

PFS DOWNING ACTIVE MANAGEMENT FUND

(formerly CF Acuity Real Active Management Fund)

Annual report 31 July 2011 (Audited)

PFS DOWNING ACTIVE MANAGEMENT FUND

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Directory

Authorised Corporate Director & Registrar (Appointed 1 February 2011)

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(Authorised and regulated by the Financial Services Authority)

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(Authorised and regulated by the Financial Services Authority)

Directors of the ACD

J. M. Rice (appointed 22 February 2011)
R. Elliott (appointed 11 April 2011)
S. A. King
S. D. Mathieson

Investment Manager

Downing LLP
10 Lower Grosvenor Place, London,
SW1W 0EN
(Authorised and regulated by the Financial Services Authority)

Depository

BNY Mellon Trust & Depository (UK) Ltd
The Bank of New York Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA
(Authorised and regulated by the Financial Services Authority)

Auditor

KPMG Audit Plc
Chartered Accountants & Registered Auditors
15 Canada Square, Canary Wharf, London, E14 5GL

Investment Objective and Policy

The investment objective of PFS Downing Active Management Fund is to generate capital growth from a portfolio consisting of companies within the Hoare Govett Smaller Companies plus AIM Capital Gains excluding Investment Trusts Index. The Fund takes a pro-active private equity approach to investing in quoted smaller companies. Investee companies will typically be capitalised between £20m - £150m. The Fund will aim to hold a concentrated portfolio of 25-30 investments. The Investment Manager aims to identify investments that are valued on low price-cash flow ratios relative to peers, and will undertake rigorous due-diligence, modelled on that of a private equity style, to establish the robustness of management teams and company strategy. The Investment Manager will invest when the results of due-diligence highlight strength of management, a corporate strategy that has been largely overlooked by the market and the potential for the company to demonstrate an uplift in valuation of up to 30% in the first year of investment.

Investment Strategy

The PFS Downing Active Management Fund (“The Fund”) aims to provide capital gains to its shareholders from investment in smaller company shares quoted on the UK markets. It has an activist private equity style that it applies to companies with market capitalisations under £150 million at the time of investment.

The Fund changed Investment Manager from Acuity Capital to Downing LLP (Downing) in early December 2010 and also changed Authorised Corporate Director (ACD) in February 2011. The Fund has changed its name to PFS Downing Active Management to reflect these changes. To find out more about these changes, Downing and the investment team looking after your Fund you should visit www.downing.co.uk or telephone 0207 416 7780. Monthly factsheets providing an update on the investment activity, can be found on the Downing website.

Investment Manager's Report

for the year ended 31 July 2011

Investment Review

During the year the Fund increased in value by 14% compared to an uplift of 22% in the benchmark – the blended FTSE AIM All Share Index and FTSE Small Cap (60:40 respectively). In the period, the Fund changed ACD and began to be managed by the new Manager, Downing, in February 2011. Since Downing's appointment the Fund outperformed the benchmark index by 1%, which was down 5%.

The outperformance against the benchmark since the Fund has been managed by Downing reflects the active management of the portfolio with six outright disposals, eight new investments and profits being taken in seven current investments. The activity in the portfolio will be maintained, however the core holdings have now been established and therefore turnover of stocks within the portfolio is likely to be less going forward.

The new investments introduced to the portfolio include Tracsis, in which Downing client funds hold c. 9% of the equity. Tracsis is a software provider in the transport sector, providing rail optimisation solutions to the rail sector. It has a healthy cash generation and is acquisitive, having recently acquired MPEC, a small competitor. Since acquisition the share price of Tracsis has appreciated by 52% and it is now one of the top 5 holdings in the Fund. Accumuli is also a new investment introduced by Downing. Again Downing funds account for c. 9% of the equity in this company, which provides network security solutions to corporates. Downing funds participated in a placing alongside management and other shareholders, which facilitated the acquisition of three companies in the sector.

These investments are typical of the fund strategy; taking time to undertake diligence on the underlying businesses, identifying where the market has overlooked the opportunity and strategy and investing alongside other Downing client funds to create a holding with a degree of influence.

Other performers in the period included Regeneris (new holding +20%), and Northbridge Industrial (new holding +44%). Meanwhile, legacy holding, Abbeycrest, the jewellery manufacturer and distributor, faced financing issues and fell 66% in the year. Downing is working with management to find a solution to the working capital issues, or will continue to seek liquidity for the Fund's residual holding.

Disposals in the period included London Capital Group, Capital Pub Group, RSM Tenon, Sport Media and Gresham House, while some profits were taken in Hamworthy, Craneware, May Gurney and Interior Services Group.

Outlook

Between the end of the year and the time of this report being written (August 2011), world stock markets have suffered some of the largest falls in recent years, reflective of a downgrade of the US economy by ratings agencies and concerns over European debt. However, despite falls of more than 10% in indices, the Fund has remained relatively resilient, having taken profits in time and increased its cash holding from 7% to 17%. A continued strategy of assessing the cash generation and the strategy of underlying investments, and taking time to undertake due-diligence should allow the Fund to take opportunity from any further stock market volatility.

Comparative Tables

Net asset values

As at 31 July	Net asset value (£)	No. of shares in issue	Net asset value (pence per share)
Class A accumulation			
2009	5,203	6,908	75.32
2010	4,051	5,275	76.80
2011	6,524	7,399	88.17
Class B accumulation			
2009	2,918,493	3,848,731	75.83
2010	2,343,855	2,950,877	79.43
2011	2,712,197	2,947,264	92.02

Price and distribution history

The table below shows the highest buying and lowest selling prices on a calendar year basis in pence per share since launch. Past performance is not necessarily a guide to the future performance.

Year	Highest (pence)	Lowest (pence)	Net revenue per share (pence)
Class A accumulation			
2008 [^]	100.00	75.95	-
2009	89.84	71.53	0.2326
2010	83.81	77.13	-
2011 ^{^^}	88.83	82.27	-
Class B accumulation			
2008 [^]	100.00	72.09	-
2009	90.60	69.06	0.3100
2010	85.45	79.51	0.0093
2011 ^{^^}	92.36	85.67	-

[^] From 5 September 2008

^{^^} To 31 July 2011

Total expense ratio (TER)

	Expense Type	31 July 2011 %	31 July 2010 %
Class A accumulation	Investment Manager's charge	1.76	1.75
	Other expenses	1.11	0.83
	Total expense ratio	2.87	2.58
Class B accumulation	Investment Manager's charge	0.88	0.75
	Other expenses	1.11	0.83
	Total expense ratio	1.99	1.58

Risk warning

An investment in an open ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

PFS DOWNING ACTIVE MANAGEMENT FUND

Portfolio Statement

as at 31 July 2011

Holding	Security	Value (Note 1g) £	% of Total Net Assets
	Basic Materials 1.92% (31.07.10 - 0.00%)		
	<i>Industrial metals</i>		
3,220,000	Abbeycrest	52,325	1.92
	Industrials 38.28% (31.07.10 - 36.02%)		
	<i>Electronic & electrical equipment</i>		
250,000	Elektron	93,750	3.45
	<i>Industrial engineering</i>		
12,100	Hamworthy	81,917	3.01
1,500,000	Managed Support Services	24,000	0.88
19,750	May Gurney Integrated Services	55,251	2.03
50,000	Northbridge Industrial Services	142,750	5.25
170,000	Plastics Capital	153,850	5.66
125,000	Specialist Energy	91,875	3.38
		549,643	20.21
	<i>Support services</i>		
35,000	Healthcare Locums [^]	–	0.00
13,400	Hyder Consulting	57,972	2.13
47,000	Interior Services	91,885	3.38
149,000	Regeneris	123,670	4.55
28,000	RWS Holdings	123,900	4.56
		397,427	14.62
	Consumer Goods 4.25% (31.07.10 - 6.17%)		
	<i>Food producers</i>		
21,000	Nichols	115,657	4.25
	Consumer Services 2.26% (31.07.10 - 23.74%)		
	<i>Media</i>		
500,000	Media Square	19,375	0.71
	<i>Travel & leisure</i>		
450,000	Travelzest	42,188	1.55

PFS DOWNING ACTIVE MANAGEMENT FUND

Portfolio Statement

continued

Holding	Security	Value (Note 1g) £	% of Total Net Assets
	Health Care 3.77% (31.07.10 - 0.00%)		
	<i>Pharmaceuticals & biotechnology</i>		
75,000	Animalcare	102,375	3.77
	Financials 13.38% (31.07.10 - 14.80%)		
	<i>Investment companies</i>		
1,538,462	Accumuli	153,846	5.66
24,000	Braemar Shipping Services	109,560	4.03
100,000	Liontrust Asset Management	73,000	2.69
10,000	Ludorum	27,250	1.00
		363,656	13.38
	Technology 19.30% (31.07.10 - 6.83%)		
	<i>Software & computer services</i>		
250,000	Advanced Computer Software	104,375	3.84
19,472	Craneware	110,796	4.08
555,000	Idox	135,281	4.98
300,000	Tracsis	174,000	6.40
		524,452	19.30
	Investment assets	2,260,848	83.16
	Net other assets	457,873	16.84
	Net assets	2,718,721	100.00

All holdings are ordinary shares or stock units unless otherwise stated

^Suspended.

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

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Services Authority's Collective Investment Schemes Sourcebook ("the COLL Sourcebook") requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue/expenses and of the net gains/losses on the property of the Company for that year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures, which are required to be disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Certification of Accounts by the ACD

In accordance with the requirements of the OEIC Regulations and COLL, we hereby certify the Report on behalf of the ACD, Phoenix Fund Services (UK) Limited.

S D Mathieson

J. M. Rice

Directors

Phoenix Fund Services (UK) Limited

23 September 2011

Statement of the Depositary's responsibilities in respect of the Company

The depositary is responsible for the safekeeping of all of the property of the Company (other than tangible movable 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 COLL Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the 'OEIC Regulations'), the Company's instrument of incorporation and prospectus in relation to the pricing of, and dealings in, shares in the Company, the application of income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Report of the Depositary to the shareholders of the Company for the year ended 31 July 2011

Having carried out such procedures as we considered necessary to discharge our responsibilities as depositary of the Company, in our opinion, during the year under review, we confirm that, except in respect of the matter referred to below, in all other material respects the Company has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income, in accordance with the rules in the COLL Sourcebook and, where applicable, the OEIC Regulations, the Instrument of Incorporation and prospectus of the Company. In respect of the matter referred to above, as depositary, we have instructed the ACD to improve their monitoring of investment and borrowing powers and restrictions applicable to the Sub-Funds.

BNY Mellon Trust & Depositary (UK) Limited
23 September 2011

Independent Auditor's report to the Shareholders of PFS Downing Active Management Fund ('the Company')

We have audited the financial statements of the Company for the year ended 31 July 2011 which comprise the Statement of Total Return, the Statement of Changes in Net Assets, the Balance Sheet together with the related notes on pages 11 to 25 and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook issued by the Financial Services Authority under the Open-Ended Investment Companies Regulations 2001. Our audit 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 auditor's 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 and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Authorised Corporate Director ('the ACD') Phoenix Fund Services (UK) Limited and Auditor

The ACD's responsibility for preparing the Annual Report and the financial statements in accordance with applicable law, UK financial services rules and regulations and UK Accounting Standards (UK Generally Accepted Accounting Practice) is set out in the Statement of ACD's Responsibilities on page 7.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes sourcebook issued by the Financial Services Authority. We also report to you whether in our opinion the information given in the ACD's Report is consistent with the financial statements and whether we have received all the information and explanations necessary for the purposes of our audit.

In addition we report to you if, in our opinion, proper accounting records for the Company have not been kept or if the financial statements are not in agreement with those records.

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

Independent Auditor's report to the Shareholders of PFS Downing Active Management Fund ('the Company') (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Company as at 31 July 2011 and of the net expense and the net capital gains on the property of the Company for the year then ended;
- the financial statements have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes sourcebook issued by the Financial Services Authority; and
- the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of the audit.

J. M. Mills

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

23 September 2011

Statement of Total Return

for the year ended 31 July 2011

	Note	31.07.11		31.07.10	
		£	£	£	£
Income					
Net capital gains	2		378,650		167,691
Revenue	3	46,273		48,818	
Expenses	4	(52,802)		(45,937)	
Net (expense)/revenue before taxation		(6,529)		2,881	
Taxation	5	–		(1,268)	
Net (expense)/revenue after taxation			(6,529)		1,613
Total return before distributions			372,121		169,304
Finance costs: distributions	6		–		(276)
Change in net assets attributable to shareholders from investment activities			372,121		169,028

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 July 2011

	31.07.11		31.07.10	
	£	£	£	£
Opening net assets attributable to shareholders		2,347,906		2,923,696
Amounts receivable on issue of shares	3,000		–	
Less: Amounts payable on cancellation of shares	(4,306)		(748,684)	
		(1,306)		(748,684)
Dilution levy		–		3,592
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		372,121		169,028
Retained distribution on accumulation shares		–		274
Closing net assets attributable to shareholders		2,718,721		2,347,906

PFS DOWNING ACTIVE MANAGEMENT FUND

Balance Sheet

as at 31 July 2011

	Note	31.07.11		31.07.10	
		£	£	£	£
ASSETS					
Investment assets			2,260,848		2,055,749
Debtors	7	38,648		54,712	
Bank balances		<u>433,275</u>		<u>248,802</u>	
Total other assets			471,923		303,514
Total assets			2,732,771		2,359,263
LIABILITIES					
Investment liabilities			-		-
Creditors	8	<u>(14,050)</u>		<u>(11,357)</u>	
Total other liabilities			(14,050)		(11,357)
Total liabilities			(14,050)		(11,357)
Net assets attributable to shareholders			2,718,721		2,347,906

Notes to the Financial Statements

for the year ended 31 July 2011

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice ("SORP") for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following basis:

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment and does not form part of the distributable revenue.

Interest on debt securities and bank and short-term deposits is recognised on an earned basis.

In the case of debt securities any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation.

(c) Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. The tax accounting treatment follows the treatment of the principal amount.

(d) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue for the year on an accruals basis.

Notes to the Financial Statements

continued

(e) **Taxation**

Corporation tax is provided at 20% on revenue, after deduction of expenses.

Where overseas tax has been deducted from overseas revenue, that tax can in some instances, be set off against the corporation tax payable, by way of double tax relief.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

(f) **Distribution policy**

The net revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders as dividend distributions. Any revenue deficit is funded from capital.

Interim distributions may be made at the Investment Manager's discretion and the balance of revenue is distributed in accordance with the regulations.

Distributions not claimed within a six year period will be forfeited and added back to the capital of the Fund

(g) **Basis of valuation of investments**

Listed investments are valued at bid prices at close of business on the last business day of the accounting year excluding any accrued interest in the case of fixed interest securities.

Unlisted or suspended investments are valued by the Investment Manager taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

(h) **Exchange rates**

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

(i) **Dilution levy**

The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; if the Fund experiences large levels of net sales relative to its size; on 'large deals'; in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

Notes to the Financial Statements

continued

2. Net capital gains	31.07.11	31.07.10
	£	£
Non-derivative securities	378,958	168,036
Transaction charges	(308)	(345)
Net capital gains	378,650	167,691
3. Revenue	31.07.11	31.07.10
	£	£
Non taxable dividends	46,273	44,390
Taxable dividends	-	4,428
Total revenue	46,273	48,818

Notes to the Financial Statements

continued

4. Expenses	31.07.11	31.07.10
	£	£
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's fee	-	22,423
Registration fees	3,492	3,500
Printing fees	-	4,352
Performance fees	-	(1,380)
	<hr/>	
	3,492	28,895
	<hr/>	
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	23,385	-
	<hr/>	
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	5,970	5,823
Safe custody and other bank charges	956	1,028
	<hr/>	
	6,926	6,851
	<hr/>	
Other expenses:		
Audit fee (including VAT)	6,600	6,873
Tax service fee	2,131	-
FSA fee	128	45
Publication fee	1,534	2,837
Legal fees	4,200	436
Printing costs	4,406	-
	<hr/>	
	18,999	10,191
	<hr/>	
Total expenses	52,802	45,937
	<hr/>	

Notes to the Financial Statements

continued

5. Taxation	31.07.11	31.07.10
	£	£
(a) Analysis of charge in the year:		
Overseas tax	–	1,268
Current tax charge (note 5b)	–	1,268
(b) Factors affecting taxation charge for the year:		
Net (expense)/revenue before taxation	(6,529)	2,881
Corporation tax at 20%	(1,306)	576
Effects of:		
Non taxable dividends	(9,255)	(8,878)
Surplus management expenses	10,561	8,302
Non recoverable overseas tax	–	1,268
Current tax charge (note 5a)	–	1,268

(c) Deferred Tax

At the year end there is a potential deferred tax asset of £34,447 (31.07.10 : £23,886) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6. Finance costs	31.07.11	31.07.10
	£	£

The distributions take account of revenue received on the creation of shares and revenue deducted on cancellation of shares, and comprise:

Distributions

Final	–	274
Revenue deducted on cancellation of shares	–	2
	<hr/>	<hr/>
Finance costs: distributions	–	276
	<hr/>	<hr/>
Total finance costs	–	276

Reconciliation of net (deficit)/revenue after taxation to net distributions:

Net (expense)/revenue after taxation per statement of total return	(6,529)	1,613
Relief on expenses offset against capital	–	(1,379)
Revenue deficit to be transferred from capital	6,529	42
	<hr/>	<hr/>
Finance costs: distributions	–	276

7. Debtors	31.07.11	31.07.10
	£	£
Sales awaiting settlement	34,933	51,000
Non taxable dividends	3,715	2,465
Prepaid expenses	–	1,247
	<hr/>	<hr/>
Total debtors	38,648	54,712

Notes to the Financial Statements

continued

8. Creditors	31.07.11	31.07.10
	£	£
ACD's fee	–	1,531
Registration fee	2,037	295
Investment Manager's fee	2,325	–
Depository fee	515	499
Transaction charges payable	–	20
Safe custody and other bank charges	89	247
FSA fee	94	–
Printing fee	1,140	2,147
Audit fee	6,600	6,618
Audit fee - tax services	1,250	–
Total creditors	14,050	11,357

Notes to the Financial Statements

continued

9. Related party transactions

ACD and other fees payable to Phoenix Fund Services (UK) Limited (the ACD) are disclosed in note 4 and amounts due at the period end are shown in note 8.

Management fees payable to Downing LLP (the Managers) are disclosed in note 4 and amounts due at the period end are shown in note 8.

Depository and other fees payable to BNY Mellon Trust & Depository (UK) Ltd are disclosed in note 4 and amounts due at the period end are shown in note 8.

10. Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (31.07.10 : none).

11. Derivatives and other financial instruments

In pursuing its investment objectives, the Fund may hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The Fund may also enter into a range of derivative transactions whose purpose is efficient portfolio management. In addition the Fund only executes derivative contracts where both the derivative instrument and the counterparty have been approved by the ACD.

The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been applied throughout the year under review.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. This means the value of an investors' holding may go down as well as up and an investor may not recover the amount invested. Investors should consider the degree of exposure of the Fund in the context of all their investments.

The Funds' investment portfolio is exposed to market price fluctuations, which are monitored by the ACD as per the policies as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Fund will be exposed.

Notes to the Financial Statements

continued

11. Derivatives and other financial instruments (continued)

Currency risk

Currency risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in foreign currency exchange rates. For Funds where a proportion of the net assets of the Fund is denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The ACD monitors the foreign currency exposure of the Fund and may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies.

As at the balance sheet date, all of the Funds assets and liabilities were denominated in sterling.

31.07.11

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Sterling	457,873	2,260,848	2,718,721
Total	457,873	2,260,848	2,718,721

31.07.10

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Sterling	292,157	2,055,749	2,347,906
Total	292,157	2,055,749	2,347,906

Interest rate risk

Interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes. The majority of the Fund's assets comprise equity shares which neither pay interest nor have a maturity date.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Notes to the Financial Statements

continued

11. Derivatives and other financial instruments (continued)

The tables below detail the interest rate risk profile at the balance sheet date.

31.07.11

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
Sterling	433,275	–	2,299,496	2,732,771
Total	433,275	–	2,299,496	2,732,771

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Sterling	–	14,050	14,050
Total	–	14,050	14,050

31.07.10

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
Sterling	248,802	–	2,110,461	2,359,263
Total	248,802	–	2,110,461	2,359,263

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Sterling	–	11,357	11,357
Total	–	11,357	11,357

Notes to the Financial Statements

continued

11. Derivatives and other financial instruments (continued)

Credit risk

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments (including Commercial Paper (CP) and Floating Rate Notes (FRN)) there is the possibility of default of the issuer and default in the underlying assets meaning that a Fund may not receive back the full principal originally invested. Thirdly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities, which could result in the Fund suffering a loss. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

Liquidity risk

There is little exposure to credit or cash flow risk. There are no net borrowings or unlisted securities and so little exposure to liquidity risk.

Under normal circumstances, the Fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Fund, the Fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

The ACD manages the Funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Funds' portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, with particular focus on the CP and FRN markets, seeking to ensure the Fund maintains sufficient liquidity to meet known and potential redemption activity. Fund cash balances are monitored daily by the ACD and the Investment Manager. All of the Funds' financial liabilities are payable on demand or in less than one year.

Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Fund has fulfilled its responsibilities which could result in the Fund suffering a loss. The Investment Manager minimises the risk by conducting trades through only the most reputable counter parties.

Notes to the Financial Statements

continued

11. Derivatives and other financial instruments (continued)

Derivatives

The Fund may enter into derivative contracts for Efficient Portfolio Management (EPM) purposes.

The purposes of EPM must be to achieve reduction of risk, the reduction of cost, or the generation of additional revenue or capital with an acceptably low level of risk and the use of these instruments must not cause the Fund to stray from its investment objectives.

Any EPM transaction must be economically appropriate and the exposure fully covered. The ACD monitors the use of derivatives to ensure EPM rules are satisfied.

Fair value of financial assets and liabilities

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet.

12. Portfolio transaction costs	31.07.11	31.07.10
	£	£
Analysis of purchases		
Purchases before transaction costs	1,239,408	602,631
Transaction costs:		
Commissions	3,086	965
Stamp duty and other charges	5,185	2,420
	<hr/> 8,271	<hr/> 3,385
Total purchase cost	<hr/> 1,247,679	<hr/> 606,016
Analysis of sales		
Sales before transaction costs	1,425,114	877,310
Transaction costs:		
Commissions	(3,530)	(1,368)
Other charges	(46)	(9)
	<hr/> (3,576)	<hr/> (1,377)
Net sales proceeds	<hr/> 1,421,538	<hr/> 875,933

Notes to the Financial Statements

continued

13. Post balance sheet events

Post year end, the quoted price per share of the Fund has decreased from 86.93p at the year end date to 81.27p[^] as at 20 September 2011. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustment at the year end.

[^] A accumulation shares

Distribution Table

for the year ended 31 July 2011

Interim

There were no interim distributions in the current or prior year.

Final:

Class	Shares	Net revenue	Equalisation	Distribution 2011	Distribution 2010
'A' accumulation	Group 1	0.0000		0.0000	0.0000
	Group 2	0.0000	0.0000	0.0000	0.0000
'B' accumulation	Group 1	0.0000		0.0000	0.0093
	Group 2	0.0000	0.0000	0.0000	0.0093

Further information

Group 1- Shares purchased prior to 31 January 2011

Group 2- Shares purchased on or after 31 January 2011 and on or before 31 July 2011

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

General Information

Authorised status

PFS Downing Active Management Fund (the "Company") is incorporated in England and Wales as an ICVC under registration number IC563. The shareholders are not liable for the debts of the Company.

The Company is authorised by the FSA as a UCITS Scheme under the COLL Sourcebook and is an umbrella company for the purposes of the OEIC Regulations with each Fund being a UCITS Scheme. The effective date of the authorisation order made by the FSA was 19 September 2007.

Head office

Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW

Address for service

The Head Office is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

Base currency

The base currency of the Company is pounds sterling.

Share capital

The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

Structure of the Company

PFS Downing Active Management Fund is a stand alone open ended investment company.

Classes of shares

The Company can issue different classes of shares in respect of the Fund.

Holders of income shares are entitled to be paid the revenue attributable to such shares in respect of each annual accounting period.

Valuation point

The scheme property of the Company will normally be valued at 10.00am on each dealing day for the purpose of calculating the price at which shares in the Company may be issued, sold, repurchased or redeemed.

The ACD reserves the right to revalue the Company at any time if it considers it desirable to do so, with the Depositary's approval.

General Information

continued

Buying and selling of shares

The ACD will accept orders for the purchase and sale of shares on normal business days between 8:30am and 4:30pm. Instructions to buy or sell shares may either be in writing to:

PO Box 10879, Chelmsford, Essex, CM1 9QW

Or by telephone to:

0845 305 4215

A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Pricing basis

There is a single price for buying, selling and switching shares in the Company which represents the NAV of the Fund. The share price is calculated on a forward pricing basis, that is at the next valuation point after the purchase or redemption is deemed to be accepted by the ACD.

The prices of shares are published daily on the Investment Management Association website at www.fundlistings.com and in the Financial Times. Neither, the ACD nor the Company can be held responsible for any errors in the publication of the prices. The shares in the Company will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

Other information

The Instrument of Incorporation, Prospectus, Simplified Prospectus and the most recent interim and annual reports may be inspected free of charge at the office of the ACD which is also the Head Office of the Company and copies may be obtained upon application. Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.



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