
Dilution levy receivable	-	2
	<u>17,493</u>	<u>11,530</u>
8. Cash and bank balances	2004	2003
	£000	£000
Amounts held at futures clearing houses	164	-
Cash and bank balances	10,989	11,947
Certificates of deposit	3,800	-
	<u>14,953</u>	<u>11,947</u>
Bank overdrafts	<u>80</u>	<u>-</u>
9. Creditors	2004	2003
	£000	£000
Amounts payable on redemption of shares	657	-
Amounts payable on futures contracts	1,216	2,327
Purchases awaiting settlement	8,767	6,060
Accrued expenses	782	1,194
Corporation tax	42	19
Income tax payable	1,606	1,268
Deferred tax	35	7
	<u>13,105</u>	<u>10,875</u>

10. 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.

Notes to the aggregated financial statements (continued)

as at 31 October 2004

11. Related party transactions

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

The ACD

The fees received by the ACD are set out in note 4. The ACD is related to the Company as defined by Financial Reporting Standard 8 'Related Party Disclosures' and is named on page 3.

As at 31 October 2004, 2.93% (2003 - 5.27%) of the shares in issue were held by companies within the Abbey Group.

A net amount of £847,886 was due to the ACD as at 31 October 2004 (2003 - £674,361).

The Depositary

The fees received by the Depositary are set out in note 4. A net amount of £14,362 was due to the Depositary as at 31 October 2004 (2003 - £22,401).

12. Derivatives and other financial instruments

The notes to the sub-funds give details of each sub-funds' market price risk, credit risk, interest rate risk, liquidity risk and foreign currency risk. 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.

13. Authorised share capital

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

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

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

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

UK Equities Fund

Investment objective and policy

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

Investment advisers

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

Review of investment activities

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

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

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

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

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

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

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

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

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

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

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

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

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

Comparative table

Number of shares in issue	31.10.04	31.10.03	31.10.02
A shares	239,515,600	186,007,100	121,252,250
B shares	1,545,522	1,545,522	1,102,194
Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	324,348,101	225,211,764	132,584,532
NAV attributable to A shareholders	322,269,118	223,356,376	131,390,183
NAV attributable to B shareholders	2,078,983	1,855,388	1,194,349
Net asset value per share	p	p	p
A shares	134.55	120.08	108.40
B shares	134.52	120.05	108.40

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	151.80	148.90
2000	B shares	-	151.80	148.90
2001	A shares	-	153.40	112.10
2001	B shares	-	153.40	112.10
2002	A shares	1.9652	139.60	99.33
2002	B shares	2.4296	139.60	99.33
2003	A shares	2.3828	125.60	91.37
2003	B shares	2.5212	125.60	91.37
2004*	A shares	2.6946	136.80	123.80
2004*	B shares	2.8315	136.70	123.80

* To 31 October 2004

Statement of total return

for the year ended 31 October 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net gains on investments during the period	1		23,577		17,303
Income	2	9,365		5,952	
Expenses	3	(2,950)		(1,831)	
Net income before taxation		<u>6,415</u>		<u>4,121</u>	
Taxation	4	<u>(7)</u>		<u>-</u>	
Net income after taxation			<u>6,408</u>		<u>4,121</u>
Total return for the period			29,985		21,424
Distributions	5		(6,262)		(4,149)
Net increase in shareholders' funds from investment activities			<u><u>23,723</u></u>		<u><u>17,275</u></u>

Statement of movements in shareholders' funds

for the year ended 31 October 2004

	2004		2003	
	£000	£000	£000	£000
Net assets at the start of the period		225,212		132,585
Movement due to sales / repurchases of shares:				
Amounts receivable on issue of shares	71,653		70,610	
Less: Amounts payable on redemption of shares	<u>(3,536)</u>		<u>(175)</u>	
		68,117		70,435
Dilution levy		1,312		922
Net increase in shareholders' funds from investment activities (see above)		23,723		17,275
Stamp duty reserve tax		(278)		(154)
Retained distribution on accumulation shares		6,262		4,149
Net assets at the end of the period		<u><u>324,348</u></u>		<u><u>225,212</u></u>

Portfolio statement

as at 31 October 2004

	Holding	Mid-market value £000	Percentage of total net assets %
Investment			
Aerospace & Defence 2.20% (1.72%)			
BAE Systems	844,978	2,021	0.62
Cobham	26,800	371	0.12
Meggitt	92,000	228	0.08
Rolls-Royce Group 'B' *	54,022,444	59	0.02
Rolls-Royce Group	1,698,819	4,411	1.36
Umeco	3,694	16	0.00
		<u>7,106</u>	<u>2.20</u>
Automobiles & Parts 0.68% (0.94%)			
Inchcape	129,399	1,924	0.59
Pendragon	76,951	213	0.07
Wagon	37,127	60	0.02
		<u>2,197</u>	<u>0.68</u>
Banks 19.77% (20.41%)			
Abbey National	110,056	695	0.21
Alliance & Leicester	89,040	769	0.24
Barclays	2,047,388	10,979	3.38
HBOS	1,604,635	11,742	3.62
HSBC Holdings	2,519,876	22,219	6.85
Lloyds TSB Group	815,982	3,502	1.08
Northern Rock	165,438	1,216	0.38
Royal Bank of Scotland Group	655,150	10,581	3.26
Standard Chartered	245,293	2,401	0.75
		<u>64,104</u>	<u>19.77</u>
Beverages 2.31% (2.35%)			
Diageo	237,117	1,733	0.54
SABMiller	706,157	5,556	1.71
Scottish & Newcastle	36,609	149	0.06
		<u>7,438</u>	<u>2.31</u>
Chemicals 0.74% (1.19%)			
British Vita	220,027	545	0.17
Elementis	243,482	80	0.02
Imperial Chemical Industries	859,485	1,791	0.55
		<u>2,416</u>	<u>0.74</u>
Construction & Building Materials 3.48% (3.66%)			
Aggregate Industries	318,000	295	0.09
Barratt Developments	407,399	2,052	0.63
Bellway	77,933	529	0.16
Berkeley Group Holdings	34,687	414	0.13
Boot (Henry)	24,000	94	0.03
Bovis Homes Group	89,983	462	0.14
Countryside Properties	56,556	156	0.05
Galliford Try	29,501	15	0.00
Hanson	140,650	567	0.17
Low & Bonar	12,075	14	0.00
Alfred Mcalpine	141,309	397	0.12
Mccarthy & Stone	136,881	792	0.24
Morgan Sindall	17,000	74	0.02
Mowlem	70,000	126	0.04
Novar	89,792	105	0.03
Persimmon	281,096	1,724	0.53
Pilkingon	361,907	317	0.10
Redrow	6,822	23	0.01
RMC Group	56,700	483	0.15

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Construction & Building Materials (continued)			
Taylor Woodrow	403,961	935	0.29
Ultraframe	98,000	89	0.03
Westbury	43,772	167	0.05
Wilson Bowden	27,442	268	0.08
Wimpey (George)	359,371	1,266	0.39
		<u>11,364</u>	<u>3.48</u>
Electronic & Electrical Equipment 0.56% (0.16%)			
Delta	62,735	54	0.02
Laird Group	499,343	1,677	0.52
Oxford Instruments	32,531	66	0.02
		<u>1,797</u>	<u>0.56</u>
Electricity 1.04% (1.15%)			
Scottish & Southern Energy	206,758	1,728	0.53
Scottish Power	374,252	1,644	0.51
		<u>3,372</u>	<u>1.04</u>
Engineering & Machinery 1.58% (1.03%)			
Aga Foodservice Group	114,236	294	0.09
Bodycote International	160,000	231	0.07
Charter	515,242	1,012	0.31
Cookson Group	1,073,060	342	0.11
Fenner	75,759	95	0.03
FKI	194,649	233	0.07
IMI	66,276	235	0.07
Kidde	1,041,545	1,725	0.53
Senior	232,000	83	0.03
Weir Group	301,663	879	0.27
		<u>5,129</u>	<u>1.58</u>
Food & Drug Retailers 2.03% (1.93%)			
J Sainsbury	151,321	400	0.12
Somerfield	842,964	1,129	0.35
Tesco	1,751,996	5,070	1.56
		<u>6,599</u>	<u>2.03</u>
Food Producers & Processors 2.06% (1.81%)			
Associated British Foods	249,306	1,741	0.54
Cadbury Schweppes	405,703	1,844	0.57
Robert Wiseman Dairies	69,000	155	0.05
Sygen International	294,000	111	0.03
Unilever	525,121	2,444	0.75
Uniq	83,426	166	0.05
Wincanton	88,000	216	0.07
		<u>6,677</u>	<u>2.06</u>
Forestry & Paper 0.25% (nil)			
DS Smith	584,841	816	0.25
		<u>816</u>	<u>0.25</u>
Health 0.65% (0.72%)			
Alliance Unichem	230,237	1,536	0.47
Smith & Nephew	18,937	88	0.03
Whatman	240,971	483	0.15
		<u>2,107</u>	<u>0.65</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Household Goods & Textiles 0.29% (0.02%)			
Alba	93,999	697	0.21
Headlam Group	70,408	275	0.08
		<u>972</u>	<u>0.29</u>
Information Technology & Hardware 0.21% (0.48%)			
Spirent	1,056,878	683	0.21
		<u>683</u>	<u>0.21</u>
Insurance 0.44% (0.17%)			
Amlin	278,349	403	0.12
Atrium Underwriting	30,000	55	0.02
Hiscox	197,349	313	0.10
SVB Holdings	110,000	23	0.01
Wellington Underwriting	785,972	623	0.19
		<u>1,417</u>	<u>0.44</u>
Investment Companies 0.35% (0.28%)			
3i Group	195,100	1,143	0.35
		<u>1,143</u>	<u>0.35</u>
Leisure & Hotels 2.24% (2.48%)			
Carnival	46,056	1,330	0.41
Enterprise Inns	170,898	1,051	0.32
First Choice Holidays	165,000	220	0.07
Fuller Smith & Turner	269	2	0.00
Hilton Group	125,191	323	0.10
Intercontinental Hotels Group	7,200	48	0.01
Luminar	37,951	171	0.05
Whitbread	105,957	864	0.27
William Hill	671,391	3,281	1.01
		<u>7,290</u>	<u>2.24</u>
Life Assurance 3.37% (3.09%)			
Aviva	1,100,324	6,074	1.87
Britannic Group	136,004	523	0.16
Friends Provident	444,005	609	0.19
Legal & General	1,026,575	1,028	0.32
Old Mutual	2,132,887	2,472	0.76
St James's Place Capital	118,758	213	0.07
		<u>10,919</u>	<u>3.37</u>
Media & Entertainment 2.84% (3.51%)			
Capital Radio	28,145	116	0.04
Daily Mail 'A'	128,703	942	0.29
Johnston Press	32,777	181	0.06
Reed Elsevier	252,120	1,225	0.38
Reuters Group	730,487	2,727	0.84
St Ives	134,011	500	0.15
Trinity Mirror	97,125	626	0.19
United Business Media	151,940	724	0.22
Yell Group	588,026	2,160	0.67
		<u>9,201</u>	<u>2.84</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Mining 4.27% (3.78%)			
Anglo American	235,272	2,839	0.88
Avocet Mining	12,230	11	0.00
BHP Billiton	939,953	5,219	1.61
Lonmin	32,500	329	0.10
Rio Tinto	131,420	1,864	0.57
UK Coal	117,000	180	0.06
Vedanta Resources	117,840	419	0.13
Xstrata	355,840	2,983	0.92
		<u>13,844</u>	<u>4.27</u>
Oil & Gas 13.34% (10.48%)			
BG Group	1,363,729	4,806	1.48
BP	4,500,464	23,864	7.36
Burren Energy	202,402	900	0.28
Cairn Energy	28,271	411	0.13
Dana Petroleum	7,406	32	0.01
Hunting	59,000	111	0.03
Paladin Resources	822,070	1,370	0.42
Shell Transport & Trading	2,684,579	11,527	3.55
Tullow Oil	106,833	151	0.05
Venture Production	41,379	102	0.03
		<u>43,274</u>	<u>13.34</u>
Overseas Equities nil (0.06%)			
Personal Care & Household Products 1.29% (0.69%)			
Mcbride	140,000	216	0.07
Reckitt Benckiser	263,829	3,949	1.22
		<u>4,165</u>	<u>1.29</u>
Pharmaceutical & Biotechnology 7.18% (9.65%)			
AstraZeneca	415,763	9,244	2.85
GlaxoSmithKline	1,138,069	13,059	4.03
Shire Pharmaceuticals	182,887	957	0.30
		<u>23,260</u>	<u>7.18</u>
Real Estate 1.42% (1.09%)			
Ashtenne Holdings	26,171	98	0.03
British Land	97,300	727	0.22
Countrywide	101,054	287	0.09
Land Securities	179,533	2,128	0.66
Savills	142,299	571	0.18
Slough Estates	96,000	435	0.13
St Modwen Properties	123,197	351	0.11
		<u>4,597</u>	<u>1.42</u>
Retailers General 3.66% (3.82%)			
Body Shop International	138,000	230	0.07
Boots Group	11,176	74	0.02
Dixons Group	912,790	1,569	0.48
French Connection Group	178,374	564	0.17
GUS	344,392	3,069	0.95
HMV Group	457,822	1,097	0.34
Kesa Electricals	139,053	379	0.12
Kingfisher	172,795	529	0.16
Marks & Spencer	312,706	1,115	0.34
Next	188,714	3,164	0.98
Smith (WH)	8,421	28	0.01
Topps Tiles	31,016	58	0.02
		<u>11,876</u>	<u>3.66</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Semi-conductors 0.14% (nil)			
CSR	137,075	470	0.14
		<u>470</u>	<u>0.14</u>
Software & Computer Services 0.24% (0.90%)			
Dimension Data Holdings	980,119	295	0.09
Northgate Information Solutions	240,328	146	0.05
RM	11,718	17	0.01
Sage Group	161,987	299	0.09
		<u>757</u>	<u>0.24</u>
Speciality & Other Finance 1.18% (1.84%)			
Camellia	1,658	79	0.02
Cattles	253,180	910	0.28
Collins Stewart Tullett	199,038	778	0.24
Evolution Group	220,256	331	0.10
Paragon Group	135,215	474	0.15
RT Group **	3,237	-	0.00
Schroders	125,461	801	0.25
Singer & Friedlander Group	159,938	438	0.14
		<u>3,811</u>	<u>1.18</u>
Steel & Other Metals 0.14% (0.03%)			
Corus Group	944,000	452	0.14
		<u>452</u>	<u>0.14</u>
Support Services 2.19% (1.99%)			
Atkins WS	190,972	1,254	0.39
Brambles Industries	359,919	948	0.29
Capita Group	266,851	938	0.29
Compass Group	18,000	40	0.01
Davis Service Group	46,993	169	0.05
Dawson Holdings	47,025	72	0.02
Group 4 Securicor	975,444	1,139	0.35
Hays	220,790	286	0.09
Homeserve	10,503	70	0.02
Intertek Group	67,268	464	0.14
Michael Page International	42,306	73	0.02
Mitie Group	392,473	554	0.17
RAC	71,908	478	0.15
Rexam	145,451	633	0.20
		<u>7,118</u>	<u>2.19</u>
Telecom Services 9.38% (9.71%)			
BT Group	2,413,690	4,511	1.39
mmO2	4,183,666	4,398	1.36
THUS Group	2,223,736	295	0.09
Vodafone Group	15,217,477	21,210	6.54
		<u>30,414</u>	<u>9.38</u>
Tobacco 1.63% (1.23%)			
British American Tobacco	406,896	3,321	1.02
Imperial Tobacco Group	154,784	1,976	0.61
		<u>5,297</u>	<u>1.63</u>
Transport 2.08% (2.21%)			
Arriva	49,000	221	0.07
Autologic Holdings	11,099	32	0.01
BAA	305,805	1,761	0.54
British Airways	215,034	470	0.14
Exel	65,600	466	0.14
Go-Ahead Group	178,313	2,245	0.69
Northgate	134,306	996	0.31

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Transport (continued)			
P & O	175,944	472	0.15
TDG	45,150	107	0.03
		6,770	2.08
Utilities Other 2.90% (2.86%)			
Centrica	1,015,005	2,447	0.75
Kelda Group	148,901	830	0.26
National Grid Transco	756,100	3,594	1.11
Northumbrian Water Group	633,962	949	0.29
United Utilities 'A'	218,842	853	0.26
United Utilities	129,000	745	0.23
		9,418	2.90
Unit Trusts 0.98% (0.96%)			
JPMorgan Fleming - UK Smaller Companies Fund	1,470,268	3,185	0.98
		3,185	0.98
Open futures contracts 0.31% (0.97%)			
FTSE 100 December 2004 Futures	22	1,020	0.31
		1,020	0.31
<hr/>			
Portfolio Of Investments		322,475	99.42
Net Current Assets		1,873	0.58
Net Assets		324,348	100.00

All shares are ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2003.

* Rolls-Royce Group 'B' shares were issued in lieu of an interim dividend from the Rolls-Royce Group. These shares will either be converted to ordinary shares or to cash on 05.01.05 at 0.10p per share.

** stock suspended

Balance sheet
as at 31 October 2004

	Notes	2004 £000	2003 £000
Portfolio of investments		322,475	223,785
Net current assets			
Debtors	6	1,637	1,001
Cash and bank balances	7	3,365	4,236
		<u>5,002</u>	<u>5,237</u>
less			
Creditors	8	3,129	3,810
		<u>3,129</u>	<u>3,810</u>
Net current assets		<u>1,873</u>	<u>1,427</u>
Net assets		<u>324,348</u>	<u>225,212</u>
Shareholders' funds		<u>324,348</u>	<u>225,212</u>

Summary of material portfolio changes

for the year ended 31 October 2004

Major purchases	Cost £000	Major sales	Proceeds £000
Shell Transport & Trading	8,882	Unilever (UK)	2,818
HSBC Holdings	7,050	Lloyds TSB Group	2,349
BP	6,699	Royal Bank of Scotland Group	1,930
Unilever	6,667	Shell Transport & Trading	1,660
HBOS	6,217	Diageo	1,642
Vodafone Group	5,588	Scottish Power	1,623
Lloyds TSB Group	5,340	Tesco	1,405
Royal Bank of Scotland Group	5,209	BHP Billiton	1,392
Barclays	5,103	Anglo American	1,270
Tesco	4,989	British American Tobacco	1,188
BHP Billiton	4,491	Centrica	1,170
BG Group	4,402	British Sky Broadcasting	1,148
GlaxoSmithKline	4,020	BT Group	1,114
Scottish Power	3,897	United Utilities	1,044
British American Tobacco	3,475	BP	1,034
BT Group	3,326	Allied Domecq	1,008
Diageo	3,302	British Airways	950
Astrazeneca	3,231	GlaxoSmithKline	930
SABMiller	3,090	Prudential	905
William Hill	3,063	Intercontinental Hotels Group	899
Other purchases for the period	167,873	Other sales for the period	161,637
Total cost of purchases for the period	265,914	Total proceeds from sales for the period	189,116

Notes to the financial statements

as at 31 October 2004

1. Net gains on investments	2004	2003
	£000	£000
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	189,116	103,466
Original cost of investments sold during the period	<u>(183,252)</u>	<u>(108,797)</u>
Gains / (losses) realised on investments sold during the period	5,864	(5,331)
Net realised depreciation thereon already recognised in earlier periods	<u>700</u>	<u>9,185</u>
	6,564	3,854
Net unrealised appreciation for the period	<u>17,013</u>	<u>13,449</u>
Net gains on investments	<u><u>23,577</u></u>	<u><u>17,303</u></u>

Included in net gains on investments are gains of £528,995 relating to futures contracts (2003 - £564,000).

2. Gross Income	2004	2003
	£000	£000
Franked income	9,052	5,762
Scrip dividends	90	-
Unfranked income	21	2
Bank interest	<u>202</u>	<u>188</u>
	<u><u>9,365</u></u>	<u><u>5,952</u></u>

3. Expenses	2004	2003
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>2,812</u>	<u>1,739</u>
	<u>2,812</u>	<u>1,739</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	<u>69</u>	<u>41</u>
	<u>69</u>	<u>41</u>
Other expenses:		
Audit fees	6	9
Publication fees	1	5
Transaction charges	45	28
Safe custody fees	<u>17</u>	<u>9</u>
	<u>69</u>	<u>51</u>
Total expenses	<u><u>2,950</u></u>	<u><u>1,831</u></u>

Notes to the financial statements (continued)

as at 31 October 2004

4. Taxation	2004 £000	2003 £000
a. Analysis of charge in year		
Overseas withholding tax	5	-
Current period tax charge (note 4b)	<u>5</u>	<u>-</u>
Increase in deferred taxation during the period (note 4c)	<u>2</u>	<u>-</u>
	<u>7</u>	<u>-</u>
b. Factors affecting tax charge for year		
Net income before taxation	6,415	4,121
Corporation tax @ 20%	1,283	824
Tax effect of:		
Scrip dividends (not included for tax purposes)	(56)	-
UK dividends (not included for tax purposes)	(1,775)	(1,152)
Transaction charges (not deductible for tax purposes)	9	6
Management expenses not relieved	541	322
Timing differences on income	(1)	-
Overseas withholding tax	4	-
Current period tax charge (note 4a)	<u>5</u>	<u>-</u>
c. Deferred Tax		
Deferred tax provision at the start of the period	-	-
Deferred tax charge in Statement of total return for the period	<u>2</u>	<u>-</u>
Deferred tax provision at the end of the period	<u>2</u>	<u>-</u>
Timing differences on overseas tax	2	-
Provision for deferred tax	<u>2</u>	<u>-</u>

At 31 October 2004 the sub-fund had surplus management expenses of £5,253,686 (31 October 2003 £2,547,173). 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	2004 £000	2003 £000
Reconciliation between net income and distributions:		
Net income after taxation per statement of total return	6,408	4,121
Add:		
Expenses paid from capital	45	28
Deduct:		
Special dividends	(191)	-
Total accumulation distribution per statement of total return	<u>6,262</u>	<u>4,149</u>

Details of the distribution per share are set out in the table on page 29.

6. Debtors	2004 £000	2003 £000
Amounts receivable on issue of shares	146	-
Sales awaiting settlement	611	592
Accrued income	879	407
Overseas withholding tax recoverable	1	1
Prepaid expenses	-	1
	<u>1,637</u>	<u>1,001</u>

Notes to the financial statements (continued)

as at 31 October 2004

7. Cash and bank balances	2004	2003
	£000	£000
Amount held at futures clearing houses	147	-
Cash and bank balances	<u>3,218</u>	<u>4,236</u>
	<u><u>3,365</u></u>	<u><u>4,236</u></u>

As at 31 October 2004, the weighted average of the floating interest rate on cash and bank balances was 3.69%.

8. Creditors	2004	2003
	£000	£000
Amounts payable on redemption of shares	26	-
Amounts payable on futures contracts	1,021	2,205
Purchases awaiting settlement	1,806	1,207
Accrued expenses	274	398
Deferred tax	<u>2</u>	<u>-</u>
	<u><u>3,129</u></u>	<u><u>3,810</u></u>

9. Derivatives and other financial instruments

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

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

a) Market price risk

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

b) Interest rate risk

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

Notes to the financial statements (continued)*as at 31 October 2004***9. Derivatives and other financial instruments (continued)**

d) Foreign currency risk

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

Currency exposure:	2004 £000	2003 £000
Net assets denominated in Sterling:		
Investments	322,475	221,751
Derivatives	147	(2,205)
Cash and bank balances	3,218	4,236
Sales awaiting settlement	612	592
Purchases awaiting settlement	(1,806)	(1,207)
Other net (liabilities) / assets	(298)	10
	<u>324,348</u>	<u>223,177</u>
Net assets denominated in US Dollars:		
Investments	-	37
	<u>-</u>	<u>37</u>
Net assets denominated in South African Rand:		
Investments	-	1,998
	<u>-</u>	<u>1,998</u>
Total net assets	<u>324,348</u>	<u>225,212</u>

Distribution table*for the six months ended 31 October 2004***Final distribution in pence per share**

	Net Income	Distribution Payable 31.12.2004	Distribution Paid 31.12.2003
Accumulation A shares	1.3152	1.3152	1.1321
Accumulation B shares	1.3434	1.3434	1.2249

Corporate shareholders

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

100% of the accumulation distribution together with the tax credit is received as 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.

Europe (excluding UK) Equities Fund

Investment objective and policy

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

Investment advisers

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

Review of investment activities

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

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

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

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

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

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

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

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

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

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

Comparative table

Number of shares in issue	31.10.04	31.10.03	31.10.02
A shares	50,221,605	37,433,200	25,696,700
B shares	582,261	582,261	-
Net Asset Value (NAV)	£	£	£
Total NAV of sub-fund	61,991,313	40,224,816	23,147,062
NAV attributable to A shareholders	61,281,057	39,608,651	23,147,062
NAV attributable to B shareholders	710,256	616,165	-
Net asset value per share	p	p	p
A shares	122.02	105.81	90.08
B shares	121.98	105.82	-

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	153.80	148.40
2000	B shares	-	153.80	148.40
2001	A shares	-	157.90	97.30
2001	B shares	-	157.90	97.30
2002	A shares	0.8554	126.70	78.92
2002	B shares	-	126.70	78.92
2003	A shares	1.2104	114.60	104.90
2003	B shares	1.4473	114.60	104.90
2004*	A shares	1.6266	123.30	108.30
2004*	B shares	1.7119	123.30	108.40

* To 31 October 2004

Statement of total return
for the year ended 31 October 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net gains on investments during the period	1		6,490		5,131
Other (losses) / gains	2		(26)		31
Income	3	1,476		899	
Expenses	4	(651)		(385)	
Net income before taxation		<u>825</u>		<u>514</u>	
Taxation	5	<u>(235)</u>		<u>(127)</u>	
Net income after taxation			<u>590</u>		<u>387</u>
Total return for the period			7,054		5,549
Distributions	6		(678)		(433)
Net increase in shareholders' funds from investment activities			<u><u>6,377</u></u>		<u><u>5,116</u></u>

Statement of movements in shareholders' funds
for the year ended 31 October 2004

	2004		2003	
	£000	£000	£000	£000
Net assets at the start of the period		40,224		23,147
Movement due to sales / repurchases of shares:				
Amounts receivable on issue of shares	15,295		11,569	
Less: Amounts payable on redemption of shares	<u>(700)</u>		<u>(109)</u>	
		14,595		11,460
Dilution levy		118		68
Net increase in shareholders' funds from investment activities (see above)		6,377		5,116
Retained distribution on accumulation shares		678		433
Net assets at the end of the period		<u><u>61,992</u></u>		<u><u>40,224</u></u>

Portfolio statement

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Austria 0.78% (0.53%)			
OMV	3,244	436	0.70
Voestalpine	1,433	45	0.08
		481	0.78
Belgium 4.68% (3.83%)			
Almanij	15,382	629	1.01
Belgacom	7,477	149	0.24
Colruyt	2,262	178	0.29
Colruyt Bonus Rights	2,262	2	0.00
Delhaize	3,752	132	0.22
Dexia	66,545	729	1.18
Fortis	54,504	758	1.22
Mobistar	6,721	275	0.44
Umicore	1,136	48	0.08
		2,900	4.68
Denmark 1.51% (2.00%)			
Carlsberg	3,500	89	0.15
Danisco	11,550	349	0.55
GN Store Nord	33,500	188	0.31
NKT	1,500	19	0.03
TDC	14,400	290	0.47
		935	1.51
Finland 3.61% (1.94%)			
Elisa	6,000	48	0.08
Fortum	25,507	215	0.35
Kemira	4,310	32	0.05
Kemira GrowHow	1,077	4	0.01
M-real	5,795	19	0.04
Nokia	64,653	548	0.88
Orion 'A'	238	2	0.00
Orion 'B'	5,700	45	0.07
Outokumpu	8,800	84	0.15
Rautaruukki	22,500	124	0.20
Sampo	137,500	907	1.46
UPM-Kymmene	18,400	198	0.32
Wartsila	200	3	0.00
		2,229	3.61
France 22.43% (21.32%)			
Societe Assurances Generales de France	6,418	234	0.38
Air France-KLM	25,337	242	0.39
Alcatel	47,457	377	0.61
Arcelor	33,710	342	0.55
Atos Origin	4,600	155	0.25
AXA	15,078	178	0.29
BioMerieux	5,019	93	0.15
BNP Paribas	54,464	2,040	3.29
Bouygues	12,433	268	0.43
Carrefour	9,247	222	0.36
Christian Dior	15,890	532	0.86
CNP Assurances	4,800	177	0.29
European Aeronautic Defense and Space	18,333	290	0.47
Eramet	310	13	0.02
Societe Fonciere Financiere et de Participations	540	54	0.09
France Telecom	30,575	478	0.77

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
France (continued)			
Lagardere	7,628	269	0.43
LVMH	2,002	75	0.12
Michelin	5,700	167	0.27
Natexis Banques Populaire	1,100	72	0.12
Nexans	787	15	0.02
Peugeot	20,701	691	1.11
Rallye	1,357	31	0.05
Renault	16,732	763	1.23
Saint-Gobain	20,501	616	0.99
Sanofi-Aventis	27,276	1,094	1.76
Societe Generale	25,770	1,315	2.12
Sodexo Alliance	7,200	100	0.17
Thales	7,000	140	0.23
Total	14,901	1,692	2.73
Valeo	2,750	55	0.09
Veolia Environnement	12,000	199	0.32
Vicat	34	2	0.00
Vinci	6,602	434	0.70
Vivendi Universal	31,661	477	0.77
		<u>13,902</u>	<u>22.43</u>
Greece 0.30% (0.15%)			
Bank of Greece	380	23	0.04
OPAP	14,436	161	0.26
		<u>184</u>	<u>0.30</u>
Germany 16.64% (16.50%)			
Allianz	1,600	93	0.15
BASF	26,999	919	1.48
Bayer	22,800	355	0.57
Bilfinger Berger	1,047	20	0.03
Celesio	2,926	116	0.19
DaimlerChrysler	32,200	728	1.17
Degussa	6,905	146	0.24
Depfa Bank	24,761	204	0.33
Deutsche Bank	18,995	786	1.27
Deutsche Telekom	126,366	1,321	2.13
E.ON	25,452	1,131	1.82
Fresenius	1,600	81	0.13
Henkel	6,377	245	0.40
Henkel Preference	5,766	234	0.38
MAN	9,300	176	0.28
Merck	5,412	164	0.26
Muenchener Rueckversicherungs	7,744	415	0.67
Puma	2,275	309	0.50
RWE	24,564	705	1.14
SAP	3,835	356	0.57
Schering	5,742	200	0.32
Siemens	30,749	1,251	2.02
ThyssenKrupp	19,545	201	0.33
TUI	13,927	160	0.26
		<u>10,316</u>	<u>16.64</u>
Ireland 0.98% (1.51%)			
Anglo Irish Bank	35,134	367	0.59
CRH	18,098	238	0.39
		<u>605</u>	<u>0.98</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Italy 5.94% (6.95%)			
Banca Intesa	25,000	56	0.09
Banca Monte dei Paschi di Siena	96,000	157	0.25
Banca Nazionale del Lavoro	100,356	127	0.20
Buzzi Unicem	5,247	39	0.06
CIR-Compagnie Industriali Riunite	36,000	45	0.07
Cofide	27,352	13	0.02
Danieli	1,493	5	0.01
Edison	77,664	84	0.14
Enel	56,185	273	0.44
ENI	157,510	1,956	3.16
Fondiarria-Sai	8,000	100	0.16
Impregilo	24,225	8	0.01
Italcementi	931	8	0.01
Italcementi RNC	17,115	96	0.16
Mediaset	11,100	69	0.11
Sanpaolo IMI	40,000	278	0.45
Telecom Italia	156,000	285	0.46
Terna	57,712	77	0.13
Vianini Lavori	1,650	6	0.01
		3,682	5.94
Luxembourg nil (0.31%)			
Netherlands 10.99% (12.13%)			
ABN AMRO Holding	68,160	893	1.44
Akzo Nobel	5,169	105	0.17
ASML Holding	29,027	225	0.36
BAM Groep	542	11	0.02
Corio	8,300	227	0.37
DSM	21,670	645	1.04
ING Groep	103,294	1,494	2.41
Ispat International	745	13	0.02
KPN KON	92,811	406	0.65
Philips Electronics	61,083	789	1.27
Randstad Holdings	6,600	119	0.19
Royal Dutch Petroleum	26,942	794	1.28
TPG	11,400	151	0.24
Unilever	29,685	948	1.53
		6,820	10.99
Norway 3.40% (2.84%)			
Frontline	14,000	375	0.60
Norsk Hydro	13,100	525	0.85
Orkla	25,530	398	0.64
Statoil	36,500	288	0.46
Telenor	79,800	352	0.57
Yara International	29,800	174	0.28
		2,112	3.40
Portugal 0.78% (0.78%)			
Corticeira Amorim	5,147	4	0.01
Energias de Portugal	119,783	193	0.31
Portugal Telecom	46,000	283	0.46
		480	0.78

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Spain 7.51% (8.80%)			
Acciona	2,800	107	0.17
ACS Actividades Cons y Serv	17,100	182	0.29
Antena 3	5,841	207	0.33
Banco Santander Central Hispano	165,425	1,008	1.63
Cie Automotive	582	5	0.01
Endesa	36,000	399	0.63
Fomento de Construcciones y Contratas	6,000	126	0.20
Iberdrola	9,068	108	0.17
Inditex	10,673	149	0.24
Cia de Distribucion Integral Logista	1,627	39	0.06
Pescanova	30	-	0.00
Repsol YPF	92,580	1,101	1.78
Gestevisión Telecinco	12,000	127	0.20
Telefonica	123,255	1,116	1.80
		<hr/>	<hr/>
		4,674	7.51
Sweden 5.36% (4.88%)			
Electrolux	6,407	65	0.10
Ericsson 'B'	442,602	706	1.14
Gambro	10,257	66	0.11
Nordea Bank	295,967	1,397	2.25
Swedish Match	32,500	197	0.32
Tele2	2,550	47	0.08
TeliaSonera	114,000	336	0.54
Volvo 'A'	8,500	169	0.27
Volvo 'B'	16,700	344	0.55
		<hr/>	<hr/>
		3,327	5.36
Switzerland 13.93% (14.09%)			
ABB	75,000	236	0.38
Agie Charmilles	10	-	0.00
Arbonia-Forster	154	11	0.02
Ascom Holding	2,407	18	0.03
Baloise Holding	1,600	35	0.06
Charles Voegelé Holding	339	7	0.01
Ciba Specialty Chemicals	3,574	134	0.22
Credit Suisse	66,066	1,233	1.99
Daetwyler	12	13	0.02
Geberit	260	94	0.15
Georg Fischer	127	17	0.03
Holcim	3,651	108	0.17
Leica Geosystems	22	3	0.00
Schweiz Natl-Vers-Ges	14	4	0.01
Nestlé	10,238	1,337	2.16
Novartis	53,856	1,405	2.27
Roche Holding	16,271	913	1.47
Saurer	480	14	0.02
Sulzer	210	39	0.06
Swiss Life Holding	1,473	103	0.17
Swiss Reinsurance	9,561	323	0.52
Syngenta	3,580	185	0.30
UBS	41,008	1,628	2.63
Unaxis Holding	485	22	0.04
Vetropack Holding	43	14	0.02
Zehnder Group	31	19	0.03
Zurich Financial Services	9,172	715	1.15
		<hr/>	<hr/>
		8,630	13.93

Portfolio statement (continued)*as at 31 October 2004*

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Future Contracts 0.32% (0.31%)			
Euro Stoxx December 2004	10	196	0.32
		196	0.32
<hr/>			
Portfolio Of Investments		61,473	99.16
Net Current Assets		518	0.84
Net Assets		61,991	100.00

All shares are ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2003.

Balance sheet
as at 31 October 2004

	Notes	2004 £000	2003 £000
Portfolio of investments		61,473	39,768
Net current assets			
Debtors	7	291	149
Cash and bank balances	8	511	534
		<u>802</u>	<u>683</u>
less			
Creditors	9	284	227
		<u>284</u>	<u>227</u>
Net current assets		<u>518</u>	<u>456</u>
Net assets		<u>61,991</u>	<u>40,224</u>
Shareholders' funds		<u>61,991</u>	<u>40,224</u>

Summary of material portfolio changes*for the year ended 31 October 2004*

Major purchases	Cost £000	Major sales	Proceeds £000
Nestle	1,536	Telefonica	1,056
ING Groep	1,086	Ericsson 'B'	868
Total	1,071	Fortis	768
Deutsche Telekom	1,038	Akzo Nobel	714
Ericsson 'B'	964	Bank of Ireland	654
Sampo 'A'	844	Nestle	650
BASF	830	Aegon	626
Vivendi Universal	790	Roche Holding	563
Novartis	781	Vivendi Universal	561
Fortis	766	Aventis	509
Telefonica	764	Infineon Technologies	508
Nordea Bank	688	E.ON	502
BNP Paribas	673	Bayer	484
Repsol YPF	655	ABN Amro Holding	477
RWE	636	Danske Bank	458
Credit Suisse	623	Siemens	422
DaimlerChrysler	607	Telecom Italia Mobile	421
ABN Amro Holding	599	Delhaize	416
Renault	591	Deutsche Post	404
DSM	585	Deutsche Bank	394
Other purchases for the period	36,673	Other sales for the period	26,110
Total cost of purchases for the period	52,800	Total proceeds from sales for the period	37,565

Notes to the financial statements

as at 31 October 2004

1. Net gains on investments	2004	2003
	£000	£000
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	37,565	26,364
Original cost of investments sold during the period	(35,790)	(28,893)
Gains / (losses) realised on investments sold during the period	<u>1,775</u>	<u>(2,529)</u>
Net realised depreciation thereon already recognised in earlier periods	11	4,490
	<u>1,786</u>	<u>1,961</u>
Net unrealised appreciation for the period	<u>4,704</u>	<u>3,170</u>
Net gains on investments	<u><u>6,490</u></u>	<u><u>5,131</u></u>
Included in net gains on investments are gains of £92,842 relating to futures contracts (2003 - losses £8,000).		
2. Other (losses) / gains	2004	2003
	£000	£000
Realised currency (losses) / gains	(28)	33
Unrealised currency gains / (losses)	2	(2)
	<u>(26)</u>	<u>31</u>
3. Income	2004	2003
	£000	£000
Scrip dividends	2	-
Overseas income	1,450	879
Bank interest	24	20
	<u>1,476</u>	<u>899</u>
4. Expenses	2004	2003
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	520	307
	<u>520</u>	<u>307</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	14	9
	<u>14</u>	<u>9</u>
Other expenses:		
Audit fees	6	9
Publication fees	1	5
Transaction charges	88	46
Safe custody fees	21	9
Overdraft interest	1	-
	<u>117</u>	<u>69</u>
Total expenses	<u><u>651</u></u>	<u><u>385</u></u>

Notes to the financial statements (continued)

as at 31 October 2004

5. Taxation	2004	2003
	£000	£000
a. Analysis of charge in period		
Corporation tax	167	110
Double taxation relief	(167)	(110)
Avoir Fiscal	-	7
Overseas withholding tax	233	120
Current period tax charge (note 5b)	233	127
Increase in deferred taxation during the period (note 5c)	2	-
	<u>235</u>	<u>127</u>
b. Factors affecting tax charge for the period		
Net income before taxation	825	514
Corporation tax @ 20%	165	103
Tax effect of:		
Transaction charges (not included for tax purposes)	18	9
Timing differences on income	(16)	(2)
Overseas withholding tax	233	120
Double taxation relief	(167)	(110)
Avoir fiscal	-	7
Current period tax charge (note 5a)	233	127
	<u>233</u>	<u>127</u>
c. Deferred tax		
Deferred tax provision at the start of the period	-	-
Deferred tax charge per Statement of total return for the period (note 5a)	2	-
Deferred tax provision at the end of the period	<u>2</u>	<u>-</u>
Timing differences on overseas tax	2	-
Provision for deferred tax	<u>2</u>	<u>-</u>
6. Distributions		
Reconciliation between net income and distributions:	2004	2003
	£000	£000
Net income after taxation per statement of total return	590	387
Add:		
Expenses paid from capital	88	46
Total accumulation distribution per statement of total return	<u>678</u>	<u>433</u>
Details of the distribution per share are set out in the table on page 44.		
7. Debtors		
	2004	2003
	£000	£000
Amounts receivable on issue of shares	28	55
Sales awaiting settlement	51	5
Accrued income	90	14
Overseas withholding tax recoverable	122	75
	<u>291</u>	<u>149</u>
8. Cash and bank balances		
	2004	2003
	£000	£000
Amount held at futures clearing houses	17	-
Cash and bank balances	494	534
	<u>511</u>	<u>534</u>

As at 31 October 2004, the weighted average of the floating interest rate on cash and bank balances was 0.76%.

Notes to the financial statements (continued)*as at 31 October 2004***9. Creditors**

	2004	2003
	£000	£000
Amounts payable on futures contracts	195	122
Purchases awaiting settlement	25	4
Accrued expenses	62	101
Deferred tax	2	-
	<u>284</u>	<u>227</u>

10. Derivatives and other financial instruments

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

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

a) Market price risk

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

b) Interest rate risk

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

d) Foreign currency risk

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

Notes to the financial statements (continued)

as at 31 October 2004

10. Derivatives and other financial instruments (continued)

Currency exposure:	2004	2003
	£000	£000
Net assets denominated in Euros:		
Investments	46,272	30,056
Currency hedges	196	-
Cash and bank balances	247	243
Sales awaiting settlement	19	5
Purchases awaiting settlement	(25)	(4)
Other net (liabilities) / assets	(105)	58
	<u>46,604</u>	<u>30,358</u>
Net assets denominated in Sterling:		
Investments	-	124
Cash and bank balances	160	286
Other net assets / (liabilities)	85	(168)
	<u>245</u>	<u>242</u>
Net assets denominated in Swiss Francs:		
Investments	8,629	5,676
Cash and bank balances	71	-
Other net assets	-	27
	<u>8,700</u>	<u>5,703</u>
Net assets denominated in Danish Kroner:		
Investments	936	801
Cash and bank balances	22	4
Other net assets	-	3
	<u>958</u>	<u>808</u>
Net assets denominated in Norwegian Kroner:		
Investments	2,113	1,141
Cash and bank balances	4	1
	<u>2,117</u>	<u>1,142</u>
Net assets denominated in Swedish Kroner:		
Investments	3,327	1,971
Cash and bank balances	40	-
	<u>3,367</u>	<u>1,971</u>
Total net assets	<u>61,991</u>	<u>40,224</u>

Distribution table*for the six months ended 31 October 2004***Final distribution in pence per share**

	Net Income	Distribution Payable 31.12.2004	Distribution Paid 31.12.2003
Accumulation A shares	0.9611	0.9611	0.6655
Accumulation B shares	0.9477	0.9477	0.7642

Corporate shareholders

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

Accumulation distributions

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

United States Equities Fund

Investment objective and policy

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

Investment advisers

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

Review of investment activities

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

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

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

Alliance Capital combines the skills of two leading and long-established US investment management companies with complimentary investment processes - Alliance in growth investing and Bernstein in value investing.

Their investment philosophy is based on belief that high quality bottom-up research of value and growth stocks, combined with quantitative return tools, leads to superior stock selection. The risk-controlled process draws on the expertise of both Alliance growth analysts and Bernstein value analysts with approximately 90% of research generated internally.

They aim to add around 70% of value from fundamental stock research and 30% from quantitative research.

Their team constructs a widely diversified portfolio of approximately 200 stocks.

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 United States Equities Fund during the period.

Comparative table

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

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

Net asset value per share	p	p	p
A shares	105.29	104.53	97.17
B shares	105.33	104.53	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
2001	A shares	-	156.90	111.20
2001	B shares	-	156.90	111.20
2002	A shares	0.1087	138.10	83.21
2002	B shares	0.1139	138.10	83.21
2003	A shares	0.2939	107.40	102.60
2003	B shares	0.2155	107.40	102.60
2004*	A shares	0.3281	110.30	98.53
2004*	B shares	0.4083	110.30	98.54

* To 31 October 2004

Statement of total return
for the year ended 31 October 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net gains on investments during the period	1		145		3,326
Other losses	2		(54)		(90)
Income	3	824		517	
Expenses	4	(559)		(370)	
Net income before taxation		<u>265</u>		<u>147</u>	
Taxation	5	<u>(121)</u>		<u>(76)</u>	
Net income after taxation			<u>144</u>		<u>71</u>
Total return for the period			235		3,307
Distributions	6		(173)		(103)
Net increase in shareholders' funds from investment activities			<u>62</u>		<u>3,204</u>

Statement of movements in shareholders' funds
for the year ended 31 October 2004

	2004		2003	
	£000	£000	£000	£000
Net assets at the start of the period		39,836		22,999
Movement due to sales / repurchases of shares:				
Amounts receivable on issue of shares	18,078		13,564	
Less: Amounts payable on redemption of shares	<u>(303)</u>		<u>(86)</u>	
		17,775		13,478
Dilution levy		88		53
Net increase in shareholders' funds from investment activities (see above)		62		3,204
Stamp duty reserve tax		-		(1)
Retained distribution on accumulation shares		173		103
Net assets at the end of the period		<u>57,934</u>		<u>39,836</u>

Portfolio statement

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Aerospace & Defence 2.55% (0.73%)			
Boeing	21,700	591	1.02
Goodrich	2,000	34	0.06
Honeywell International	5,000	92	0.16
Northrop Grumman	10,700	305	0.53
Raytheon 'B'	13,000	266	0.46
United Technologies	3,650	183	0.32
		1,471	2.55
Automobiles & Parts 1.54% (1.67%)			
Autonation	16,100	151	0.26
Delphi	20,100	94	0.16
Ford Motor	48,200	346	0.60
General Motors	5,900	125	0.22
Harley-Davidson	3,100	99	0.17
Polaris Industries	2,400	78	0.13
		893	1.54
Banks 9.76% (8.61%)			
AmSouth Bancorp	3,500	50	0.09
Bank of America	52,570	1,278	2.21
Bank of Hawaii	6,100	159	0.27
Bank of New York	5,100	90	0.16
Citigroup	43,550	1,052	1.82
Commerce Bancorp	3,400	109	0.19
Comerica	2,600	88	0.15
Huntington Bancshares	3,500	46	0.08
JPMorgan Chase	22,196	466	0.80
Keycorp	4,400	81	0.14
National City	12,100	255	0.44
PNC Financial Services Group	2,900	83	0.14
Regions Financial	3,998	76	0.13
SunTrust Banks	3,400	130	0.22
UnionBanCal	8,900	295	0.51
US Bancorp	30,336	470	0.81
Wachovia	23,700	631	1.09
Wells Fargo & Co	9,000	294	0.51
		5,653	9.76
Beverages 1.27% (0.82%)			
Anheuser-Busch	9,700	264	0.46
Coca-Cola	7,300	162	0.28
PepsiAmericas	2,700	29	0.05
PepsiCo	10,300	279	0.48
		734	1.27
Chemicals 0.83% (0.92%)			
Dow Chemicals	1,000	24	0.04
El Du Pont de Nemours	4,300	101	0.17
Eastman Chemical	1,800	44	0.08
FMC	4,300	104	0.18
Hercules	4,200	32	0.06
Lubrizol	6,300	118	0.20
PPG Industries	500	17	0.03
Sonoco Products	3,000	43	0.07
		483	0.83

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Construction & Building Materials 0.67% (0.46%)			
Hughes Supply	10,200	158	0.27
Lennar 'A'	3,100	76	0.13
Masco	5,900	112	0.20
Sherwin-Williams	1,750	41	0.07
		<u>387</u>	<u>0.67</u>
Diversified Industrials 2.81% (2.91%)			
3M Company	8,200	346	0.60
American Standard	3,750	74	0.13
Caterpillar	700	30	0.05
Corning	5,100	32	0.06
Crane	2,100	32	0.06
Fortune Brands	1,100	44	0.08
Illinois Tool Works	2,300	114	0.20
Loews	8,900	289	0.50
Parker Hannifin	800	30	0.05
Textron	2,100	79	0.14
Tyco International	32,200	546	0.94
		<u>1,616</u>	<u>2.81</u>
Electronic & Electrical Equipment 3.53% (3.78%)			
Avnet	5,800	54	0.09
Cooper Industries	1,000	34	0.06
Eaton	2,000	69	0.12
Emerson Electric	1,000	35	0.06
Flextronics International	5,200	34	0.06
General Electric	95,300	1,770	3.06
Hubbell 'B'	1,800	44	0.08
		<u>2,040</u>	<u>3.53</u>
Electricity 2.25% (2.72%)			
American Electric Power	5,300	95	0.16
CMS Energy	12,800	65	0.11
Constellation Energy	2,100	46	0.08
DTE Energy	2,100	48	0.08
Edison International	17,400	289	0.50
Entergy	1,500	53	0.09
FirstEnergy	3,000	67	0.12
FPL Group	2,800	105	0.18
Northeast Utilities	14,800	156	0.27
NRG Energy	4,500	68	0.12
Pepco Holdings	3,400	38	0.07
PG&E	9,100	158	0.27
Pinnacle West Capital	1,800	42	0.07
PPL	1,200	34	0.06
Progress Energy	1,800	41	0.07
		<u>1,305</u>	<u>2.25</u>
Engineering & Machinery 0.05% (0.00%)			
FMC Technologies	1,700	28	0.05
		<u>28</u>	<u>0.05</u>
Food & Drug Retailers 0.94% (0.77%)			
Albertson's	9,600	120	0.21
Safeway	7,400	72	0.12
Supervalu	22,200	356	0.61
		<u>548</u>	<u>0.94</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Food Producers & Processors 1.86% (2.52%)			
Archer-Daniels-Midland	20,900	203	0.35
Bunge	3,200	81	0.14
ConAgra	2,000	29	0.05
Dean Foods New	1,600	26	0.04
General Mills Inc	4,500	108	0.19
Kraft Foods	18,300	333	0.57
Pilgrim's Pride	4,500	67	0.12
Tyson Foods 'A'	28,700	231	0.40
		1,078	1.86
Forestry & Paper 0.44% (0.69%)			
Georgia-Pacific	1,500	28	0.05
International Paper	3,400	70	0.12
Louisiana-Pacific	7,300	96	0.17
Temple-Inland	800	25	0.04
Weyerhaeuser	1,000	34	0.06
		253	0.44
Health 5.53% (6.34%)			
AmerisourceBergen	2,500	75	0.13
Amgen	11,300	347	0.60
Anthem	1,300	57	0.10
Applera Applied Biosystems	4,500	47	0.08
Apria Healthcare Group	2,200	33	0.06
CR Bard	6,500	200	0.35
Beckman Coulter	2,100	66	0.11
Becton Dickinson	2,600	74	0.13
Boston Scientific	6,600	127	0.22
Bristol-Myers Squibb	3,100	41	0.07
Caremark Rx	23,200	379	0.65
Edwards Lifesciences	2,000	38	0.07
Genentech	17,700	444	0.77
HCA	2,900	58	0.10
Health Management Associates	7,350	82	0.14
IMS Health	20,600	239	0.41
St Jude Medical	2,400	99	0.17
UnitedHealth Group	7,050	280	0.48
WellPoint Health Networks	1,625	86	0.15
Zimmer Holdings	10,300	428	0.74
		3,200	5.53
Household Goods & Textiles 1.45% (0.21%)			
Coach	11,900	299	0.52
Harman International Industries	5,000	328	0.57
Leggett & Platt	1,600	24	0.04
Newell Rubbermaid	4,200	48	0.08
Nike 'B'	1,000	44	0.08
VF	2,000	59	0.10
Whirlpool	1,100	35	0.06
		837	1.45

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Information Technology Hardware 7.26% (7.97%)			
Agere Systems 'A'	88,400	58	0.10
Broadcom 'A'	3,550	52	0.09
Cisco Systems	45,400	469	0.81
Dell	33,600	634	1.09
EMC	10,200	72	0.12
Hewlett-Packard	36,232	366	0.63
Ingram Micro	2,100	20	0.04
Intel	56,600	688	1.19
Juniper Networks	7,400	106	0.18
Lucent Technologies	29,000	57	0.10
Marvell Technology Group	3,000	47	0.08
Maxim Integrated Products	1,500	36	0.06
Micron Technology	28,900	193	0.33
Motorola	49,800	473	0.82
Qualcomm	30,100	682	1.18
Sanmina-SCI	5,800	24	0.04
Solectron	28,200	80	0.14
Tech Data	5,100	111	0.19
Tellabs	3,900	17	0.03
Texas Instruments	1,900	25	0.04
		<u>4,210</u>	<u>7.26</u>
Insurance 3.04% (2.71%)			
ACE	2,550	53	0.09
Allstate	7,000	182	0.31
American International Group	21,444	716	1.24
Axis Capital Holdings	4,300	58	0.10
WR Berkley	2,700	63	0.11
Berkshire Hathaway 'A'	6	277	0.48
Berkshire Hathaway 'B'	28	43	0.07
Chubb	1,300	51	0.09
Cigna	1,700	59	0.10
Hartford Financial Services Group	4,000	128	0.22
St Paul Travelers	4,740	87	0.15
XL Capital 'A'	1,250	49	0.08
		<u>1,766</u>	<u>3.04</u>
Investment Companies 0.26% (0.13%)			
Goldman Sachs Group	2,800	149	0.26
		<u>149</u>	<u>0.26</u>
Investment Entities 0.72% (0.61%)			
SPDR Trust Series 1	6,800	420	0.72
		<u>420</u>	<u>0.72</u>
Leisure & Hotels 1.14% (0.52%)			
Carnival	5,050	140	0.24
GTECH Holdings	5,600	72	0.12
International Game Technology	4,100	74	0.13
McDonald's	5,600	89	0.15
Starbucks	8,100	233	0.40
Wendy's International	3,400	60	0.10
		<u>668</u>	<u>1.14</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Life Assurance 1.51% (0.96%)			
Aflac	2,300	45	0.08
Lincoln National	14,200	338	0.58
Metlife	10,000	207	0.36
Prudential Financial	11,100	281	0.49
		<u>871</u>	<u>1.51</u>
Media & Entertainment 4.04% (4.55%)			
Comcast 'A'	11,296	182	0.31
Comcast	4,500	71	0.12
RR Donnelley	4,000	69	0.12
Eastman Kodak	3,400	56	0.10
Hearst-Argyle Television	9,100	130	0.22
Interpublic Group	5,000	33	0.06
Liberty Media International 'A'	5,400	104	0.18
McGraw-Hill	3,500	165	0.28
Time Warner	83,300	750	1.29
Univision Communications	6,600	112	0.19
Viacom 'A'	800	16	0.03
Viacom 'B'	22,695	446	0.77
Walt Disney	13,600	186	0.32
Westwood One	2,200	27	0.05
		<u>2,347</u>	<u>4.04</u>
Mining 0.06% (0.09%)			
Newmont Mining	1,400	36	0.06
		<u>36</u>	<u>0.06</u>
Oil & Gas 6.95% (7.15%)			
Amerada Hess	1,400	61	0.11
Anadarko Petroleum	2,400	88	0.15
Apache Corp	4,400	120	0.21
Baker Hughes	3,700	85	0.15
Burlington Resources	2,000	44	0.08
ChevronTexaco	20,156	577	1.00
ConocoPhillips	6,695	303	0.52
Devon Energy	2,500	100	0.17
EOG Resources	3,600	128	0.22
Exxon Mobil	47,900	1,271	2.19
Marathon Oil	6,000	123	0.21
Nabors Industries Ltd	1,700	45	0.08
Occidental Petroleum	8,900	267	0.46
Schlumberger	3,000	102	0.18
Sunoco	7,500	298	0.51
Valero Energy	14,300	327	0.56
XTO Energy	4,800	86	0.15
		<u>4,025</u>	<u>6.95</u>
Personal Care & Household Products 3.00% (3.34%)			
Avon Products	16,050	379	0.65
Gillette	18,800	431	0.74
Procter & Gamble	33,200	930	1.61
		<u>1,740</u>	<u>3.00</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Pharmaceutical & Biotechnology 7.34% (7.07%)			
Abbott Laboratories	1,300	30	0.05
Alcon	1,500	58	0.10
Allergan	7,100	279	0.48
Biogen Idec	11,800	384	0.66
Cephalon	3,200	83	0.14
Eli Lilly	16,700	511	0.88
Forest Laboratories	3,500	85	0.15
ImClone Systems	4,200	105	0.18
Johnson & Johnson	33,500	1,061	1.83
Merck & Co	4,900	84	0.14
Monsanto	6,300	143	0.25
Pfizer	91,580	1,436	2.48
		<u>4,259</u>	<u>7.34</u>
Real Estate 0.91% (0.97%)			
AMB Property	2,400	49	0.08
Equity Office Properties Trust	18,000	278	0.48
Equity Residential	3,200	59	0.10
Prologis	2,500	52	0.09
Regency Centers	3,400	90	0.16
		<u>528</u>	<u>0.91</u>
Retailers General 6.16% (7.00%)			
Barnes & Noble	2,300	42	0.07
Bed Bath & Beyond	3,200	71	0.12
Costco Wholesale	3,300	87	0.15
eBay	10,200	550	0.95
Federated Department Stores	11,900	323	0.56
Home Depot	24,800	557	0.96
Kmart Holding	5,900	297	0.51
Ltd Brands	2,700	36	0.06
Lowe's Companies	6,700	207	0.36
May Department Stores	5,100	73	0.13
Saks	5,600	37	0.06
Staples	13,600	219	0.38
Target	5,500	150	0.26
TJX Companies	6,000	78	0.13
Wal-Mart Stores	26,750	789	1.36
Williams-Sonoma	2,800	58	0.10
		<u>3,574</u>	<u>6.16</u>
Software & Computer Services 7.84% (6.67%)			
Accenture	21,600	288	0.50
Autodesk	7,000	198	0.34
BMC Software	17,100	173	0.30
Computer Sciences	1,300	35	0.06
Electronic Arts	3,300	82	0.14
Electronic Data Systems	3,000	35	0.06
Fiserv	1,600	31	0.05
International Business Machines	13,000	635	1.10
Mercury Interactive	1,400	33	0.06
Microsoft	127,400	1,951	3.37
Oracle	25,900	179	0.31
Symantec	15,100	489	0.84
Yahoo	20,800	414	0.71
		<u>4,543</u>	<u>7.84</u>

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Speciality & Other Finance 6.08% (8.48%)			
AmeriCredit	21,500	225	0.39
Bear Stearns	1,400	73	0.13
CIT Group	12,700	279	0.48
Countrywide Financial	16,700	288	0.50
Fannie Mae	2,150	82	0.14
Fidelity National Financial	2,230	47	0.08
Franklin Resources	1,500	50	0.09
Freddie Mac	11,900	432	0.75
Legg Mason	1,875	65	0.11
Lehman Brothers Holdings	11,100	499	0.86
MBIA	8,000	254	0.44
MBNA	12,100	169	0.29
Merrill Lynch & Co	6,700	199	0.34
Moody's	8,000	340	0.59
Morgan Stanley	5,600	159	0.27
Nationwide Financial Services	1,800	34	0.06
Principal Financial Group	10,800	218	0.38
T Rowe Price Group	3,500	106	0.18
		<u>3,519</u>	<u>6.08</u>
Steel & Other Metals 0.80% (0.30%)			
Alcoa	3,800	67	0.12
Nucor	13,400	300	0.52
United States Steel	3,600	71	0.12
Worthington Industries	2,000	21	0.04
		<u>459</u>	<u>0.80</u>
Support Services 1.32% (1.43%)			
Arrow Electronics	3,100	41	0.07
Cendant	37,600	429	0.74
Pitney Bowes	1,700	40	0.07
Republic Services	2,000	33	0.06
Waste Management	14,100	220	0.38
		<u>763</u>	<u>1.32</u>
Telecom Services 3.42% (3.70%)			
Alltel	1,100	33	0.06
AT&T	4,300	39	0.07
BellSouth	25,100	364	0.63
CenturyTel	13,700	235	0.41
Nextel Communications	4,600	66	0.11
SBC Communications	26,100	361	0.62
Sprint	39,150	447	0.77
US Cellular	2,000	46	0.08
Verizon Communications	18,000	387	0.67
		<u>1,978</u>	<u>3.42</u>
Tobacco 1.00% (1.18%)			
Altria Group	13,300	354	0.61
Reynolds American	5,000	189	0.33
UST	1,600	36	0.06
		<u>579</u>	<u>1.00</u>

Portfolio statement (continued)*as at 31 October 2004*

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Transport 0.73% (0.61%)			
Burlington Northern Santa Fe	800	18	0.03
CSX	3,900	77	0.13
Norfolk Southern	4,500	82	0.14
Union Pacific	1,100	38	0.07
United Parcel Service	4,900	211	0.36
		426	0.73
Utilities Other 0.27% (0.04%)			
El Paso	10,100	49	0.08
Sempra Energy	6,100	111	0.19
		160	0.27
<hr/>			
Portfolio Of Investments		57,546	99.33
Net Current Assets		388	0.67
Net Assets		57,934	100.00

All shares are ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2003.

Balance sheet
as at 31 October 2004

	Notes	2004 £000	2003 £000
Portfolio of investments		57,546	39,291
Net current assets			
Debtors	7	289	99
Cash and bank balances	8	446	677
		<u>735</u>	<u>776</u>
Creditors	9	347	231
		<u>347</u>	<u>231</u>
Net current assets		<u>388</u>	<u>545</u>
Net assets		<u>57,934</u>	<u>39,836</u>
Shareholders' funds		<u>57,934</u>	<u>39,836</u>

Summary of material portfolio changes

for the year ended 31 October 2004

Major purchases	Cost £000	Major sales	Proceeds £000
SPDR Trust Series 1	8,977	SPDR Trust Series 1	8,784
Microsoft	794	Sears Roebuck	631
Pfizer	700	Intel	423
Citigroup	694	Walt Disney	409
Sears Roebuck	685	Gilead Sciences	391
Genentech	678	Guidant	388
General Electric	650	Citigroup	371
Johnson & Johnson	551	Amgen	352
Boeing	537	JPMorgan Chase	335
Time Warner	528	General Motors	332
Intel	513	Medtronic	318
Freddie Mac	473	Amazon.com	305
Home Depot	469	Transocean	289
Eli Lilly	469	Monsanto	287
Lehman Brothers Holdings	454	Schlumberger	286
Biogen Idec	453	MBNA	278
Tyco International	446	Fidelity National Financial	275
Exxon Mobil	419	United Parcel Service	270
Cendant	415	AT & T Wireless	267
Caremark Rx	397	Morgan Stanley	265
Other purchases for the period	34,813	Other sales for the period	20,748
Total cost of purchases for the period	54,116	Total proceeds from sales for the period	36,005

Notes to the financial statements

as at 31 October 2004

1. Net gains on investments	2004 £000	2003 £000
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	36,005	32,408
Original cost of investments sold during the period	<u>(36,615)</u>	<u>(35,113)</u>
Losses realised on investments sold during the period	(610)	(2,705)
Net realised depreciation thereon already recognised in earlier periods	623	4,909
	<u>13</u>	<u>2,204</u>
Net unrealised appreciation for the period	<u>132</u>	<u>1,122</u>
Net gains on investments	<u><u>145</u></u>	<u><u>3,326</u></u>
2. Other losses	2004 £000	2003 £000
Realised currency losses	(53)	(90)
Unrealised currency losses	<u>(1)</u>	<u>-</u>
	<u><u>(54)</u></u>	<u><u>(90)</u></u>
3. Income	2004 £000	2003 £000
Overseas income	817	511
Bank interest	<u>7</u>	<u>6</u>
	<u><u>824</u></u>	<u><u>517</u></u>
4. Expenses	2004 £000	2003 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	<u>501</u>	<u>311</u>
	<u><u>501</u></u>	<u><u>311</u></u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	<u>14</u>	<u>9</u>
	<u><u>14</u></u>	<u><u>9</u></u>
Other expenses:		
Audit fees	6	9
Publication fees	1	4
Transaction charges	29	32
Safe custody fees	7	5
Overdraft interest	<u>1</u>	<u>-</u>
	<u><u>44</u></u>	<u><u>50</u></u>
Total expenses	<u><u>559</u></u>	<u><u>370</u></u>

Notes to the financial statements (continued)

as at 31 October 2004

5. Taxation	2004 £000	2003 £000
a. Analysis of charge in period		
Corporation tax	56	31
Double taxation relief	(56)	(31)
Overseas withholding tax	119	73
Current period tax charge (note 5b)	<u>119</u>	<u>73</u>
Increase in deferred taxation during the period (note 5c)	2	3
	<u>121</u>	<u>76</u>
b. Factors affecting tax charge for the period		
Net income before taxation	265	147
Corporation tax @ 20%	53	29
Tax effect of:		
Transaction charges (not included for tax purposes)	6	6
Timing differences on income	(3)	(4)
Overseas withholding tax	119	73
Double tax relief	(56)	(31)
Current period tax charge (note 5a)	<u>119</u>	<u>73</u>
c. Deferred tax		
Deferred tax provision at the start of the period	6	3
Deferred tax charge per Statement of total return for the period (note 5a)	2	3
Deferred tax provision at the end of the period	<u>8</u>	<u>6</u>
Timing differences on overseas tax	8	6
Provision for deferred tax	<u>8</u>	<u>6</u>
6. Distributions		
Reconciliation between net income and distributions:	2004 £000	2003 £000
Net income after taxation per statement of total return	144	71
Add:		
Expenses paid from capital	29	32
Total accumulation distribution per statement of total return	<u>173</u>	<u>103</u>
Details of the distribution per share are set out in the table on page 61.		
7. Debtors		
	2004 £000	2003 £000
Amounts receivable on issue of shares	53	56
Sales awaiting settlement	177	-
Accrued income	59	42
Overseas withholding tax recoverable	-	1
	<u>289</u>	<u>99</u>
8. Cash and bank balances		
	2004 £000	2003 £000
Cash and bank balances	<u>446</u>	<u>677</u>

As at 31 October 2004, the weighted average of the floating interest rate on bank balances was 4.25%.

Notes to the financial statements (continued)

as at 31 October 2004

9. Creditors	2004 £000	2003 £000
Purchases awaiting settlement	282	136
Accrued expenses	57	89
Deferred tax	8	6
	<u>347</u>	<u>231</u>

10. Derivatives and other financial instruments

The sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations. The company also enters into derivative transactions in the form of warrants and futures. The purpose of these financial instruments is efficient portfolio management. The sub-fund did not enter into such transactions during the period 1 November 2003 to 31 October 2004.

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

a) Market price risk

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

b) Interest rate risk profile of financial assets and financial liabilities

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuation in interest rates. Interest rates and inflation expectations are continuously reviewed. The assessment of this risk may result in a change in investment strategy.

c) Liquidity risk

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

d) Foreign currency risk

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

Currency exposure:	2004 £000	2003 £000
Net assets denominated in US Dollars:		
Investments	57,546	39,291
Cash and bank balances	329	417
Sales awaiting settlement	177	-
Purchases awaiting settlement	(281)	(136)
Other net assets	59	36
	<u>57,830</u>	<u>39,608</u>
Net assets denominated in Sterling:		
Cash and bank balances	117	260
Other net liabilities	(13)	(32)
	<u>104</u>	<u>228</u>
Total net assets	<u>57,934</u>	<u>39,836</u>

Distribution table*for the six months ended 31 October 2004***Final distribution in pence per share**

	Net Income	Distribution Payable 31.12.2004	Distribution Paid 31.12.2003
Accumulation A shares	0.1653	0.1653	0.1483
Accumulation B shares	0.1870	0.1870	0.1645

Corporate shareholders

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

Accumulation distributions

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

Japan Equities Fund

Investment objective and policy

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

Investment adviser

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

Review of investment activities

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

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

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

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

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

Comparative table

Number of shares in issue	31.10.04	31.10.03	31.10.02
A shares	26,854,500	19,736,500	12,400,500
B shares	259,975	259,975	-
D shares ^	10,076,514	307,900	-

^ Includes inspecie transfer from Scottish Provident Limited on 29 September 2004

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

Net asset value per share	p	p	p
A shares	111.25	108.18	96.59
B shares	111.33	108.17	-
D Shares	111.76	108.22	-

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	150.00	142.80
2000	B shares	-	150.00	142.80
2001	A shares	0.0623	153.80	111.70
2001	B shares	-	153.80	111.70
2002	A shares	-	129.20	93.15
2002	B shares	-	129.20	93.15
2003	A shares	0.0837	114.40	83.87
2003	B shares	0.3197	114.40	83.87
2003	D shares	-	114.50	103.00
2004*	A shares	0.1303	121.20	101.10
2004*	B shares	0.0795	121.20	101.10
2004*	D shares	0.2992	121.50	101.30

* To 31 October 2004

Statement of total return
for the year ended 31 October 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net gains on investments during the period	1		863		2,370
Other gains / (losses)	2		10		(3)
Income	3	376		191	
Expenses	4	(322)		(178)	
Net income before taxation		<u>54</u>		<u>13</u>	
Taxation	5	<u>(16)</u>		<u>(18)</u>	
Net income / (expense) after taxation			<u>38</u>		<u>(5)</u>
Total return for the period			911		2,362
Distributions	6		(51)		(14)
Net increase in shareholders' funds from investment activities			<u>860</u>		<u>2,348</u>

Statement of movements in shareholders' funds
for the year ended 31 October 2004

	2004		2003	
	£000	£000	£000	£000
Net assets at the start of the period		21,966		11,978
Movement due to sales / repurchases of shares:				
Share exchange issues on inspecie transfer*	5,966		-	
Amounts receivable on issue of shares	15,992		7,611	
Less: Amounts payable on redemption of shares	<u>(3,516)</u>		<u>(23)</u>	
		18,442		7,588
Dilution levy		108		38
Net increase in shareholders' funds from investment activities (see above)		860		2,348
Retained distribution on accumulation shares		51		14
Net assets at the end of the period		<u>41,427</u>		<u>21,966</u>

*relating to the inspecie transfer from Scottish Provident Limited on 29 September 2004.

Portfolio statement

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Automobiles & Parts 13.99% (13.57%)			
Bridgestone	127,000	1,256	3.03
Honda Motor	51,100	1,345	3.25
NGK Spark Plug	42,000	226	0.55
Toyota Motor	140,100	2,966	7.16
		<u>5,793</u>	<u>13.99</u>
Banks 1.53% (nil)			
Chiba Bank	14,000	49	0.12
Mizuho Financial Group	73	154	0.37
Sumitomo Mitsui Financial Group	122	432	1.04
		<u>635</u>	<u>1.53</u>
Chemicals 4.73% (3.47%)			
Daicel Chemical Industries	80,000	207	0.50
Kaneka	72,000	410	0.99
Kuraray	142,500	609	1.47
Mitsui Chemicals	44,000	117	0.28
Nitto Denko	18,600	480	1.16
Sumitomo Bakelite	43,000	138	0.33
		<u>1,961</u>	<u>4.73</u>
Construction & Building Materials 4.88% (4.73%)			
Mitsubishi	87,600	529	1.28
Mitsui	325,000	1,493	3.60
		<u>2,022</u>	<u>4.88</u>
Electronic & Electrical Equipment 17.90% (21.52%)			
Canon	41,400	1,111	2.68
Keyence	1,400	171	0.41
Mabuchi Motor	8,900	361	0.87
Matsushita Electric Industrial	102,000	807	1.95
Murata Manufacturing	29,200	759	1.83
Omron	66,400	822	1.98
Ricoh	173,000	1,762	4.25
Rohm	21,600	1,211	2.93
Sony	21,800	414	1.00
		<u>7,418</u>	<u>17.90</u>
Electricity 1.37% (0.33%)			
Electric Power Development	14,100	201	0.49
Tokyo Electric Power	29,600	364	0.88
		<u>565</u>	<u>1.37</u>
Engineering & Machinery 1.56% (1.48%)			
SMC	8,800	514	1.24
THK	14,100	134	0.32
		<u>648</u>	<u>1.56</u>
Food Producers & Processors 0.47% (0.89%)			
Ajinomoto	32,000	194	0.47
		<u>194</u>	<u>0.47</u>
Forestry & Paper 2.37% (3.44%)			
Nippon Unipac	406	983	2.37
		<u>983</u>	<u>2.37</u>

Portfolio statement (continued)
as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Household Goods & Textiles 2.55% (2.58%)			
Funai Electric	3,500	249	0.60
Heiwa	21,600	177	0.43
Sankyo	16,600	361	0.87
World	16,800	270	0.65
		<u>1,057</u>	<u>2.55</u>
Information Technology Hardware 0.95% (0.99%)			
Mitsubishi Electric	154,000	393	0.95
		<u>393</u>	<u>0.95</u>
Insurance 3.71% (6.79%)			
Millea Holdings	117	838	2.02
Sompo Japan Insurance	147,000	700	1.69
		<u>1,538</u>	<u>3.71</u>
Life Assurance 0.41% (nil)			
T&D Holdings	7,050	170	0.41
		<u>170</u>	<u>0.41</u>
Media & Entertainment 2.17% (2.88%)			
Fuji Photo Film	22,600	419	1.01
Nippon Television Network	3,260	262	0.63
Toho	27,500	218	0.53
		<u>899</u>	<u>2.17</u>
Oil & Gas 1.65% (3.14%)			
Showa Shell Sekiyu	139,900	685	1.65
		<u>685</u>	<u>1.65</u>
Pharmaceutical & Biotechnology 10.44% (8.57%)			
Dainippon Pharmaceutical	60,000	290	0.70
Suzuken	7,600	88	0.21
Takeda Pharmaceutical	77,800	2,044	4.93
Yamanouchi Pharmaceutical	95,000	1,903	4.60
		<u>4,325</u>	<u>10.44</u>
Real Estate 0.19% (nil)			
TOC	18,000	78	0.19
		<u>78</u>	<u>0.19</u>
Retailers General 3.36% (1.69%)			
Ito-Yokado	41,000	797	1.92
Marui	76,200	522	1.26
York-Benimaru	5,500	75	0.18
		<u>1,394</u>	<u>3.36</u>
Software & Computer Services 0.36% (0.43%)			
Nomura Research Institute	3,100	148	0.36
		<u>148</u>	<u>0.36</u>
Speciality & Other Finance 3.66% (4.46%)			
Nomura Holdings	145,000	969	2.34
Promise	15,800	546	1.32
		<u>1,515</u>	<u>3.66</u>

Portfolio statement (continued)*as at 31 October 2004*

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Steel & Other Metals 2.81% (2.70%)			
Sumitomo Electric Industries	225,000	1,163	2.81
		<u>1,163</u>	<u>2.81</u>
Telecom Services 5.23% (3.15%)			
KDDI	290	764	1.84
Nippon Telephone & Telegraph	476	1,098	2.65
NTT DoCoMo	321	307	0.74
		<u>2,169</u>	<u>5.23</u>
Transport 5.59% (5.05%)			
East Japan Railway	653	1,872	4.52
West Japan Railway	200	443	1.07
		<u>2,315</u>	<u>5.59</u>
Unit Trusts 4.24% (3.92%)			
Schroder Institutional Japanese Smaller Companies Fund Income Units	5,018,180	1,754	4.24
		<u>1,754</u>	<u>4.24</u>
<hr/>			
Portfolio Of Investments		39,822	96.12
Net Current Assets		1,605	3.88
Net Assets		<u>41,427</u>	<u>100.00</u>

All shares are ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2003.

Balance sheet
as at 31 October 2004

	Notes	2004 £000	2003 £000
Portfolio of investments		39,822	21,040
Net current assets			
Debtors	7	341	131
Cash and bank balances	8	2,063	844
		<u>2,404</u>	<u>975</u>
less			
Creditors	9	799	49
		<u>799</u>	<u>49</u>
Net current assets		<u>1,605</u>	<u>926</u>
Net assets		<u>41,427</u>	<u>21,966</u>
Shareholders' funds		<u>41,427</u>	<u>21,966</u>

Summary of material portfolio changes

for the year ended 31 October 2004

Major purchases	Cost £000	Major sales	Proceeds £000
Toyota Motor	1,201	Bridgestone	522
Canon	997	Sompo Japan Insurance	427
Takeda Pharmaceutical	934	Nippon Oil	384
Yamanouchi Pharmaceutical	923	Takeda Pharmaceutical	362
KDDI	847	Mitsui	349
East Japan Railway	799	Millea Holdings	260
Schroder Institutional Japanese Smaller Companies Fund Income Units	761	Fujitsu	226
Ricoh	748	Oji Paper	224
Nippon Telephone & Telegraph	747	Ajinomoto	206
Mitsui	737	Teijin	194
Rohm	658	Matsushita Electric Industrial	193
Bridgestone	652	Toho	187
Honda Motor	595	Promise	176
Nomura Holdings	581	Murata Manufacturing	170
Marui	569	Ushio	143
Ito-Yokado	536	Glory	142
Sumitomo Electric Industries	520	Toyota Motor	132
Nitto Denko	480	Shimano	115
Nippon Unipac	470	Sumitomo Bakelite	110
Mitsubishi	467	NGK Spark Plug	102
Millea Holdings	452		
Other purchases for the period	8,517	Other sales for the period	648
Total cost of purchases for the period	23,191	Total proceeds from sales for the period	5,272

Total purchases include portfolio investments acquired by the Sub-fund as a result of the in specie transfer from Scottish Provident Limited on 29 September 2004.

Notes to the financial statements

as at 31 October 2004

1. Net gains on investments	2004	2003
	£000	£000
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	5,272	1,881
Original cost of investments sold during the period	(4,951)	(2,574)
Gains / (losses) realised on investments sold during the period	<u>321</u>	<u>(693)</u>
Net realised depreciation thereon already recognised in earlier periods	176	890
	<u>497</u>	<u>197</u>
Net unrealised appreciation for the period	<u>366</u>	<u>2,173</u>
Net gains on investments	<u><u>863</u></u>	<u><u>2,370</u></u>
2. Other gains / (losses)	2004	2003
	£000	£000
Realised currency gains / (losses)	11	(3)
Unrealised currency losses	(1)	-
	<u>10</u>	<u>(3)</u>
3. Income	2004	2003
	£000	£000
Overseas income	314	169
Unfranked income	9	5
Bank interest	53	17
	<u>376</u>	<u>191</u>
4. Expenses	2004	2003
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	281	155
	<u>281</u>	<u>155</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	8	5
	<u>8</u>	<u>5</u>
Other expenses:		
Audit fees	6	9
Publication fees	3	3
Transaction charges	13	3
Safe custody fees	8	3
Overdraft interest	3	-
	<u>33</u>	<u>18</u>
Total expenses	<u><u>322</u></u>	<u><u>178</u></u>

Notes to the financial statements (continued)

as at 31 October 2004

5. Taxation	2004	2003
	£000	£000
a. Analysis of charge in period		
Overseas withholding tax	14	17
Income tax	2	1
Current period tax charge (note 5b)	<u>16</u>	<u>18</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>54</u>	<u>13</u>
Corporation tax @ 20%	11	3
Tax effect of:		
Transaction charges (not included for tax purposes)	3	1
Management expenses not relieved	1	2
Timing differences on income	(12)	(5)
Overseas withholding tax	11	17
Irrecoverable income tax	2	-
Current period tax charge (note 5a)	<u>16</u>	<u>18</u>
c. Deferred tax		

At 31 October 2004 the sub-fund had surplus management expenses of £112,672 (31 October 2003 £106,366). 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	2004	2003
	£000	£000
Reconciliation between net income and distributions:		
Net income / (expense) after taxation per statement of total return	38	(5)
Add:		
Expenses paid from capital	13	3
Distribution shortfall	-	16
Total accumulation distribution per statement of total return	<u>51</u>	<u>14</u>

Details of the distribution per share are set out in the table on page 74.

7. Debtors	2004	2003
	£000	£000
Amounts receivable on issue of shares	46	51
Sales awaiting settlement	151	-
Accrued income	144	71
Prepaid expenses	-	3
Management charge rebate	-	6
	<u>341</u>	<u>131</u>

Notes to the financial statements (continued)

as at 31 October 2004

8. Cash and bank balances	2004	2003
	£000	£000
Cash and bank balances	<u>2,063</u>	<u>844</u>

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

9. Creditors	2004	31.10.2003
	£000	£000
Amounts payable on redemption of shares	66	-
Purchases awaiting settlement	695	-
Accrued expenses	<u>38</u>	<u>49</u>
	<u>799</u>	<u>49</u>

10. Derivatives and other financial instruments

The sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations. The sub-fund also enters into derivative transactions in the form of warrants and futures. The purpose of these financial instruments is efficient portfolio management. The sub-fund did not enter into such transactions during the period 1 November 2003 to 31 October 2004.

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

a) Market price risk

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

b) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuation in interest rates. Interest rates and inflation expectations are continuously reviewed. The assessment of this risk may result in a change in investment strategy.

c) Liquidity risk

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

Notes to the financial statements (continued)*as at 31 October 2004***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 effect that the balance sheet and total return can be significantly affected by currency movements. In certain circumstances where this is significant, exposure may be managed by using foreign currency contracts.

Currency exposure:	2004 £000	2003 £000
Net assets denominated in Japanese Yen:		
Investments	38,068	20,180
Sales awaiting settlement	151	-
Purchases awaiting settlement	(589)	-
Other net assets	144	71
	<u>37,774</u>	<u>20,251</u>
Net assets denominated in Sterling:		
Investments	1,754	860
Cash and bank balances	2,063	844
Purchases awaiting settlement	(106)	-
Other net (liabilities) / assets	(58)	11
	<u>3,653</u>	<u>1,715</u>
Total net assets	<u>41,427</u>	<u>21,966</u>

Distribution table*for the six months ended 31 October 2004***Final distribution in pence per share**

	Net Income	Distribution Payable 31.12.04	Distribution Paid 31.12.03
Accumulation A shares	0.1093	0.1093	-
Accumulation B shares	0.0795	0.0795	-
Accumulation D shares	0.1375	0.1375	-

Corporate shareholders

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

Accumulation distributions

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

Pacific Basin (excluding Japan) Equities Fund

Investment objective and policy

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

Investment adviser

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

Review of investment activities

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

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

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

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

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

Comparative table

Number of shares in issue	31.10.04	31.10.03	31.10.02
A shares	11,204,300	8,382,800	6,789,200
B shares	645,401	645,401	222,494
D shares ^	7,401,033	313,800	-

^ Includes inspecie transfer from Scottish Provident Limited on 29 September 2004

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

Net asset value per share	p	p	p
A shares	166.19	161.53	119.50
B shares	166.04	161.54	119.50
D Shares	167.04	160.03	-

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	151.40	147.00
2000	B shares	-	151.40	147.00
2001	A shares	1.0933	161.00	106.00
2001	B shares	-	161.00	106.00
2002	A shares	1.4356	153.00	109.40
2002	B shares	1.1629	153.00	109.40
2003	A shares	1.4955	166.00	109.10
2003	B shares	1.4464	166.00	109.10
2003	D shares	0.1690	166.00	150.50
2004*	A shares	2.3447	174.20	147.40
2004*	B shares	2.4591	174.20	147.20
2004*	D shares	1.7662	174.40	147.70

* To 31 October 2004

Statement of total return
for the year ended 31 October 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net gains on investments during the period	1		456		3,460
Other losses	2		(104)		(24)
Gross income	3	689		287	
Expenses	4	(247)		(142)	
Net income before taxation		<u>442</u>		<u>145</u>	
Taxation	5	<u>(106)</u>		<u>(32)</u>	
Net income after taxation			<u>336</u>		<u>113</u>
Total return for the period			688		3,549
Distributions	6		(365)		(129)
Net increase in shareholders' funds from investment activities			<u><u>323</u></u>		<u><u>3,420</u></u>

Statement of movements in shareholders' funds
for the year ended 31 October 2004

	2004		2003	
	£000	£000	£000	£000
Net assets at the start of the period		15,085		8,380
Movement due to sales / repurchases of shares:				
Share exchange issues on inspecie transfer*	3,154		-	
Amounts receivable on issue of shares	15,707		3,604	
Less: Amounts payable on redemption of shares	<u>(2,821)</u>		<u>(479)</u>	
		16,040		3,125
Dilution levy		242		31
Net increase in shareholders' funds from investment activities (see above)		323		3,420
Retained distribution on accumulation shares		365		129
Net assets at the end of the period		<u><u>32,055</u></u>		<u><u>15,085</u></u>

*relating to the inspecie transfer from Scottish Provident Limited on 29 September 2004.

Portfolio statement*as at 31 October 2004*

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Australia 30.34% (22.43%)			
AMP	308,899	803	2.51
Australia & New Zealand Banking Group	77,336	642	2.00
BHP Billiton	260,669	1,472	4.59
Brambles Industries	158,288	459	1.43
Commonwealth Bank of Australia	40,569	531	1.65
CSL	70,848	834	2.60
Fosters Group	69,498	143	0.45
Insurance Australia Group	154,950	341	1.06
National Australia Bank	58,087	670	2.09
Newcrest Mining	91,745	624	1.95
Oil Search	389,370	276	0.86
Origin Energy	162,018	447	1.39
Promina Group	104,919	195	0.61
QBE Insurance Group	87,738	491	1.53
Rio Tinto	20,114	301	0.94
Westpac Banking	73,326	564	1.76
Woodside Petroleum	118,129	937	2.92
		9,730	30.34
China 2.77% (2.21%)			
China Telecom	1,709,000	301	0.94
Hainan Meilan International Airport	377,000	170	0.53
Ping An Insurance	168,000	144	0.45
Weiqiao Textile	342,500	271	0.85
		886	2.77
Hong Kong 16.32% (16.86%)			
BOC Hong Kong	202,000	200	0.62
Brilliance China Automotive Holdings	1,226,000	140	0.44
Cheung Kong Holdings	100,000	452	1.41
CNOOC	1,987,500	559	1.74
Esprit Holdings	117,500	342	1.07
Great Eagle Holdings	560,000	626	1.95
Hong Kong Exchanges and Clearing	353,000	438	1.37
Hong Kong & China Gas	385,000	404	1.26
Hopewell Holdings	323,000	380	1.19
Hutchison Whampoa	149,000	626	1.95
Jardine Matheson	49,600	398	1.24
Sun Hung Kai Properties	77,000	390	1.22
Swire Pacific	71,000	275	0.86
		5,230	16.32
India 3.48% (2.81%)			
Larsen & Toubro	5,684	56	0.17
Larsen & Toubro GDR	20,912	205	0.64
Oil & Natural Gas	32,729	310	0.97
Ranbaxy Laboratories	23,856	314	0.98
Tata Motors	41,660	208	0.65
Ultra Tech Cemco	2,834	21	0.07
		1,114	3.48
Indonesia 1.89% (2.36%)			
HM Sampoerna	881,500	319	1.00
Indosat	1,008,500	285	0.89
		604	1.89

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Korea 11.88% (14.08%)			
Hana Bank	11,020	149	0.46
Hyundai Mobis	22,020	614	1.92
Hyundai Motor	5,620	148	0.46
Kookmin Bank	11,250	204	0.64
KT&G	20,290	305	0.95
LG Electronics	7,230	222	0.69
POSCO	3,350	272	0.85
S-Oil	4,910	135	0.42
Samsung Electronics	5,460	1,165	3.63
Samsung Fire & Marine Insurance	9,790	317	0.99
Shinhan Financial Group	14,870	159	0.50
SK Telecom	1,400	119	0.37
		3,809	11.88
Malaysia 6.78% (4.95%)			
AMMB Holdings	518,100	246	0.77
Gamuda	511,000	366	1.14
Genting	168,200	410	1.28
Public Bank	244,375	245	0.76
Tanjong	64,000	119	0.37
Telekom Malaysia	284,500	472	1.47
Tenaga Nasional	198,900	316	0.99
		2,174	6.78
New Zealand 1.26% (0.93%)			
Telecom Corporation of New Zealand	187,286	403	1.26
		403	1.26
Singapore 3.67% (4.53%)			
City Developments	110,000	228	0.71
City Developments Warrants	5,600	7	0.02
DBS Group	94,000	480	1.50
Jurong Technologies Industrial	442,000	181	0.56
Keppel	58,000	153	0.48
United Overseas Bank	29,280	129	0.40
		1,178	3.67
Taiwan 16.09% (18.65%)			
Advantech	487,136	570	1.78
Catcher Technology	234,800	394	1.23
Cathay Financial Holding	776,000	814	2.54
China Steel	600,000	327	1.02
Chinatrust Financial Holding	868,451	539	1.68
Formosa Chemicals & Fibre	206,000	189	0.59
HON HAI Precision Industry	397,630	796	2.48
Merry Electronics	320,883	393	1.23
Synnex Technology International	244,900	192	0.60
Taishin Financial Holdings	418,665	186	0.58
Taiwan Semiconductor Manufacturing	1,057,433	757	2.36
		5,157	16.09

Portfolio statement (continued)*as at 31 October 2004*

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Thailand 3.14% (5.80%)			
Bangkok Bank	286,200	356	1.11
PTT Exploration & Production	68,300	288	0.90
Siam Cement	75,400	232	0.72
Thai Oil	27,600	15	0.05
Thoresen Thai Agencies	252,400	116	0.36
		1,007	3.14
<hr/>			
Portfolio of Investments		31,292	97.62
Net Current Assets		763	2.38
Net Assets		32,055	100.00

All shares are ordinary shares unless otherwise stated.

Figures in brackets represent sector distribution at 31 October 2003.

Balance sheet
as at 31 October 2004

	Notes	2004 £000	2003 £000
Portfolio of investments		31,292	14,423
Net current assets			
Debtors	7	477	5
Cash and bank balances	8	1,014	747
		<u>1,491</u>	<u>752</u>
less			
Bank overdraft	8	70	-
Creditors	9	658	90
		<u>728</u>	<u>90</u>
Net current assets		<u>763</u>	<u>662</u>
Net assets		<u>32,055</u>	<u>15,085</u>
Shareholders' funds		<u>32,055</u>	<u>15,085</u>

Summary of material portfolio changes*for the year ended 31 October 2004*

Major purchases	Cost £000	Major sales	Proceeds £000
Samsung Electronics	1,021	News Corporation	717
BHP Billiton	936	Samsung Electronics	600
Woodside Petroleum	746	China Mobile	475
AMP	741	Aromatics Thailand	423
Great Eagle Holdings	609	United Micro Electronics	372
HON HAI Precision Industry	573	Powerchip Semiconductor	301
CSL	559	Chinatrust Financial Holding	287
Samsung Fire & Marine Insurance	527	Formosa Plastics	281
Brambles Industries	516	Basso Industry	273
Hutchison Whampoa	516	Brilliance China Automotive Holdings	250
National Australia Bank	496	Brambles Industries	248
Weiqiao Textile	485	Weiqiao Textile	201
Taiwan Semiconductor Manufacturing	453	Compal Electronics	217
Cathay Financial Holding	449	LG Petrochemical	217
Catcher Technology	448	Samsung Heavy Industries	215
Telekom Malaysia	422	Greatek Electronics	188
Origin Energy	422	Giordano International	179
QBE Insurance Group	421	Huadian Power International	174
Brilliance China Automotive Holdings	409	Indocement	166
Advantech	405	Shanghai Industrial Holdings	159
Chinatrust Financial Holding	403		
News Corporation	394		
Taishin Financial Holdings	382		
Bangkok Bank	382		
Australia & New Zealand Banking Group	378		
Powerchip Semiconductor	378		
Commonwealth Bank of Australia	362		
Hong Kong & China Gas	358		
China Steel	341		
CNOOC	332		
Gamuda	329		
Tenaga Nasional	326		
Oil & Natural Gas	320		
Jardine Matheson	320		
Newcrest Mining	309		
Merry Electronics	303		
Other purchases for the period	10,619	Other sales for the period	5,032
Total cost of purchases for the period	27,390	Total proceeds from sales for the period	10,975

Total purchases include portfolio investments acquired by the Sub-fund as a result of the in specie transfer from Scottish Provident Limited on 29 September 2004.

Notes to the financial statements

as at 31 October 2004

1. Net gains on investments	2004	2003
	£000	£000
The net gains on investments during the period comprise:		
Proceeds from sales of investments during the period	10,975	4,797
Original cost of investments sold during the period	(10,840)	(4,938)
Gains / (losses) realised on investments sold during the period	<u>135</u>	<u>(141)</u>
Net realised (appreciation) / depreciation thereon already recognised in earlier periods	(333)	285
	<u>(198)</u>	<u>144</u>
Net unrealised appreciation for the period	<u>654</u>	<u>3,316</u>
Net gains on investments	<u><u>456</u></u>	<u><u>3,460</u></u>
2. Other losses	2004	2003
	£000	£000
Realised currency losses	(103)	(24)
Unrealised currency losses	(1)	-
	<u>(104)</u>	<u>(24)</u>
3. Gross income	2004	2003
	£000	£000
Scrip dividends	45	-
Overseas income	616	282
Bank interest	28	5
	<u>689</u>	<u>287</u>
4. Expenses	2004	2003
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	191	103
	<u>191</u>	<u>103</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	6	3
	<u>6</u>	<u>3</u>
Other expenses:		
Audit fees	6	9
Publication fees	1	5
Transaction charges	29	16
Safe custody fees	14	6
	<u>50</u>	<u>36</u>
Total expenses	<u><u>247</u></u>	<u><u>142</u></u>

Notes to the financial statements (continued)

as at 31 October 2004

5. Taxation	2004	2003
	£000	£000
a. Analysis of charge in period		
Corporation tax	61	34
Double tax relief	(20)	(15)
Overseas withholding tax	40	15
Prior year adjustment	3	-
Current period tax charge (note 5b)	<u>84</u>	<u>34</u>
Increase in deferred taxation during the period (note 5c)	<u>22</u>	<u>(2)</u>
	<u>106</u>	<u>32</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>442</u>	<u>145</u>
Corporation tax @ 20%	88	29
Tax effect of:		
Scrip dividends (not included for tax purposes)	(9)	-
Transaction charges (not included for tax purposes)	6	3
Timing differences on income	(21)	2
Prior year adjustment	3	-
Overseas withholding tax	37	15
Double tax relief	(20)	(15)
Current period tax charge (note 5a)	<u>84</u>	<u>34</u>
c. Deferred tax		
Deferred tax provision at the start of the period	1	3
Deferred tax charge in Statement of total return for the period (note 5a)	22	(2)
Deferred tax provision at the end of the period	<u>23</u>	<u>1</u>
Timing differences on UK tax	2	1
Timing differences on overseas tax	21	-
Provision for deferred tax	<u>23</u>	<u>1</u>
6. Distributions		
Reconciliation between net income and distributions:	2004	2003
	£000	£000
Net income after taxation per statement of total return	336	113
Add:		
Expenses paid from capital	29	16
Total distribution per statement of total return	<u>365</u>	<u>129</u>
Details of the distribution per share are set out in the table on page 87.		
7. Debtors		
	2004	2003
	£000	£000
Amounts receivable on issue of shares	55	-
Sales awaiting settlement	302	-
Accrued income	120	4
Prepaid expenses	-	1
	<u>477</u>	<u>5</u>

Notes to the financial statements (continued)*as at 31 October 2004*

8. Cash and bank balances	2004	2003
	£000	£000
Cash and bank balances	<u>1,014</u>	<u>747</u>

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

Bank overdraft	<u>70</u>	<u>-</u>
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As at 31 October 2004, the weighted average of the floating interest rate on bank overdraft balances was nil.

9. Creditors	2004	2003
	£000	£000
Amounts payable on redemption of shares	77	-
Purchases awaiting settlement	485	31
Accrued expenses	31	39
Corporation tax payable	42	19
Deferred tax	23	1
	<u>658</u>	<u>90</u>

10. Derivatives and other financial instruments

The sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations. The sub-fund also enters into derivative transactions in the form of warrants and futures. The purpose of these financial instruments is efficient portfolio management. The sub-fund did not enter into such transactions during the period 1 November 2003 to 31 October 2004.

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

a) Market price risk

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

b) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuation in interest rates. Interest rates and inflation expectations are continuously reviewed. The assessment of this risk may result in a change in investment strategy.

c) Liquidity risk

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

Notes to the financial statements (continued)

as at 31 October 2004

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 effect that the balance sheet and total return can be significantly affected by currency movements. In certain circumstances where this is significant, exposure may be managed by using foreign currency contracts.

Currency exposure:	2004 £000	2003 £000
Net assets denominated in Taiwanese Dollars:		
Investments	5,157	2,811
Bank overdraft	(70)	-
Sales awaiting settlement	13	-
Other net assets	106	-
	<u>5,206</u>	<u>2,811</u>
Net assets denominated in Malaysian Ringitts:		
Investments	2,174	748
Cash and bank balances	445	-
Other net assets	3	2
	<u>2,622</u>	<u>750</u>
Net assets denominated in Australian Dollars:		
Investments	9,730	3,390
Sales awaiting settlement	159	-
Purchases awaiting settlement	(159)	-
Other net assets	5	1
	<u>9,735</u>	<u>3,391</u>
Net assets denominated in Hong Kong Dollars:		
Investments	5,718	2,873
Sales awaiting settlement	130	-
Purchases awaiting settlement	(161)	-
Other net assets	2	-
	<u>5,689</u>	<u>2,873</u>
Net assets denominated in Korean Won:		
Investments	3,809	2,122
	<u>3,809</u>	<u>2,122</u>
Net assets denominated in other foreign currencies*:		
Investments	4,704	2,479
Cash and bank balances	-	1
Purchases awaiting settlement	-	(31)
Other net assets	4	1
	<u>4,708</u>	<u>2,450</u>
Net assets denominated in Sterling:		
Cash and bank balances	568	745
Purchases awaiting settlement	(165)	-
Other net liabilities	(117)	(57)
	<u>286</u>	<u>688</u>
Total net assets	<u>32,055</u>	<u>15,085</u>

* each individual foreign currency included within 'others' above amounts to less than 4% (2003 - 5%) of the net asset value of the sub-fund.

Distribution table*for the six months ended 31 October 2004***Final distribution in pence per share**

	Net Income	Distribution Payable 31.12.2004	Distribution Paid 31.12.2003
Accumulation A shares	1.5281	1.5281	0.9787
Accumulation B shares	1.5928	1.5928	1.0651
Accumulation D shares	1.0237	1.0237	0.1690

Corporate shareholders

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

Accumulation distributions

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

Sterling Bond Fund

Investment objective and policy

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

Investment adviser

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

Review of investment activities

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

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

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

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

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

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

Comparative table

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

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

Net asset value per share	p	p	p
A shares	183.59	173.31	167.40
B shares	184.08	173.31	167.40
C Shares	-	-	168.70

Performance record

Calendar year		Net distribution per share	Highest share price	Lowest share price
		p	p	p
2000	A shares	-	150.40	149.40
2000	B shares	-	150.40	149.40
2001	A shares	4.5854	162.70	147.70
2001	B shares	-	162.70	147.70
2002	A shares	4.6918	170.60	157.00
2002	B shares	6.2630	170.60	157.00
2002	C shares	0.9454	172.40	159.50
2003	A shares	5.7617	181.20	166.60
2003	B shares	6.6150	181.20	166.60
2003	C shares	1.2392	183.90	168.20
2004*	A shares	6.4172	184.10	173.60
2004*	B shares	6.6673	184.50	173.90

* To 31 October 2004

Statement of total return
for the year ended 31 October 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net gains / (losses) on investments during the period	1		5,386		(3,933)
Other gains	2		531		236
Gross income	3	18,832		13,716	
Expenses	4	(3,476)		(2,499)	
Net income before taxation		<u>15,356</u>		<u>11,217</u>	
Taxation	5	(1)		-	
Net income after taxation			<u>15,355</u>		<u>11,217</u>
Total return for the period			21,272		7,520
Distributions	6		(15,387)		(11,219)
Net increase / (decrease) in shareholders' funds from investment activities			<u>5,885</u>		<u>(3,699)</u>

Statement of movements in shareholders' funds
for the year ended 31 October 2004

	2004		2003	
	£000	£000	£000	£000
Net assets at the start of the period		293,080		162,871
Movement due to sales / repurchases of shares:				
Amounts receivable on issue of shares	52,607		126,303	
Less: Amounts payable on redemption of shares	<u>(10,963)</u>		<u>(2,252)</u>	
		41,644		124,051
Dilution levy		805		883
Net increase / (decrease) in shareholders' funds from investment activities (see above)		5,885		(3,699)
Stamp duty reserve tax		-		(1)
Retained distribution on accumulation shares		12,310		8,975
Net assets at the end of the period		<u>353,724</u>		<u>293,080</u>

Portfolio statement
as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
UK Government 17.17% (14.16%)			
Treasury 2.5% 2009	£ 1,650,000	4,006	1.13
Treasury 4% 2009	£ 478,000	466	0.13
Treasury 4.25% 2032	£ 10,212,774	9,697	2.74
Treasury 4.25% 2036	£ 878,000	835	0.24
Treasury 4.5% 2007	£ 12,002,000	11,982	3.39
Treasury 4.75% 2015	£ 2,905,000	2,905	0.82
Treasury 4.75% 2038	£ 1,000,000	1,039	0.29
Treasury 5% 2008	£ 535,000	541	0.15
Treasury 5% 2012	£ 2,300,000	2,339	0.66
Treasury 5.75% 2009	£ 3,500,000	3,671	1.04
Treasury 6% 2028	£ 2,587,000	3,106	0.88
Treasury 6.75% 2004	£ 11,900,000	11,915	3.37
Treasury 7.25% 2007	£ 70,000	75	0.02
Treasury 7.5% 2006	£ 70,000	74	0.02
Treasury 8% 2021	£ 194,000	267	0.08
Treasury 8.5% 2005	£ 7,155,000	7,462	2.11
UK Treasury Principal Strip 0% 2032	£ 1,150,000	337	0.10
		60,717	17.17
Foreign Government 3.75% (3.64%)			
Brazil 3.125% 2012	\$ 220,000	109	0.03
Brazil 8% 2014	\$ 170,000	92	0.03
Brazil 10.125% 2027	\$ 190,000	109	0.03
Brazil 11% 2040	\$ 170,000	103	0.03
Brazil 14.5% 2009	\$ 400,000	279	0.08
Bulgaria 8.25% 2015	\$ 440,000	301	0.09
Canada 5.75% 2033	CAD 1,800,000	901	0.25
Columbia 10.5% 2010	\$ 110,000	70	0.02
Columbia 11.75% 2020	\$ 150,000	100	0.03
Deutsche Bundesobligation 3.25% 2009	€ 280,000	196	0.06
Deutsche Bundesrepublik 3.75% 2013	€ 76,000	53	0.01
Hungary 5.5% 2014	£ 421,000	425	0.12
Italy 6% 2028	£ 1,115,000	1,250	0.35
Norway 5% 2015	NOK 4,560,000	417	0.12
Norway 6.5% 2013	NOK 11,560,000	1,163	0.33
Panama 9.625% 2011	\$ 160,000	99	0.03
Panama 10.75% 2020	\$ 100,000	65	0.02
Peru - PDI 5% 2017	\$ 273,000	121	0.03
Peru 8.75% 2033	\$ 130,000	71	0.02
Sweden 5.5% 2012	SEK 21,400,000	1,802	0.51
Sweden Inflation Linked 3.5% 2028	SEK 4,250,000	436	0.12
United Mexican States 6.75% 2024	£ 1,998,000	1,907	0.54
US Treasury 2% 2014	\$ 1,520,000	856	0.24
US Treasury 3.875% 2029	\$ 1,020,000	851	0.24
US Treasury 5.375% 2031	\$ 1,000,000	589	0.17
US Treasury Bond Principal Strip 0% 2027	\$ 5,220,000	873	0.25
		13,238	3.75

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds 74.87% (78.71%)			
3i Group 6.875% 2007	£ 380,000	399	0.11
Abbey National 6.984% Perpetual	£ 614,000	684	0.19
Abbey National 7.037% Perpetual	£ 222,000	254	0.07
Abbey National 7.375% Perpetual	£ 150,000	176	0.05
Abbey National 7.5% Perpetual	£ 1,140,000	1,304	0.37
Abbey National 11.5% 2017	£ 400,000	608	0.17
AGCO 6.875% 2014	€ 120,000	83	0.02
Aggregate Industries 6.25% 2009	£ 600,000	619	0.17
Aire Valley Mortgages 5.06375% 2034	£ 320,000	320	0.09
Alliance & Leicester 5.125% 2004	£ 750,000	750	0.21
Alliance & Leicester 5.5% 2007	£ 650,000	657	0.19
Alliance & Leicester 5.827% Perpetual	£ 600,000	600	0.17
Allied Domecq 6.625% 2014	£ 440,000	468	0.13
Allied Irish Banks 5.625% 2030	£ 1,374,000	1,378	0.39
Allstate Life 6.375% 2011	£ 1,148,000	1,208	0.34
American Express 5.5% 2007	£ 1,940,000	1,952	0.55
American Express Credit Corp 5.625% 2009	£ 1,810,000	1,828	0.52
American General Finance 5.625% 2010	£ 2,000,000	2,012	0.57
American Standard 7.125% 2006	€ 150,000	111	0.03
Angel Trains Finance 5.25% 2008	£ 865,000	869	0.25
Anglian Water 5.837% 2022	£ 771,000	820	0.23
Anglian Water 6.293% 2030	£ 90,000	97	0.03
Anglian Water 6.875% 2023	£ 597,000	681	0.19
Anglian Water 7.882% 2037	£ 1,100,000	1,222	0.35
Anglo Irish Asset Finance 7.625% Perpetual	£ 427,000	515	0.15
Annes Gate Property 5.661% 2031	£ 500,000	539	0.15
Annington Finance No 1 7.75% 2011	£ 1,100,000	1,274	0.36
Annington Finance No 1 8% 2021	£ 90,000	114	0.03
Annington Finance No 4 6.5676% 2023	£ 1,390,000	1,447	0.41
Annington Finance No 4 8.07% 2023	£ 290,000	350	0.10
Annington Repackaging No 1 5.3236% 2023	£ 300,000	295	0.08
ASIF 5.625% 2012	£ 678,000	688	0.19
ASIF 6.5% 2004	£ 500,000	500	0.14
Associated British Ports 6.625% 2008	£ 400,000	415	0.12
Australia & New Zealand Banking Group 4.75% 2018	£ 100,000	94	0.03
Australia & New Zealand Banking Group 4.875% 2008	£ 700,000	692	0.20
Australia & New Zealand Banking Group 5.625% 2015	£ 130,000	131	0.04
Autolink 8.39% 2022	£ 300,000	380	0.11
Autostrade 6.25% 2022	£ 470,000	498	0.14
Aviva 6.125% 2036	£ 500,000	522	0.15
Aviva 6.125% Perpetual	£ 1,870,000	1,915	0.54
Aviva 8.625% 2005	£ 500,000	517	0.15
AXA 7.125% 2020	£ 201,000	226	0.06
BAA 11.75% 2016	£ 450,000	686	0.19
BAA 5.75% 2013	£ 750,000	764	0.22
BAA 5.75% 2031	£ 410,000	421	0.12
BAA 7.875% 2007	£ 900,000	953	0.27
BAA 8.5% 2021	£ 120,000	159	0.04
Banco Bradesco 8% 2014	€ 100,000	71	0.02
Bank Nederlandse Gemeenten 7.375% 2007	£ 1,750,000	1,857	0.52
Bank of America 5.5% 2019	£ 750,000	764	0.22

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds (continued)			
Bank of Ireland 6.25% Perpetual	£ 610,000	637	0.18
Bank of Scotland 6.375% 2019	£ 283,000	310	0.09
Bank of Scotland 7.375% Perpetual	£ 300,000	359	0.10
Bank of Scotland 8.625% Perpetual	£ 200,000	243	0.07
Bank of Scotland 10.25% Perpetual	£ 200,000	273	0.08
Bank of Western Australia 9% 2006	£ 350,000	376	0.11
Barclays Bank 6.125% Perpetual	£ 1,355,000	1,457	0.41
Barclays Bank 6.375% Perpetual	£ 700,000	749	0.21
Barclays Bank 6.875% Perpetual	£ 1,550,000	1,716	0.49
Barclays Bank 7.125% Perpetual	£ 1,375,000	1,602	0.45
BAT International Finance 5.75% 2013	£ 1,120,000	1,098	0.31
BAT International Finance 6.375% 2019	£ 429,000	434	0.12
BBC 5.0636% 2033	£ 990,000	980	0.28
BBC Pacific Quay 5.5653% 2034	£ 430,000	445	0.13
BG Energy Capital 6.375% 2008	£ 420,000	437	0.12
Birmingham Airport 6.25% 2021	£ 500,000	520	0.15
BMW US Capital 4.625% 2006	£ 740,000	734	0.21
Bombardier Capital Funding 6.75% 2009	£ 220,000	205	0.06
BP Capital Markets 5% 2007	£ 1,129,000	1,128	0.32
Bradford & Bingley 5.625% Perpetual	£ 775,000	766	0.22
Bradford & Bingley 6% Perpetual	£ 430,000	434	0.12
Bradford & Bingley 7.625% 2010	£ 310,000	339	0.10
Bradford & Bingley Capital Funding 6.462% Perpetual	£ 265,000	275	0.08
Britannia Building Society 5.75% 2024	£ 520,000	524	0.15
British Assets Trust 6.625% 2008	£ 170,000	177	0.05
British Telecom 5.75% 2028	£ 163,000	156	0.04
British Telecom 7.75% 2016	£ 1,281,000	1,479	0.42
British Telecom 8.625% 2020	£ 420,000	527	0.15
British Telecom 8.875% 2030	\$ 234,000	169	0.05
Cadbury Schweppes 4.875% 2010	£ 1,508,000	1,457	0.41
Canary Wharf Finance 7.425% 2027	£ 130,000	146	0.04
Canary Wharf Finance 7.75% 2027	£ 400,000	523	0.15
Canary Wharf Finance II 6.455% 2033	£ 4,315,000	4,867	1.38
Capital One Multi-Asset 6.625% 2017	£ 100,000	104	0.03
Care Homes No 3 6.125% 2028	£ 500,000	557	0.16
Carlton Communications 5.625% 2009	£ 750,000	752	0.21
Carrefour 5.375% 2012	£ 540,000	538	0.15
Cattles 6.875% 2014	£ 412,000	429	0.12
Cattles 8.625% 2007	£ 250,000	269	0.08
Chelsea Building Society 6.25% 2017	£ 375,000	385	0.11
Chester Asset 6% 2013	£ 1,600,000	1,657	0.47
Citigroup 5.125% 2018	£ 705,000	678	0.19
Citigroup 5.5% 2015	£ 880,000	888	0.25
Clerical Medical 7.375% Perpetual	£ 300,000	344	0.10
Clondalkin Industries 8% 2014	€ 60,000	43	0.01
Coca-Cola Enterprises 4.125% 2006	£ 350,000	346	0.10
Commerzbank 6.625% 2019	£ 150,000	162	0.05
Commerzbank 7.875% 2007	£ 750,000	804	0.23
Compagnie de Financement Foncier 0.4% 2006	JPY 173,000,000	896	0.25
Compass Group 6.375% 2012	£ 590,000	615	0.17
Connect M77/GSO 5.404% 2034	£ 466,000	479	0.14

Portfolio statement (continued)
as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds (continued)			
Co-Operative Bank 5.875% 2019	£ 425,000	427	0.12
Corp Andina de Fomento 7.625% 2010	£ 469,000	502	0.14
Countrywide Home Loans 5.875% 2008	£ 1,190,000	1,211	0.34
Craegmoor Finance 5.321% 2018	£ 370,000	373	0.11
Credit Agricole 5% Perpetual	£ 550,000	520	0.15
Credit Suisse Financial Products 10.25% Perpetual	£ 480,000	644	0.18
Credit Suisse Group Finance Guernsey 6.875% Perpetual	£ 400,000	438	0.12
Cumbernauld 5.2% 2009	£ 397,000	399	0.11
Daily Mail & General Trust 5.75% 2018	£ 480,000	471	0.13
Daily Mail & General Trust 7.5% 2013	£ 360,000	398	0.11
Daily Mail & General Trust 9.75% 2005	£ 400,000	416	0.12
Daily Mail & General Trust 10% 2021	£ 350,000	491	0.14
Danske Bank 5.375% 2021	£ 382,000	378	0.11
Debenhams 10.5% 2012	£ 85,000	92	0.03
Delamare Finance 5.5457% 2029	£ 570,000	573	0.16
Depfa ACS Bank 4.875% 2008	£ 820,000	814	0.23
Derby Healthcare 5.564% 2041	£ 1,200,000	1,285	0.36
Derbyshire Building Society 5.875% 2015	£ 590,000	589	0.17
Deutsche Bank 5.25% 2015	£ 366,000	363	0.10
Deutsche Telekom International Finance 7.125% 2012	£ 1,435,000	1,565	0.44
Deutsche Telekom International Finance 7.375% 2019	£ 445,000	516	0.15
Deutsche Telekom International Finance 7.625% 2005	£ 1,500,000	1,525	0.43
Deutsche Telekom International Finance 7.625% 2030	£ 150,000	182	0.05
Dexia Municipal 4.875% 2008	£ 1,000,000	993	0.28
Dignity Finance 8.151% 2031	£ 340,000	416	0.12
Dwr Cymru Finance 6.015% 2028	£ 250,000	277	0.08
Dwr Cymru Finance 6.907% 2021	£ 805,000	914	0.26
E.ON International Finance 6.375% 2012	£ 500,000	534	0.15
E.ON International Finance 6.375% 2032	£ 1,113,000	1,268	0.36
Eco-Bat Finance 10.125% 2013	€ 118,000	93	0.03
EDF Energy Networks 5.75% 2024	£ 452,000	459	0.13
EDF Energy Networks 6.125% 2027	£ 150,000	160	0.05
EDF Energy Networks 8.5% 2025	£ 400,000	537	0.15
EDP Finance 6.625% 2017	£ 730,000	792	0.22
EGG Banking 6.875% 2021	£ 89,000	94	0.03
Electricite de France 5.25% 2007	£ 840,000	845	0.24
Electricite de France 5.875% 2031	£ 674,000	704	0.20
Emap 6.25% 2013	£ 1,060,000	1,088	0.31
ENI Coordination 5% 2019	£ 1,000,000	959	0.27
ENI Coordination 5.25% 2007	£ 790,000	795	0.22
Enodis 10.375% 2012	£ 75,000	84	0.02
Enterprise Inns 6.375% 2031	£ 900,000	923	0.26
Enterprise Inns 6.5% 2018	£ 1,695,000	1,762	0.50
Equity Release 1 5.7% 2031	£ 1,345,000	1,424	0.40
Equity Release 2 5.88% 2032	£ 1,034,000	1,125	0.32
Euronext 5.125% 2009	£ 605,000	600	0.17
European Investment Bank 6.25% 2014	£ 325,000	354	0.10
Exchequer Partnership II 5.396% 2036	£ 500,000	515	0.15
Fiat Finance & Trade 7% 2005	£ 125,000	126	0.04
Firstgroup 6.125% 2019	£ 471,000	480	0.14
Fixed-Link Finance 2 5.78% 2028	£ 2,100,000	2,170	0.61
ForeningsSparbanken 5.75% Perpetual	£ 670,000	669	0.19
France Telecom 5.625% 2034	£ 235,000	225	0.06

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds (continued)			
France Telecom 7% 2005	£ 1,100,000	1,121	0.32
France Telecom 7.25% 2020	£ 1,317,000	1,510	0.43
France Telecom 8% 2017	£ 310,000	371	0.10
France Telecom 8.25% 2011	£ 1,019,000	1,145	0.32
Friends Provident 6.875% Perpetual	£ 1,465,000	1,531	0.43
GAL Finance 11.5% 2009	€ 70,000	54	0.02
Gallaher Group 6.625% 2009	£ 1,079,000	1,124	0.32
GE Capital UK Funding 4.75% 2010	£ 1,140,000	1,115	0.32
GE Capital UK Funding 5.625% 2014	£ 820,000	835	0.24
General Electric Capital Corporation 5.75% 2005	£ 300,000	302	0.09
General Electric Capital Corporation 6.125% 2012	£ 904,000	947	0.27
General Electric Capital Corporation 6.25% 2017	£ 94,000	102	0.03
General Electric Capital Corporation 6.5% 2004	£ 960,000	961	0.27
General Motors Acceptance Corporation of Canada 6.625% 2010	£ 315,000	309	0.09
General Motors Nova Scotia Finance 8.375% 2015	£ 649,000	679	0.19
General Motors Nova Scotia Finance 8.875% 2023	£ 700,000	761	0.21
GHG Finance 5.941% 2018	£ 1,730,000	1,845	0.52
GHG Finance 7.775% 2031	£ 360,000	429	0.12
GKN Holdings 6.75% 2019	£ 405,000	414	0.12
GlaxoSmithKline Capital 5.25% 2033	£ 640,000	636	0.18
Goldman Sachs 6.125% 2017	£ 380,000	395	0.11
Grand Metropolitan Finance 9% 2005	£ 150,000	153	0.04
Halifax 11% 2014	£ 550,000	768	0.22
Halifax 7.5% Perpetual	£ 950,000	1,101	0.31
Halifax 9.375% 2021	£ 380,000	540	0.15
Hammerson 6% 2026	£ 310,000	312	0.09
Hammerson Property 10.75% 2013	£ 480,000	644	0.18
Harbour Funding 5.28% 2044	£ 640,000	639	0.18
HBOS 5.75% Perpetual	£ 1,235,000	1,252	0.35
HBOS 5.75% Perpetual	£ 1,120,000	1,133	0.32
HBOS Capital Funding 6.461% Perpetual	£ 760,000	818	0.23
HeidelbergCement Finance 7.375% 2010	€ 50,000	39	0.01
HFC Bank 7% 2015	£ 84,000	94	0.03
Highbury Finance 7.017% 2023	£ 550,000	545	0.15
Hilton Group Finance 7.25% 2008	£ 600,000	635	0.18
Holmes Financing 1 6.62% 2013	£ 1,000,000	1,071	0.30
Hoteloc 5.405% 2007	£ 700,000	693	0.20
Household Finance 6.125% 2010	£ 200,000	206	0.06
Household Finance 7% 2012	£ 470,000	512	0.14
Housing Association Funding 8.25% 2027	£ 400,000	479	0.14
Housing Finance 11.5% 2016	£ 180,000	273	0.08
HSBC Bank 5.375% 2030	£ 3,100,000	3,245	0.92
HSBC Bank 5.375% 2033	£ 400,000	392	0.11
HSBC Bank 5.75% 2017	£ 300,000	306	0.09
HSBC Bank 6.5% 2023	£ 150,000	168	0.05
HSBC Bank 9% 2005	£ 200,000	208	0.06
HSBC Bank Funding 5.844% Perpetual	£ 350,000	354	0.10
HSBC Capital Funding 8.208% Perpetual	£ 189,000	226	0.06
HSBC Holdings 5.75% 2027	£ 153,000	158	0.04
HSBC Holdings 9.875% 2018	£ 190,000	246	0.07
Hutchison Ports 6.75% 2015	£ 910,000	969	0.27
ICI 7.625% 2007	£ 650,000	686	0.19
ICI 9.75% 2005	£ 150,000	153	0.04
Imperial Tobacco Canada 6.5% 2008	£ 950,000	978	0.28
Imperial Tobacco Finance 6% 2004	£ 400,000	400	0.11

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds (continued)			
Imperial Tobacco Finance 6.25% 2018	£ 234,000	239	0.07
Imperial Tobacco Finance 6.875% 2012	£ 1,450,000	1,546	0.44
Integrated Accomodation Services 6.48% 2029	£ 800,000	900	0.25
International Credit Recovery 4.403% 2011	€ 170,000	118	0.03
International Endesa 6.125% 2012	£ 400,000	415	0.12
Investec Finance 7.75% 2016	£ 354,000	363	0.10
Irish Nationwide Building Society 5.875% 2008	£ 720,000	732	0.21
J Sainsbury 5.25% 2007	£ 196,000	194	0.05
John Hancock Global Funding II 6% 2011	£ 800,000	826	0.23
John Lewis 6.375% 2012	£ 483,000	504	0.14
John Lewis 10.5% 2014	£ 290,000	386	0.11
JPMorgan Fleming Mercantile 6.125% 2030	£ 38,000	40	0.01
Juneau Investments 5.9% 2021	£ 404,000	431	0.12
Kaufman & Broad 8.75% 2009	€ 50,000	40	0.01
Kaupthing Bunadarbanki 5.901% Perpetual	€ 160,000	120	0.03
KBC 6.202% Perpetual	£ 850,000	879	0.25
Kelda Group 6.875% 2010	£ 160,000	171	0.05
KFW International Finance 5.375% 2011	£ 1,000,000	1,020	0.29
KFW International Finance 6.625% 2004	£ 1,800,000	1,801	0.51
Kingfisher 5.625% 2014	£ 435,000	433	0.12
Kreditanstalt fuer Wiederaufbau 4.5% 2008	£ 290,000	285	0.08
Kreditanstalt fuer Wiederaufbau 4.75% 2010	£ 1,100,000	1,085	0.31
Kreditanstalt fuer Wiederaufbau 5.5% 2025	£ 1,265,000	1,350	0.38
Lafarge 6.875% 2012	£ 250,000	268	0.08
Land Securities 6.375% 2024	£ 905,000	981	0.28
Lear 8.125% 2008	€ 100,000	79	0.02
Legal & General 5.875% Perpetual	£ 1,240,000	1,246	0.35
Legal & General Finance 5.875% 2031	£ 364,000	386	0.11
Lighthouse International 8% 2014	€ 97,000	67	0.02
Lloyds TSB Bank 5.125% Perpetual	£ 1,345,000	1,291	0.36
Lloyds TSB Bank 5.75% 2025	£ 860,000	886	0.25
Lloyds TSB Bank 6.5% Perpetual	£ 562,000	611	0.17
Lloyds TSB Bank 6.625% Perpetual	£ 600,000	637	0.18
Lloyds TSB Bank 8% Perpetual	£ 125,000	159	0.04
Lloyds TSB Group 6% Perpetual	£ 570,000	603	0.17
Lucite International Finance 10.25% 2010	€ 95,000	72	0.02
Macquarie Capital Funding 6.177% Perpetual	£ 750,000	764	0.22
Marks & Spencer 5.625% 2014	£ 574,000	537	0.15
MassMutual Global Funding 6.125% 2013	£ 250,000	263	0.07
MBNA Credit Card Master Note Trust 6.1% 2015	£ 190,000	192	0.05
MBNA Europe Funding 6% 2010	£ 1,000,000	1,020	0.29
McDonald's 5.875% 2032	£ 500,000	517	0.15
McDonald's 6.375% 2020	£ 500,000	539	0.15
Meadowhall CMR Finance 5.26% 2035	£ 1,215,000	1,229	0.35
Mellon Funding Corp 6.375% 2011	£ 331,000	351	0.10
Merrill Lynch 5.75% 2014	£ 950,000	959	0.27
Metronet Rail BCV 5.305% 2032	£ 170,000	173	0.05
Metronet Rail SSL Finance 5.309% 2032	£ 480,000	485	0.14
Metropolitan Life 5.25% 2008	£ 900,000	902	0.26
Mitchells & Butlers 5.574% 2030	£ 1,701,000	1,690	0.48
Mitchells & Butlers Finance 5.965% 2030	£ 120,000	121	0.03
Mitchells & Butlers Finance 6.013% 2030	£ 227,000	241	0.07
mmO2 7.625% 2012	£ 1,300,000	1,443	0.41
Monumental Global Funding 5.75% 2007	£ 395,000	401	0.11
Monumental Global Funding 6% 2014	£ 1,050,000	1,091	0.31
Morgan Stanley 5.375% 2013	£ 1,150,000	1,141	0.32
Morgan Stanley Bank for OAO Gazprom 9.625% 2013	\$ 10,000	6	0.00

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds (continued)			
Morgan Stanley Bank for OAO Gazprom 9.625% 2013	\$ 40,000	25	0.01
Morgan Stanley Mortgage Finance Broadgate 5.927% 2031	£ 990,000	977	0.28
Morgan Stanley Mortgage Finance Broadgate 6.287% 2033	£ 500,000	572	0.16
Nalco 7.75% 2011	€ 15,000	11	0.00
National Air Traffic Services 5.25% 2026	£ 764,000	767	0.22
National Capital Trust 5.62% Perpetual	£ 452,000	444	0.13
National Grid 4.75% 2010	£ 220,000	215	0.06
National Grid 6.5% 2028	£ 1,244,000	1,387	0.39
National Westminster Bank 7.625% Perpetual	£ 598,000	659	0.19
National Westminster Bank 8.125% 2011	£ 570,000	605	0.17
Nationwide Building Society 5.625% 2007	£ 670,000	679	0.19
Nationwide Building Society 5.769% Perpetual	£ 1,320,000	1,322	0.37
Nationwide Building Society 7.971% Perpetual	£ 300,000	354	0.10
Nationwide Life Global Funding 6.25% 2011	£ 600,000	627	0.18
Nederlandse Waterschapsbank 5.375% 2032	£ 500,000	530	0.15
Network Rail 4.875% 2009	£ 1,500,000	1,492	0.42
New York Life Global Funding 5.75% 2009	£ 500,000	510	0.14
Next 5.25% 2013	£ 1,200,000	1,158	0.33
Nordea Bank Finland 6.25% Perpetual	£ 604,000	631	0.18
Nordea Kredit Realkreditaktieselskab 5% 2035	DKK 3,202,626	294	0.08
North British Housing 5.09% 2043	£ 330,000	319	0.09
Northumbrian Water Finance 6% 2017	£ 381,000	389	0.11
Nyco Holdings 11.5% 2013	€ 80,000	64	0.02
Octagon Healthcare Funding 5.333% 2036	£ 440,000	447	0.13
Oesterreichische Postsparkasse 6.125% 2028	£ 300,000	343	0.10
Ondeo Services UK 6.875% 2023	£ 860,000	964	0.27
Pacific Life Funding 6% 2013	£ 150,000	156	0.04
Pacific Life Funding 6.25% 2011	£ 753,000	786	0.22
Paragon Personal and Auto Finance 6.09438% 2033	£ 290,000	290	0.08
Pearson 7% 2014	£ 443,000	484	0.14
Pemex Project Funding 7.5% 2013	£ 1,420,000	1,474	0.42
Permanent Financing 5.521% 2042	£ 940,000	955	0.27
PHF Securities 7.1875% 2025	£ 200,000	229	0.06
Principal Financial Global Funding 5.625% 2013	£ 310,000	314	0.09
Principal Financial Global Funding 5.875% 2009	£ 150,000	153	0.04
Principal Financial Global Funding 6% 2014	£ 969,000	1,007	0.28
Priory Finance 5.853% 2023	£ 210,000	202	0.06
Prudential 5.5% 2009	£ 780,000	787	0.22
Prudential 6.875% 2023	£ 292,000	333	0.09
Pubmaster Finance 5.943% 2024	£ 355,000	370	0.10
Pubmaster Finance 6.962% 2028	£ 110,000	120	0.03
Pubmaster Finance 7.369% 2022	£ 379,000	440	0.12
Punch Taverns 6.82% 2020	£ 600,000	679	0.19
Rabobank Capital Funding 5.556% Perpetual	£ 384,000	385	0.11
Rabobank Nederland 4.75% 2009	£ 852,000	841	0.24
Realkredit 5% 2035	DKK 11,775	1	0.00
Rentokil Initial 6.125% 2008	£ 578,000	587	0.17
Rexam 7.125% 2009	£ 1,719,000	1,821	0.51
Rhodia 8% 2010	€ 50,000	34	0.01
RMPA Services 5.337% 2038	£ 1,390,000	1,416	0.40
Romulus Finance 5.441% 2023	£ 509,000	517	0.15
Royal & Sun Alliance 8.5% Perpetual	£ 1,381,000	1,521	0.43
Royal Bank of Scotland 5.125% Perpetual	£ 1,206,000	1,160	0.33
Royal Bank of Scotland 5.625% Perpetual	£ 1,350,000	1,352	0.38
Royal Bank of Scotland 5.625% Perpetual	£ 850,000	855	0.24
Royal Bank of Scotland 6% Perpetual	£ 2,220,000	2,294	0.65
Royal Bank of Scotland 6.2% Perpetual	£ 475,000	506	0.14

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds (continued)			
Royal Bank of Scotland 6.25% Perpetual	£ 660,000	692	0.20
Royal Bank of Scotland 7.375% Perpetual	£ 200,000	220	0.06
Royal Bank of Scotland 9.625% 2015	£ 200,000	266	0.08
Royal KPN 8.25% 2008	£ 340,000	372	0.11
RWE Finance 4.625% 2010	£ 594,000	575	0.16
RWE Finance 5.625% 2023	£ 880,000	889	0.25
RWE Finance 6.25% 2030	£ 910,000	994	0.28
RWE Finance 6.375% 2013	£ 295,000	314	0.09
Safeway 6% 2017	£ 203,000	207	0.06
Sampo 4.625% 2014	€ 383,000	273	0.08
Samsonite 6.49% 2010	€ 81,000	58	0.02
Sanpaolo IMI 5.625% 2024	£ 777,000	780	0.22
SBC Jersey 8.75% 2005	£ 600,000	615	0.17
Scottish & Newcastle 5.625% 2007	£ 1,000,000	1,006	0.28
Scottish & Southern Energy 5.875% 2022	£ 400,000	418	0.12
Scottish & Southern Energy 7.875% 2007	£ 350,000	372	0.11
Scottish Power 6.625% 2010	£ 162,000	172	0.05
Severn Trent 6.125% 2024	£ 413,000	440	0.12
Sherwood Castle 5% 2010	£ 1,060,000	1,047	0.30
SL Finance 6.75% Perpetual	£ 433,000	459	0.13
SL MACS 6.546% Perpetual	£ 720,000	720	0.20
SLM Student Loan 5.15% 2039	£ 1,200,000	1,190	0.34
Slough Estates 7% 2022	£ 103,000	115	0.03
Slough Estates 7.125% 2010	£ 420,000	449	0.13
SNCF 5.375% 2027	£ 760,000	790	0.22
Societe Generale 5.4% 2018	£ 468,000	464	0.13
South East Water 5.5834% 2029	£ 360,000	378	0.11
South East Water 5.6577% 2019	£ 1,550,000	1,606	0.45
Southern Electric 5.5% 2032	£ 430,000	432	0.12
Southern Water Services Finance 6.192% 2029	£ 1,469,000	1,668	0.47
Southern Water Services Finance 6.64% 2026	£ 463,000	520	0.15
Summit Finance 6.484% 2028	£ 151,000	159	0.04
Svenska Handelsbanken 6.125% Perpetual	£ 422,000	434	0.12
TCNZ Finance 5.625% 2018	£ 114,000	114	0.03
TCNZ Finance 6.125% 2008	£ 212,000	220	0.06
Telecom Italia 6.375% 2019	£ 1,600,000	1,676	0.47
Telereal Securitisation 5.3887% 2033	£ 2,250,000	2,271	0.64
Telereal Securitisation 5.5534% 2033	£ 715,000	743	0.21
Telereal Securitisation 5.9478% 2033	£ 200,000	213	0.06
Telereal Securitisation 6.1645% 2033	£ 1,190,000	1,201	0.34
Telstra 6.125% 2014	£ 528,000	551	0.16
Tennessee Valley Authority 5.625% 2032	£ 750,000	819	0.23
Tesco 5.125% 2009	£ 75,000	75	0.02
THPA Finance 7.127% 2024	£ 950,000	1,028	0.29
THPA Finance 8.241% 2028	£ 1,100,000	1,304	0.37
TI Group 7.875% 2010	£ 110,000	123	0.03
Tomkins 8% 2011	£ 115,000	130	0.04
Tomkins Finance 6.125% 2015	£ 305,000	312	0.09
Total Capital 4.875% 2010	£ 855,000	820	0.23
Toyota Finance Australia 5.25% 2007	£ 550,000	554	0.16
Trafford 6.5% 2033	£ 390,000	456	0.13
Trafford Centre Finance 7.03% 2029	£ 100,000	114	0.03
Transco 5.375% 2009	£ 165,000	166	0.05
Transco 6.125% 2006	£ 405,000	413	0.12
Transco 7% 2024	£ 500,000	583	0.16
Travelers Insurance 5.75% 2011	£ 659,000	675	0.19
Travelers Insurance 6.125% 2011	£ 650,000	677	0.19

Portfolio statement (continued)

as at 31 October 2004

Investment	Holding	Mid-market value £000	Percentage of total net assets %
Corporate Bonds (continued)			
TRW Automotive 10.125% 2013	€ 44,000	36	0.01
TSB Group Pre-Acquisition of Lloyds Bank 10.625% 2008	£ 300,000	356	0.10
Tussauds Finance 7.078% 2020	£ 300,000	339	0.10
Tyco International Group 6.5% 2031	£ 168,000	180	0.05
UK Hospitals No 1 6.812% 2029	£ 600,000	630	0.18
Unique Pub Finance 5.659% 2027	£ 170,000	172	0.05
Unique Pub Finance 7.395% 2024	£ 200,000	229	0.06
United Utilities Electricity 8.875% 2026	£ 465,000	650	0.18
United Utilities Water 5.625% 2027	£ 494,000	495	0.14
UPM-Kymmene 6.625% 2017	£ 175,000	185	0.05
Valentia Telecommunications 7.25% 2013	€ 33,000	25	0.01
Vnesheconombank 5% 2030	\$ 1,530,000	835	0.24
VNU 5.625% 2017	£ 714,000	716	0.20
Volvo Treasury 5.25% 2006	£ 375,000	374	0.11
Wal-Mart Stores 5.25% 2035	£ 4,220,000	4,210	1.19
Warner Music Group 8.125% 2014	£ 170,000	174	0.05
Wessex Water 5.75% 2033	£ 848,000	848	0.24
Wessex Water 5.875% 2009	£ 700,000	711	0.20
West Coast Trains 6% 2015	£ 400,000	353	0.10
Westpac Banking 5.875% 2018	£ 260,000	267	0.08
Xerox Capital Europe 5.25% 2004	€ 100,000	70	0.02
Yell Finance 10.75% 2011	£ 46,000	52	0.01
Yorkshire Power 7.25% 2028	£ 270,000	262	0.07
Yorkshire Water 5.375% 2023	£ 100,000	98	0.03
Zagrebacka Banka 4.25% 2009	€ 260,000	184	0.05
Zurich Finance 6.625% Perpetual	£ 1,060,000	1,102	0.31
		<u>264,882</u>	<u>74.87</u>
Unit Trusts 0.35% (0.37%)			
Legg Mason US High Yield Investments	287,208	1,222	0.35
		<u>1,222</u>	<u>0.35</u>
<hr/>			
Portfolio Of Investments		340,059	96.14
Currency hedges		(449)	(0.13)
Investments per balance sheet		339,610	96.01
Net Current Assets		14,114	3.99
Net Assets		<u>353,724</u>	<u>100.00</u>

Figures in brackets represent sector distribution at 31 October 2003.

Weighted average interest rate of fixed interest securities: 6.14% (5.98%)

Weighted average period to maturity of fixed interest securities: 12.77 years (13.99 years)

Balance sheet
as at 31 October 2004

	Notes	2004 £000	2003 £000
Portfolio of investments		339,610	284,494
Net current assets			
Debtors	7	14,458	10,145
Cash and bank balances	8	7,554	4,909
		<u>22,012</u>	<u>15,054</u>
less			
Bank overdrafts	8	10	-
Creditors	9	7,888	6,468
		<u>7,898</u>	<u>6,468</u>
Net current assets		<u>14,114</u>	<u>8,586</u>
Net assets		<u>353,724</u>	<u>293,080</u>
Shareholders' funds		<u>353,724</u>	<u>293,080</u>

Summary of material portfolio changes

for the year ended 31 October 2004

Major purchases	Cost £000	Major sales	Proceeds £000
Treasury 4.25% 2032	39,862	Treasury 8% 2021	38,626
Treasury 6% 2028	37,031	Treasury 6% 2028	36,425
Treasury 8% 2021	36,549	Treasury 4.25% 2032	31,100
Treasury 4.5% 2007	31,067	Treasury 5% 2012	21,647
Treasury 6.75% 2004	23,412	Treasury 5% 2014	21,053
Treasury 5% 2012	18,417	Treasury 4.5% 2007	19,238
Treasury 5% 2014	14,431	Deutsche Bundesrepublik 5.5% 2031	16,200
Deutsche Bundesrepublik 5.5% 2031	8,899	Treasury 6.75% 2004	14,611
Treasury 5% 2004	8,798	Treasury 5% 2004	11,793
Network Rail 4.875% 2009	7,089	Treasury 8.5% 2005	7,193
Treasury 4% 2009	7,050	Treasury 8% 2015	6,942
Treasury 8% 2015	6,618	Treasury 4% 2009	6,572
Treasury 8.5% 2005	5,974	Treasury 4.75% 2015	6,071
Treasury 4.75% 2015	5,350	Treasury 7.5% 2006	5,998
Treasury 5% 2008	5,011	Network Rail 4.875% 2009	5,519
Treasury 7.5% 2006	4,181	Treasury 5% 2008	5,180
Wal-Mart Stores 5.25% 2035	4,136	Treasury 5% 2025	4,071
Treasury 4.25% 2036	4,105	Treasury 4.25% 2036	3,383
Treasury 5% 2025	4,063	United States Treasury Note 4.25% 2014	3,209
Treasury 2.5% 2009	3,898	European Investment Bank 4.75% 2018	2,943
Other purchases for the period	213,016	Other sales for the period	170,510
Total cost of purchases for the period	488,957	Total proceeds from sales for the period	438,284

Notes to the financial statements

as at 31 October 2004

1. Net gains / (losses) on investments	2004	2003
	£000	£000
The net gains / (losses) on investments during the period comprise:		
Proceeds from sales of investments during the period	438,284	318,479
Original cost of investments sold during the period	(440,302)	(316,782)
(Losses) / gains realised on investments sold during the period	(2,018)	1,697
Net realised depreciation / (appreciation) thereon already recognised in earlier periods	1,526	(664)
	(492)	1,033
Net unrealised appreciation / (depreciation) for the period	5,878	(4,966)
Net gains / (losses) on investments	5,386	(3,933)
2. Other gains	2004	2003
	£000	£000
Realised currency gains / (losses)	970	(214)
Unrealised currency (losses) / gains	(439)	450
	531	236
3. Gross income	2004	2003
	£000	£000
Interest on debt securities	18,464	13,523
Bank and deposit interest	368	193
	18,832	13,716
4. Expenses	2004	2003
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	3,314	2,403
	3,314	2,403
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	81	49
	81	49
Other expenses:		
Audit fees	7	8
Publication fees	-	4
Transaction charges	32	2
Safe custody fees	42	33
	81	47
Total expenses	3,476	2,499

Notes to the financial statements (continued)

as at 31 October 2004

5. Taxation	2004 £000	2003 £000
a. Analysis of charge in period		
Overseas withholding tax	2	-
Prior year adjustment	(1)	-
Current period tax charge (note 5b)	<u>1</u>	<u>-</u>
b. Factors affecting tax charge for the period		
Net income before taxation	<u>15,356</u>	<u>11,217</u>
Corporation tax @ 20%	3,071	2,243
Tax effect of:		
Transaction charges (not included for tax purposes)	7	-
Interest distributions	(3,077)	(2,243)
Prior year adjustment	(1)	-
Overseas withholding tax	1	-
Current period tax charge (note 5a)	<u>1</u>	<u>-</u>

c. Deferred tax

At 31 October 2004 the sub-fund had surplus management expenses of £156 (31 October 2003 £nil). 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	2004 £000	2003 £000
Reconciliation between net income and distributions:		
Net income after taxation per statement of total return	15,355	11,217
Add:		
Expenses paid from capital	32	2
Total distribution per statement of total return	<u>15,387</u>	<u>11,219</u>

Details of the distribution per share are set out in the table on page 106.

7. Debtors	2004 £000	2003 £000
Amounts receivable on the issue of shares	189	196
Sales awaiting settlement	6,008	2,675
Accrued income	8,257	7,272
Income tax debtor	4	-
Dilution levy receivable	-	2
	<u>14,458</u>	<u>10,145</u>

8. Cash and bank balances	2004 £000	2003 £000
Cash and bank balances	3,754	4,909
Certificates of deposit	3,800	-
	<u>7,554</u>	<u>4,909</u>

As at 31 October 2004, the weighted average of the floating interest rate on bank balances was 3.97%.

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

Notes to the financial statements (continued)

as at 31 October 2004

9. Creditors	2004 £000	2003 £000
Amounts payable on redemption of shares	488	-
Purchases awaiting settlement	5,474	4,682
Accrued expenses	320	518
Income tax payable	1,606	1,268
	<u>7,888</u>	<u>6,468</u>

10. Derivatives and other financial instruments

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

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

a) Market price risk

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

b) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuation in interest rates. Interest rates and inflation expectations are continuously reviewed. The assessment of this risk may result in a change in investment strategy.

Numerical disclosures regarding interest rate exposure are included within the portfolio statement on page 99. of the accounts.

c) Liquidity risk

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

Notes to the financial statements (continued)

as at 31 October 2004

10. Derivatives and other financial instruments (continued)

d) Foreign currency risk

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

Currency exposure:	2004 £000	2003 £000
Net assets denominated in foreign currencies*:		
Investments	14,848	28,189
Currency hedges	(13,957)	(14,240)
Cash and bank balances	833	60
Bank overdrafts	(10)	-
Sales awaiting settlement	28	7
Purchases awaiting settlement	(30)	(10)
Other net assets	159	391
	<u>1,871</u>	<u>14,397</u>
Net assets denominated in Sterling:		
Investments	325,212	255,811
Currency hedges	13,508	14,734
Cash and bank balances	6,721	4,849
Sales awaiting settlement	5,980	2,668
Purchases awaiting settlement	(5,444)	(4,672)
Other net assets	5,876	5,293
	<u>351,853</u>	<u>278,683</u>
Total net assets	<u><u>353,724</u></u>	<u><u>293,080</u></u>

* each individual foreign currency included within 'foreign currencies' above amounts to less than 1% (2003 - 4%) of the net asset value of the sub-fund.

Distribution table*for the six months ended 31 October 2004***Final Interest distribution in pence per share**

	Gross income	Income tax at 20%	Net interest payable	Distribution payable 31.12.04	Distribution payable 31.12.03
Accumulation A shares	4.1684	0.8337	3.3347	3.3347	2.9965
Accumulation B shares	4.1805	0.8361	3.3444	3.3444	3.3756

Corporate shareholders

Corporate shareholders should note that of the final 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.

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

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

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

In preparing the accounts the ACD is required to:

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Collective Investment Schemes Sourcebook 2001 and the Statement of Recommended Practice relating to Authorised Open-Ended Investment Companies issued by the FSA in November 2000;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records, which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- make judgements and estimates that are reasonable and prudent.

Statement of the Depositary's Responsibilities

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook ("the CIS Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation in relation to the pricing of, and dealings in, the shares of the Company, the application of the income of the Company, and the investment and borrowing powers of the Company.

Depositary's Report to Shareholders

Having carried out such procedures as we considered necessary to discharge our responsibilities and duties as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation of shares in the Company, the calculation of the price of the Company's shares and the application of the Company's income in accordance with the CIS Sourcebook and, where applicable, the OEIC Regulations and the Instrument of Incorporation of the Company;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Citicorp Trustee Company Ltd
London

28 February 2005

Independent Auditors' report to the shareholders of Inscape Investment Fund

We have audited the financial statements of the Inscape Investment Fund ("the Company") for the year ended 31 October 2004 which comprise the aggregated statement of total return, aggregated statement of movements in shareholders' funds, aggregated balance sheet, accounting policies and related notes 1 to 13; and for each sub fund, the statement of total return, statement of movements in shareholders' funds, portfolio statement, balance sheet, summary of material portfolio changes, related notes and the distribution table.

This report has been prepared for the shareholders of the company, as a body, in accordance with paragraph 10.4.8 of the rules of the Collective Investment Schemes Sourcebook issued by the Financial Services Authority. Our work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Depositary, the ACD and the Auditors

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

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

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

Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACD in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

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

Opinion

In our opinion the financial statements give a true and fair view of the net income and the net gains on the property of the Company for the year ended 31 October 2004 and of the financial position of the Company as at 31 October 2004 and have been properly prepared in accordance with generally accepted United Kingdom accounting principles, the Statement of Recommended Practice relating to Authorised Open-Ended Investment Companies issued by the FSA in November 2000, the Collective Investment Schemes Sourcebook issued by the Financial Services Authority and the Instrument of Incorporation.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow

28 February 2005

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

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

Auditors

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