

Annual Report and  
Audited Financial Statements  
For the year ended  
31st May 2010





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# Lloyds TSB Offshore Multi Strategy Fund Limited

## Company Information

### REGISTERED OFFICE

PO Box 160, 25 New Street, St. Helier,  
Jersey, JE4 8RG, Channel Islands

### PRINCIPAL PLACE OF BUSINESS

PO Box 311, 11 - 12 Esplanade, St. Helier,  
Jersey, JE4 8ZU, Channel Islands

### DIRECTORS

c/o Registered Office  
R. D. Willcox (Chairman)  
I. M. J. Hardy  
B. C. James  
N. R. Jeacock-Fewtrell

### Advocate T. J. Herbert

PO Box 87, 22 Grenville Street, St. Helier,  
Jersey, JE4 8PX, Channel Islands

### MANAGER AND REGISTRAR

Lloyds TSB Offshore Fund Managers Limited,  
PO Box 160, 25 New Street, St. Helier,  
Jersey, JE4 8RG, Channel Islands  
Tel. : +44 (0) 1534 845555

### LEGAL ADVISERS

In Jersey:

Mourant Ozannes,

PO Box 87, 22 Grenville Street, St. Helier,  
Jersey, JE4 8PX, Channel Islands

In England:

Linklaters

One Silk Street, London EC2Y 8HQ

### ASSET ALLOCATION ADVISER

Scottish Widows Investment Partnership Limited,  
33 Old Broad Street, London EC2N 1HZ

### CUSTODIAN

Capita Trust Company (Jersey) Limited,  
PO Box 532, 12 Castle Street, St. Helier,  
Jersey, JE2 3RT, Channel Islands

### SECRETARY

Lloyds TSB Offshore Corporate Services Limited,  
PO Box 160, 25 New Street, St. Helier,  
Jersey, JE4 8RG, Channel Islands

### INDEPENDENT AUDITORS

PricewaterhouseCoopers CI LLP,  
Twenty Two Colomberie, St. Helier,  
Jersey, JE1 4XA, Channel Islands

### PAYING AGENT

Lloyds TSB Offshore Paying Agent (HK) Limited,  
26/F Oxford House, Taikoo Place,  
Quarry Bay, Hong Kong.

# Investment Objective and Policy

## Policy

Lloyds TSB Offshore Multi Strategy Fund Limited (“the Company”) is an open-ended investment company registered in Jersey with eight classes (“Funds”).

It is known as an “umbrella fund” because it provides shareholders with a variety of investment options under the “umbrella” of a single company.

The policy of the Funds is to invest in a range of cash, equity, fixed interest and property funds managed by members of the Lloyds Banking Group and also to utilise other funds including multi-manager funds managed by the Russell Investment Group. In certain circumstances it may be necessary to supplement these investments with funds managed by other third parties.

The investment objective of each Fund is set out below:

## Cautious Strategy Fund

### **Objective**

Seek to provide a degree of capital security whilst providing potential for a moderate return achieved through investment in Corporate Bond and Gilt Funds together with a limited exposure to Cash and Property Funds, resulting in some potential fluctuation in capital value and return. Much of the growth in value achieved by this Strategy will be through the generation of income, which will be distributed to shareholders and reinvested. Investment in this Strategy carries a modest risk of loss to capital value and return.

## Conservative Strategy Fund

### **Objective**

Seek to provide a moderate return achieved through investment in Corporate Bond and Gilt Funds with a limited exposure to UK Equity and Property Funds. When compared to the Cautious Strategy, this Strategy introduces a small exposure to UK Equity Funds and contains a reduced exposure to Cash Funds. Much of the growth in value achieved by this Strategy will be through the generation of income, which will be distributed to shareholders and reinvested. Investment in this Strategy carries a modest risk of loss to capital value and return.

## Balanced Strategy Fund

### **Objective**

Seek to provide a balanced return achieved through investment in Corporate Bond, Gilt and UK Equity Funds with a limited exposure to Property Funds. There is a larger exposure to UK Equity Funds and a reduced exposure to Corporate Bond and Gilt Funds in this Strategy than in the Conservative Strategy Fund. There is also a small increase in the exposure to Property Funds. This results in a moderate risk of loss to capital value and return in the short to medium term, but with a greater potential for growth over the medium to long term. Some of the growth in value of this Strategy will be achieved through the generation of income, which will be distributed to shareholders and reinvested.

## Growth Strategy Fund

### **Objective**

Seek to provide growth achieved through investment in UK Equity, Gilt, International Equity and Corporate Bond Funds with a limited exposure to Property Funds. When compared to the Balanced Strategy Fund, this Strategy contains a higher UK Equity Fund content and an exposure to International Funds is introduced, adding to the diversification of investment by medium, currency and country. The exposure to Corporate Bond and Gilt Funds is reduced. This results in a greater risk of loss to capital value and return in the short to medium term, but increases the potential for growth over the medium to long term.

## Progressive Strategy Fund

### **Objective**

Seek to provide a progressive return achieved through investment in International, UK Equity and Corporate Bond Funds and a limited exposure to Property Funds. When compared to the Growth Strategy Fund, this Strategy contains an increased exposure to International Equity Funds, with a reduction in the Corporate Bond Fund content. There is likely to be a small increase in the UK Equity Fund content. This Strategy does not include Gilt Funds. This increases the risk of loss to capital value and return in the short to medium term but seeks to provide greater potential for growth over the medium to long term.

## **Investment Objective and Policy (continued)**

### **Aggressive Strategy Fund**

#### **Objective**

Seek to provide adventurous growth achieved through investment in International Equity and UK Equity Funds. There is no exposure to Cash, Gilt, Corporate Bond or Property Funds. This Strategy carries a higher risk of loss to capital value and return, particularly in the short to medium term but with the potential for good growth over the medium to long term.

### **Global US\$ Conservative Strategy Fund**

#### **Objective**

Seek to provide the potential for a moderate return whilst maintaining a degree of capital security for US Dollar based investors through investment in Cash and US Dollar denominated Bond Funds, with a limited exposure to US Equity Funds. The nature of the investments will result in some fluctuation in capital value. Investment in this Strategy carries a modest risk of loss to capital value and return.

### **Global US\$ Growth Strategy Fund**

#### **Objective**

Seek to provide capital growth for US Dollar based investors primarily through investment in a range of International Equity Funds and a limited exposure to UK Equity Funds. There is no exposure to Bond Funds or Cash Funds. This Strategy carries a higher risk of loss to capital value and return in the short to medium term than Strategies containing Bond or Cash Funds, however there is greater potential for growth over the medium to long term.

# Report of the Directors

The Directors have pleasure in submitting their Annual Report and Audited Financial Statements for the year ended 31st May 2010.

## Results

The results for the year are set out in the Financial Statements on pages 12 to 53.

## Distributions

Distributions for the year are detailed in Note 5 to the Financial Statements.

## Directors

Mr I.M.J. Hardy, Advocate T.J. Herbert, Mr B.C. James, Mr N.R. Jeacock-Fewtrell and Mr R.D. Willcox were Directors throughout the year, have since continued to act and are willing to remain in office.

At 31st May 2010 the Shares held in the Company by the Directors were as follows:

I. M. J. Hardy	Shares	B. C. James	Shares
Progressive Strategy	12,232.11	Progressive Strategy	9,550.50
Mrs S. J. Willcox	Shares	R. D. Willcox	Shares
(Wife of Mr R. D. Willcox)		Aggressive Strategy	13,416.64
Aggressive Strategy	4,612.34		

No Director has a service contract with the Company and is, or was, materially interested in any service or other contract entered into by the Company.

Advocate T.J. Herbert is a partner of Mourant Ozannes, the Jersey legal advisers to the Company and the Manager. Mourant Ozannes receive fees in connection with advising the Company and the Manager.

Mr I.M.J. Hardy, Mr B.C. James, Mr N.R. Jeacock-Fewtrell and Mr R.D. Willcox are Directors of Lloyds TSB Offshore Fund Managers Limited (the "Manager") which has a management contract with the Company. Fees earned by the Manager are disclosed in the Financial Statements.

## Investment Activities

The Report of the Manager is set out on pages 8 and 9.

## Independent Auditors

PricewaterhouseCoopers CI LLP were re-appointed as Independent Auditors at the Annual General Meeting held on 23rd October 2009 and have indicated their willingness to continue in office.

## Prospectus

A supplement to the Prospectus dated August 2008 was issued in April 2009.

The Supplement contains notification that with effect from 19th January 2009, Lloyds TSB Group plc changed its name to Lloyds Banking Group plc. As a result changes have been made to the wording of the Data Protection section of the Fund's application form. Shareholders are advised that the wording; "The Lloyds TSB Group includes all companies with the Lloyds TSB name, Cheltenham & Gloucester plc and Scottish Widows plc, and their associated companies." has been replaced with "Your Group" means the Lloyds Banking Group, which includes you and a number of other companies using brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies. More information on the Lloyds Banking Group can be found at [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com). For these purposes "associated companies" includes Lloyds Banking Group plc and any subsidiary, affiliate or other firm directly or indirectly controlled from time to time by either Lloyds Banking Group plc or you."

All other references in the Prospectus to Lloyds TSB Group plc and the Lloyds TSB Group should now be read as Lloyds Banking Group plc and the Lloyds Banking Group respectively.

Copies of the Prospectus and Supplement to the Prospectus are available, free of charge, on application to the Manager. Alternatively they can be accessed on our website at [www.lloydstsb-offshore.com/funds](http://www.lloydstsb-offshore.com/funds).

## Market conditions

The value of underlying assets held within the Strategies are affected by market conditions, both positive and negative. This will affect the Share price of those Strategies. The Directors would like to remind Shareholders that investment in the Funds should be considered as a long term commitment, as the Shares may rise and fall in the short term in response to changing market conditions.

## Management and administration providers

The names and addresses of Management and administration providers are stated on page 2.

## Comparative tables

The distribution, performance record and net asset value per share tables are stated on pages 54 to 57.

# Report of the Directors (continued)

## Directors' Responsibilities

The Directors are required by the Companies (Jersey) Law 1991 to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company for that period and are in accordance with applicable laws. In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures 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 Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Jersey) Law 1991 and the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended). They are also responsible for the safeguarding of the assets which includes the appointment of a duly qualified Custodian. The Directors must also ensure that they or their duly appointed agents take reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

So far as the Directors are aware there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that he or she ought to have taken as director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The Directors have selected the Lloyds TSB Offshore Limited website as the host website for the Company's Financial Statements and believe this selection to be a reasonable one; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Information published on the internet is accessible in many countries. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Distributor Status

In October 2009, HM Revenue & Customs published the final version of the offshore fund regulations which, together with the supplementary guidance, provide the framework for the offshore funds "Reporting Fund Regime".

The Distributor status will cease for all accounting periods on or after 31st May 2011 and will be replaced by the "Reporting Fund Regime".

HM Revenue & Customs has certified the Cautious Strategy Fund, Conservative Strategy Fund, Balanced Strategy Fund, Growth Strategy Fund, Progressive Strategy Fund and Aggressive Strategy Fund as Distributing Funds for the purpose of Chapter V Part XVII of the Income and Corporation Taxes act 1988 for all periods up to 31st May 2008. An application for distributor status in respect of the year ended 31st May 2009 has been made, an application for distributor status in respect of the periods up to 31st May 2011 will be made in due course and an application to register for the new Reporting Regime in respect of the year ended 31st May 2012 will be made before 31st August 2011.

A separate letter explaining the changes will be sent to each shareholder in due course.

## Report of the Directors (continued)

### General Information

The Company holds a certificate as a Recognized Securities Fund under the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended) and holds a permit under Article 7 of the Collective Investment Funds (Jersey) Law, 1988.

The Company is an open-ended investment company with variable capital and Shareholders are not liable for the debts of the Company.

The Company is a recognised scheme under Section 270 of the Financial Services and Markets Act 2000 of the United Kingdom and is listed on the Channel Islands Stock Exchange.

HM Revenue & Customs has certified the Cautious Strategy Fund, Conservative Strategy Fund, Balanced Strategy Fund, Growth Strategy Fund, Progressive Strategy Fund and Aggressive Strategy Fund as Distributing Funds for the purpose of Chapter V Part XVII of the Income and Corporation Taxes act 1988 for all periods up to 31st May 2008. An applications for distributor status for the period up to 31st May 2009 have been made, and an application for the period up to 31st May 2010 will be made in due course.

Performance figures in the Report of the Manager are quoted gross of any distributions.

Where assets of an individual Fund are insufficient to meet the Fund's liabilities, any liabilities that remain undischarged will revert to the Company as a whole and be allocated amongst the other Funds.

The number of Shares in existence at the end of the year is shown in Note 14 of the Financial Statements.

The market value per share of the property of each Strategy Fund was as follows:

Sterling denominated strategies	31st May 2010 (pence)	1st June 2009 (pence)
Cautious Strategy Fund	96.59	84.19
Conservative Strategy Fund	99.34	84.51
Balanced Strategy Fund	103.40	86.63
Growth Strategy Fund	112.70	92.73
Progressive Strategy Fund	113.60	89.74
Aggressive Strategy Fund	119.20	94.21
US dollar denominated strategies	US\$ cents	US\$ cents
Global USD Conservative Strategy Fund	106.60	95.36
Global USD Growth Strategy Fund	87.30	74.35

By order of the Board

Lloyds TSB Offshore Corporate Services Limited

Secretary

29th July 2010

# Report of the Manager

## **Global overview:**

The revival in global equity and financial markets, apparent for most of the past year, hit the buffers in May. The impetus for the rally had been an improvement in economic data and signs that the banking sector, ravaged since the collapse of Lehman Brothers in September 2008, was starting to find its feet. However, concerns over the strength and sustainability of economic recovery have never been far from the surface, and fears surrounding the Greek debt crisis have prompted a flight to safety, with investors retreating from equities to the comparative safety of “core” government bond markets.

## **UK:**

UK equities have advanced strongly over the period, although recent months have been disappointing. Encouraging economic data, healthy corporate results and a prolonged period of low interest rates helped the FTSE All-Share index to rise by nearly 23% over the past 12 months. While an upturn in the UK economy is very gradually gathering pace, doubts remain over the shape of the recovery that lies ahead. Quantitative easing is likely to have reached an end and many investors are anxious over how strong the financial system will prove to be without it. At the same time, upgrades to corporate earnings forecasts continue to outweigh downgrades. Positive earnings revisions have been one of the key drivers of equity markets in recent months.

## **US:**

US equity markets made strong gains over the reporting period, despite losing some ground in recent months. The S&P 500 index rose 21.0% in dollar terms. Recently, US stocks endured an early-year hangover, as investors took profits on 2009's gains. This was due to concerns over the worsening position in Greece and the prospect of tighter policy in China. In May, the Federal Reserve announced plans to open currency swap lines with the European Central Bank. The Fed's accompanying statement said the facilities are “designed to help improve liquidity conditions in the US dollar funding markets and to prevent the spread of strains to other markets and financial centres.” In addition, President Obama's Restoring American Financial Stability Act, intended to overhaul US financial markets, was passed by the US Senate.

## **Europe:**

Concerns about sovereign debt levels have consumed investors since the start of the year. Greece came under the spotlight after it revealed the perilous state of its public finances. The markets baulked and equities sold off heavily. But EU member states acted: first, bailing out heavily indebted Greece, and then by launching a €750 billion loans package to defend the embattled euro. The cheer, however, was short-lived after ratings agencies downgraded Portugal and Spain. The latter's banking sector is also teetering. Away from the debt crisis, though, the picture is a little more sanguine. Forward-looking economic indicators are encouraging, while companies are once again delivering solid profit numbers. Overall, the FTSE Europe ex-UK index was up 12.8% in local currency terms for the 12 months to end-May.

## **Japan:**

Japanese equities were slightly down over the 12 months, with the Topix index falling by 0.4% in yen terms. Recently, mining and construction equipment manufacturers have suffered losses, as concerns increase that China's economic growth is slowing. In May, the People's Bank of China raised the reserve requirements ratio for banks for the third time this year. This is expected to have a detrimental effect on construction activity, as banks feel less able to lend freely. Exporters also suffered for much of May as the yen's strength increased. Investors flocked to the perceived safety of the currency as the debt crisis in Europe continued.

## **Asia Pacific:**

Asian equities have performed strongly since early 2009, largely fuelled by the global quantitative easing effort – particularly China's stimulus package aimed at infrastructure, housing and the consumer. However, in May, the region suffered its worst declines since October 2008. A variety of factors combined to drag down prices, including an Australian mining industry “super profit” tax and cross-border tensions between South Korea and its northern counterpart.

## **Bonds:**

Global government bonds were ahead in the 12 months to 31 May. Over the past year, prices have been supported by historically low interest rates, quantitative easing and other government stimulus programmes. Bond prices have remained volatile, with yields affected by a two-way pull between new government issuance and central bank repurchases. The recent turmoil affecting peripheral European economies, and consequent increase in risk aversion, has been beneficial for “core” markets such as the UK, US and Germany.

Corporate bonds have performed comparatively well over last year. Investors have been attracted by relatively high yields, while corporate results gave investors further confidence. As corporate bond prices continued to rise, the spread between the yield offered by corporate and government bonds narrowed further. Concerns about sovereign debt default in certain European nations led to a sell-off in the last two months, but over the year as a whole, corporate bonds outperformed their government bond counterparts. Corporate bonds now represent fair value and it will become increasingly important for investors to distinguish between stocks and sectors if they are to produce further gains.

## Report of the Manager (continued)

### Property:

Recent data suggests that the rapid recovery in property capital values may be losing its momentum. The Investment Property Databank (IPD) monthly index posted a modest 0.8% increase in values for the month of April. This was half the 1.6% rise seen in the previous month, leading the IPD to suggest that the rapid bounce-back had "run its course". The weight of money from investors chasing a limited amount of stock has been driving prices upwards. This unbridled enthusiasm is now starting to wane, though, as investors take stock of economic uncertainties and the weak rental picture.

### Tactical Asset Allocation:

SWIP's general strategy at the beginning of the period was to be overweight both cash and equities where possible through UK and/or US equities, at the expense of property. We maintained our overweight position in corporate bonds versus an underweight in gilts, across the balanced portfolios except for the Progressive portfolio. Our neutral position in Bonds remained unchanged. This strategy was applied across the Cautious, Conservative, Balanced, Growth and Progressive portfolios. While the USD denominated Conservative portfolio had an underweight position in cash versus an overweight position in US equities. For the Aggressive and USD growth portfolios, the neutral stance in both equities and bond markets was maintained.

In July, we increased the overweight in equities further through the US equities where applicable, funded by cash. The sell off in equity markets in June following the strong rally that began in March, allowed us to add further to our overweight stance in equities.

In August, equity markets rebounded strongly from their June lows. For the Conservative, Balanced, Growth and Progressive portfolios, we took profit from UK or US equities marginally, reducing our overweight positions. The overweight position in cash was neutralised during the month. The proceeds of which funded the reduction in our underweight in property. For the Cautious portfolio, the decrease in property was funded from cash. For the Conservative USD, the overweight in equities was marginally reduced into cash.

In September, we neutralised our underweight position in property. For the Cautious, Balanced and Growth portfolios, the tactical move into property was funded by a further underweight stance towards gilts. For the Cautious portfolio, the underweight in property was neutralised funded from cash. While for the Progressive portfolio, the further move into property was funded by an underweight in corporate bonds.

For the month of January 2010 we neutralised our overweight position in UK corporate bonds across the Cautious, Conservative, Balanced and Growth portfolios. The proceeds were used to reduce the underweight stance in Gilts, with exception of the Cautious portfolio where the gilts underweight stance was neutralised. We continue to express an underweight position in gilts to fund the overweight stance towards equities where applicable.

In February, we tactically switched our US equities overweight position into European equities across the relevant portfolios. Europe's sovereign debt difficulty has widened the valuation gap between European and the US equities. We took this opportunity to make modest investment in European equities. We continue to overweight equities mainly funded by an underweight position in bonds through gilts or corporate bonds where applicable.

At the end of March, we started to marginally reduce our overweight position in equities across all applicable portfolios, mainly by going underweight US equities, except for the Conservative and Balanced portfolios where we took a marginal cut in the UK equities overweight. The proceeds were used to reduce the underweight stance in gilts/corporate bonds across the portfolios where applicable. While for the Aggressive and US denominated Growth portfolios, we upgraded the neutral stance in both the UK and European equities to a modest overweight position, funded by a move to underweight US equities. Additionally, for the Conservative USD portfolio we cut the US equity overweight position.

In May, we marginally increased our overweight position in equities via the UK funded from bonds where applicable. For the Aggressive and the USD denominated Growth portfolios, this move was funded by a further underweight in US equities. Additionally, for the Conservative USD portfolio, we marginally increased our overweight position in US equities funded from cash.

Lloyds TSB Offshore Fund Managers Limited

29th July 2010

# Report of the Custodian to the Members of Lloyds TSB Offshore Multi Strategy Fund Limited

## Statement of Custodian's Responsibilities

The Custodian is required under the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended) ("the Rules") to ensure that, inter alia, it:

- satisfies itself that the sale, issue, repurchase, redemption, cancellation and valuation of shares in the Company are carried out in accordance with the Rules; and
- takes into its custody all the assets of the Company and holds them in trust for the shareholders in accordance with the Rules; and
- enquires into the conduct of the Company in each annual accounting period and reports thereon to shareholders in a report, which shall contain the matters prescribed by the Rules. The Report of the Custodian is included in this Annual Report.

## Report of the Custodian to the Members of Lloyds TSB Offshore Multi Strategy Fund Limited

In accordance with Article 2.06 of the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended) (the "Rules"), Capita Trust Company (Jersey) Limited, has acted throughout the year as independent Custodian to the Company.

In accordance with Article 7.08 of the Rules we confirm, in our capacity as the Custodian, that we have enquired into the conduct of the Company for the year ended 31st May 2010 and in our opinion, to the best of our knowledge having made such enquiry, the affairs of the Company have been conducted in all material respects for the year then ended:

- in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association, by prospectuses and by all Orders for the time being in force under Article 11 of the Collective Investment Funds (Jersey) Law 1988 (as amended) ("the Law"); and
- otherwise in accordance with the provisions of the Memorandum and Articles of Association and the Law.

Capita Trust Company (Jersey) Limited,  
Custodian

12 Castle Street,  
St Helier,  
Jersey JE2 3RT  
Channel Islands

29th July 2010

# Report of the Independent Auditors to the Members of Lloyds TSB Offshore Multi Strategy Fund Limited

We have audited the financial statements (the “financial statements”) of Lloyds TSB Offshore Multi Strategy Fund Limited for the year ended 31 May 2010 which comprise the balance sheet, the statement of comprehensive income, the statement of changes in net assets attributable to holders of participating redeemable preference shares and the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors’ Responsibilities in the Report of the Directors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies (Jersey) Law 1991 and the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended). We report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the company information, investment objective and policy, the report of the directors, the report of the manager, the report of the custodian, the distribution table, the performance record and the net asset value per share. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors 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 International Financial Reporting Standards, of the state of the Company’s affairs as at 31 May 2010 and of its movement in net assets attributable to holders of participating redeemable preference shares from operations and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991 and the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended); and
- the information given in the Report of the Directors is consistent with the financial statements.

Karl Hairon  
For and on behalf PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Jersey, Channel Islands

29th July 2010

# Balance Sheet

At 31st May 2010

	Notes	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>ASSETS</b>				
Cash and cash equivalents		3,245,307	69,477	184,174
Creations receivable		217,254	1,497	20,414
Investment sales receivable		968,569	4,000	189,000
Financial assets at fair value through profit or loss		112,975,738	6,584,585	18,860,070
Other accrued income & pre-paid expenses	4	<u>1,421</u>	<u>17</u>	<u>74</u>
<b>TOTAL ASSETS</b>		<u>117,408,289</u>	<u>6,659,576</u>	<u>19,253,732</u>
<b>EQUITY</b>				
Ordinary share capital	14	<u>1,000</u>	<u>—</u>	<u>—</u>
<b>TOTAL EQUITY</b>		<u>1,000</u>	<u>—</u>	<u>—</u>
<b>LIABILITIES</b>				
Cancellations payable		36,797	—	—
Investment purchase payable		3,665,278	32,000	300,000
Proposed distributions	5	2,367,971	239,866	705,311
Accrued expenses	6	<u>136,228</u>	<u>7,973</u>	<u>19,788</u>
<b>TOTAL LIABILITIES *</b>		<u>6,206,274</u>	<u>279,839</u>	<u>1,025,099</u>
Net assets attributable to holders of participating redeemable preference shares	17	<u>111,201,015</u>	<u>6,379,737</u>	<u>18,228,633</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>117,408,289</u>	<u>6,659,576</u>	<u>19,253,732</u>

\* Excluding net assets attributable to holders of participating redeemable preference shares.

The Financial Statements on pages 12 to 53 were approved by the Board of Directors on 29th July 2010 and are signed on their behalf by:

R. D. Willcox }  
B. C. James } **Directors**

The notes on pages 33 to 53 form an integral part of these Financial Statements.

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
514,638	1,717,761	392,791	115,765	210,932	154,328
25,592	18,145	53,562	32,959	11,673	83,153
84,000	56,000	151,000	337,000	95,000	120,000
15,540,287	41,826,657	12,727,531	9,543,989	2,290,176	9,208,976
<u>49</u>	<u>155</u>	<u>60</u>	<u>42</u>	<u>33</u>	<u>1</u>
<u>16,164,566</u>	<u>43,618,718</u>	<u>13,324,944</u>	<u>10,029,755</u>	<u>2,607,814</u>	<u>9,566,458</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	36,797	—	—	—	—
589,000	1,703,000	469,000	400,000	35,000	216,000
496,694	780,891	135,761	9,448	—	—
15,786	46,424	19,105	16,009	4,465	11,772
<u>1,101,480</u>	<u>2,567,112</u>	<u>623,866</u>	<u>425,457</u>	<u>39,465</u>	<u>227,772</u>
<u>15,063,086</u>	<u>41,051,606</u>	<u>12,701,078</u>	<u>9,604,298</u>	<u>2,568,349</u>	<u>9,338,686</u>
<u>16,164,566</u>	<u>43,618,718</u>	<u>13,324,944</u>	<u>10,029,755</u>	<u>2,607,814</u>	<u>9,566,458</u>

# Balance Sheet

At 31st May 2009

	Notes	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>ASSETS</b>				
Cash and cash equivalents		803,737	98,703	131,649
Creations receivable		166,255	3,433	15,300
Investment sales receivable		100,000	—	—
Financial assets at fair value through profit or loss		85,508,056	5,195,689	15,233,755
Other accrued income & pre-paid expenses	4	<u>1,220</u>	<u>17</u>	<u>59</u>
<b>TOTAL ASSETS</b>		<u><u>86,579,268</u></u>	<u><u>5,297,842</u></u>	<u><u>15,380,763</u></u>
<b>EQUITY</b>				
Ordinary share capital	14	<u>1,000</u>	<u>—</u>	<u>—</u>
<b>TOTAL EQUITY</b>		<u>1,000</u>	<u>—</u>	<u>—</u>
<b>LIABILITIES</b>				
Overdraft		203,818	—	—
Investment purchase payable		147,000	—	—
Proposed distributions	5	2,722,510	234,340	694,796
Accrued expenses	6	<u>119,368</u>	<u>8,908</u>	<u>19,841</u>
<b>TOTAL LIABILITIES *</b>		<u>3,192,696</u>	<u>243,248</u>	<u>714,637</u>
Net assets attributable to holders of participating redeemable preference shares	17	<u>83,385,572</u>	<u>5,054,594</u>	<u>14,666,126</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>86,579,268</u></u>	<u><u>5,297,842</u></u>	<u><u>15,380,763</u></u>

The notes on pages 33 to 53 form an integral part of these Financial Statements.

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
—	—	289,865	47,552	250,612	128,776
18,495	53,252	33,711	23,880	11,724	17,512
87,000	13,000	—	—	—	—
13,687,277	31,132,737	8,971,963	6,304,433	2,280,622	5,729,762
<u>14</u>	<u>28</u>	<u>57</u>	<u>13</u>	<u>32</u>	<u>20</u>
<u>13,792,786</u>	<u>31,199,017</u>	<u>9,295,596</u>	<u>6,375,878</u>	<u>2,542,990</u>	<u>5,876,070</u>
—	—	—	—	—	—
—	—	—	—	—	—
79,508	124,310	—	—	—	—
—	—	147,000	—	—	—
561,805	942,394	209,091	80,084	—	—
15,399	37,552	16,048	13,644	4,391	8,431
<u>656,712</u>	<u>1,104,256</u>	<u>372,139</u>	<u>93,728</u>	<u>4,391</u>	<u>8,431</u>
<u>13,136,074</u>	<u>30,094,761</u>	<u>8,923,457</u>	<u>6,282,150</u>	<u>2,538,599</u>	<u>5,867,639</u>
<u>13,792,786</u>	<u>31,199,017</u>	<u>9,295,596</u>	<u>6,375,878</u>	<u>2,542,990</u>	<u>5,876,070</u>

# Statement of Comprehensive Income

	Notes	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>For the year ended 31st May 2010</b>				
<b>Operating Profit</b>				
Net gains on financial assets				
at fair value through profit or loss	7	16,176,477	567,719	2,000,639
Investment Income		3,052,088	246,024	765,721
Other income	8	698	25	97
Total operating expenses	9	<u>(856,189)</u>	<u>(25,827)</u>	<u>(105,227)</u>
Operating profit		<u>18,373,074</u>	<u>787,941</u>	<u>2,661,230</u>
<b>Finance costs</b>				
Distributions to holders of participating redeemable preference shares	5	<u>(2,367,971)</u>	<u>(239,866)</u>	<u>(705,311)</u>
Total finance costs		<u>(2,367,971)</u>	<u>(239,866)</u>	<u>(705,311)</u>
Profit before tax		<u>16,005,103</u>	<u>548,075</u>	<u>1,955,919</u>
Withholding tax on dividends and other investment income	18	<u>(24,443)</u>	<u>(1,345)</u>	<u>(3,895)</u>
Increase in net assets attributable to holders of participating redeemable preference shares from operations		<u>15,980,660</u>	<u>546,730</u>	<u>1,952,024</u>
<b>For the year ended 31st May 2009</b>				
<b>Operating Profit</b>				
Net losses on financial assets				
at fair value through profit or loss	7	(17,912,434)	(378,907)	(1,509,384)
Investment Income		3,523,870	290,118	818,670
Other income	8	16,033	1,012	2,822
Total operating expenses	9	<u>(764,533)</u>	<u>(28,695)</u>	<u>(102,589)</u>
Operating loss		<u>(15,137,064)</u>	<u>(116,472)</u>	<u>(790,481)</u>
<b>Finance costs</b>				
Distributions to holders of participating redeemable preference shares	5	<u>(2,722,510)</u>	<u>(234,340)</u>	<u>(694,796)</u>
Total finance costs		<u>(2,722,510)</u>	<u>(234,340)</u>	<u>(694,796)</u>
Loss before tax		<u>(17,859,574)</u>	<u>(350,812)</u>	<u>(1,485,277)</u>
Withholding tax on dividends and other investment income	18	<u>(4,127)</u>	<u>(250)</u>	<u>(683)</u>
Decrease in net assets attributable to holders of participating redeemable preference shares from operations		<u>(17,863,701)</u>	<u>(351,062)</u>	<u>(1,485,960)</u>

The notes on pages 33 to 53 form an integral part of these Financial Statements.

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
2,088,649	6,319,710	2,517,751	1,807,136	354,503	1,039,836
595,757	1,082,968	255,542	106,076	—	—
56	190	85	60	150	145
<u>(95,152)</u>	<u>(327,767)</u>	<u>(131,325)</u>	<u>(101,020)</u>	<u>(28,920)</u>	<u>(82,437)</u>
<u>2,589,310</u>	<u>7,075,101</u>	<u>2,642,053</u>	<u>1,812,252</u>	<u>325,733</u>	<u>957,544</u>
(496,694)	(780,891)	(135,761)	(9,448)	—	—
<u>(496,694)</u>	<u>(780,891)</u>	<u>(135,761)</u>	<u>(9,448)</u>	<u>—</u>	<u>—</u>
<u>2,092,616</u>	<u>6,294,210</u>	<u>2,506,292</u>	<u>1,802,804</u>	<u>325,733</u>	<u>957,544</u>
(4,457)	(11,375)	(3,371)	—	—	—
<u>2,088,159</u>	<u>6,282,835</u>	<u>2,502,921</u>	<u>1,802,804</u>	<u>325,733</u>	<u>957,544</u>
(2,135,554)	(6,693,209)	(2,676,850)	(2,117,266)	(410,172)	(3,510,012)
704,604	1,242,443	301,438	162,962	5,935	—
3,310	4,959	2,256	1,293	323	298
<u>(98,782)</u>	<u>(286,712)</u>	<u>(105,167)</u>	<u>(79,675)</u>	<u>(32,961)</u>	<u>(69,748)</u>
<u>(1,526,422)</u>	<u>(5,732,519)</u>	<u>(2,478,323)</u>	<u>(2,032,686)</u>	<u>(436,875)</u>	<u>(3,579,462)</u>
(561,805)	(942,394)	(209,091)	(80,084)	—	—
<u>(561,805)</u>	<u>(942,394)</u>	<u>(209,091)</u>	<u>(80,084)</u>	<u>—</u>	<u>—</u>
<u>(2,088,227)</u>	<u>(6,674,913)</u>	<u>(2,687,414)</u>	<u>(2,112,770)</u>	<u>(436,875)</u>	<u>(3,579,462)</u>
(879)	(1,843)	(472)	—	—	—
<u>(2,089,106)</u>	<u>(6,676,756)</u>	<u>(2,687,886)</u>	<u>(2,112,770)</u>	<u>(436,875)</u>	<u>(3,579,462)</u>

## Statement of changes in net assets attributable to holders of participating redeemable preference shares

	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>For the year ended 31st May 2010</b>			
Net assets attributable to holders of participating redeemable preference shares at 1st June 2009	<u>83,385,572</u>	<u>5,054,594</u>	<u>14,666,126</u>
Proceeds from participating redeemable preference shares issued	20,420,499	1,307,452	3,621,497
Redemption of participating redeemable preference shares	<u>(10,055,376)</u>	<u>(529,039)</u>	<u>(2,011,014)</u>
Net increase/(decrease) from share transactions	10,365,123	778,413	1,610,483
Increase in net assets attributable to holders of participating redeemable preference shares from operations	15,980,660	546,730	1,952,024
Movement in currency translation	<u>1,469,660</u>	<u>—</u>	<u>—</u>
Net assets attributable to holders of participating redeemable preference shares at 31st May 2010	<u><u>111,201,015</u></u>	<u><u>6,379,737</u></u>	<u><u>18,228,633</u></u>
<b>For the year ended 31st May 2009</b>			
Net assets attributable to holders of participating redeemable preference shares at 1st June 2008	<u>106,795,362</u>	<u>6,371,532</u>	<u>16,762,725</u>
Proceeds from participating redeemable preference shares issued	10,666,059	708,117	2,015,831
Redemption of participating redeemable preference shares	<u>(17,950,904)</u>	<u>(1,673,993)</u>	<u>(2,626,470)</u>
Net (decrease)/increase from share transactions	(7,284,845)	(965,876)	(610,639)
Decrease in net assets attributable to holders of participating redeemable preference shares from operations	(17,863,701)	(351,062)	(1,485,960)
Movement in currency translation	<u>1,738,756</u>	<u>—</u>	<u>—</u>
Net assets attributable to holders of participating redeemable preference shares at 31st May 2009	<u><u>83,385,572</u></u>	<u><u>5,054,594</u></u>	<u><u>14,666,126</u></u>

The notes on pages 33 to 53 form an integral part of these Financial Statements.

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
<u>13,136,074</u>	<u>30,094,761</u>	<u>8,923,457</u>	<u>6,282,150</u>	<u>2,538,599</u>	<u>5,867,639</u>
1,822,467	8,125,114	2,592,000	2,192,892	775,725	3,014,811
<u>(1,983,614)</u>	<u>(3,451,104)</u>	<u>(1,317,300)</u>	<u>(673,548)</u>	<u>(1,071,708)</u>	<u>(501,308)</u>
(161,147)	4,674,010	1,274,700	1,519,344	(295,983)	2,513,503
2,088,159	6,282,835	2,502,921	1,802,804	325,733	957,544
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>15,063,086</u>	<u>41,051,606</u>	<u>12,701,078</u>	<u>9,604,298</u>	<u>2,568,349</u>	<u>9,338,686</u>
<u>16,251,480</u>	<u>37,678,068</u>	<u>11,280,500</u>	<u>8,274,095</u>	<u>7,730,437</u>	<u>12,330,388</u>
1,343,898	3,280,185	1,417,453	981,446	325,557	1,188,006
<u>(2,370,198)</u>	<u>(4,186,736)</u>	<u>(1,086,610)</u>	<u>(860,621)</u>	<u>(5,080,520)</u>	<u>(4,071,293)</u>
(1,026,300)	(906,551)	330,843	120,825	(4,754,963)	(2,883,287)
(2,089,106)	(6,676,756)	(2,687,886)	(2,112,770)	(436,875)	(3,579,462)
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>13,136,074</u>	<u>30,094,761</u>	<u>8,923,457</u>	<u>6,282,150</u>	<u>2,538,599</u>	<u>5,867,639</u>

## Cash Flow Statement

	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>For the year ended 31st May 2010</b>			
<b>Cash flows from operating activities</b>			
Purchases of financial assets and settlement of financial liabilities	(23,790,179)	(1,271,000)	(3,511,001)
Receipts from sale of investments (including realised gains)	13,262,455	454,000	1,892,458
Movement in amounts payable and receivable in respect of investment transactions	2,647,588	28,000	111,000
Other income received	3,027,641	244,677	761,826
Interest received	501	25	82
Interest paid	(1,574)	(49)	(266)
Operating expenses paid	<u>(838,776)</u>	<u>(26,710)</u>	<u>(105,014)</u>
Net cash (outflow)/inflow from operating activities	<u>(5,692,344)</u>	<u>(571,057)</u>	<u>(850,915)</u>
<b>Cash flows from financing activities</b>			
Distributions paid to holders of participating redeemable preference shares	(2,722,510)	(234,340)	(694,796)
Proceeds received from issue of participating redeemable preference shares	20,368,891	1,309,388	3,616,383
Proceeds paid due to redemption of participating redeemable preference shares	<u>(10,018,579)</u>	<u>(529,039)</u>	<u>(2,011,014)</u>
Net cash inflow/(outflow) from financing activities	<u>7,627,802</u>	<u>546,009</u>	<u>910,573</u>
Net increase/(decrease) in cash and cash equivalents	1,935,458	(25,048)	59,658
Cash and cash equivalents at 1st June 2009	599,919	98,703	131,649
Exchange (losses)/gains on cash and cash equivalents	(42,099)	(4,178)	(7,133)
Movement in currency translation	<u>752,029</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents at 31st May 2010	<u><u>3,245,307</u></u>	<u><u>69,477</u></u>	<u><u>184,174</u></u>

The notes on pages 33 to 53 form an integral part of these Financial Statements.

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
(2,181,003)	(9,680,996)	(2,740,003)	(2,115,998)	(716,000)	(2,934,000)
2,418,420	5,318,780	1,508,525	693,998	1,060,949	495,000
592,000	1,660,000	171,000	63,000	(60,000)	96,000
591,300	1,071,591	252,171	106,076	—	—
21	63	82	31	150	164
(467)	(523)	(199)	(7)	(8)	(93)
<u>(94,298)</u>	<u>(318,372)</u>	<u>(128,069)</u>	<u>(98,648)</u>	<u>(28,839)</u>	<u>(79,003)</u>
<u>1,325,973</u>	<u>1,949,457</u>	<u>(936,493)</u>	<u>(1,351,548)</u>	<u>256,252</u>	<u>(2,421,932)</u>
(561,805)	(942,394)	(209,091)	(80,084)	—	—
1,815,370	8,160,221	2,572,149	2,183,813	775,776	2,949,170
<u>(1,983,614)</u>	<u>(3,414,307)</u>	<u>(1,317,300)</u>	<u>(673,548)</u>	<u>(1,071,708)</u>	<u>(501,308)</u>
<u>(730,049)</u>	<u>3,803,520</u>	<u>1,045,758</u>	<u>1,430,181</u>	<u>(295,932)</u>	<u>2,447,862</u>
595,924	1,854,063	109,265	78,633	(39,680)	25,930
(79,508)	(124,310)	289,865	47,552	250,612	128,776
(1,778)	(11,992)	(6,339)	(10,420)	—	(378)
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>514,638</u>	<u>1,717,761</u>	<u>392,791</u>	<u>115,765</u>	<u>210,932</u>	<u>154,328</u>

## Cash Flow Statement

	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>For the year ended 31st May 2009</b>			
<b>Cash flows from operating activities</b>			
Purchases of financial assets and settlement of financial liabilities	(16,851,732)	(651,000)	(1,947,933)
Receipts from sale of investments (including realised gains)	23,248,590	1,600,000	2,388,000
Movement in amounts payable and receivable in respect of investment transactions	(18,000)	—	82,000
Other income received	3,519,740	289,867	817,986
Interest received	18,751	1,185	2,940
Interest paid	(4,027)	(799)	(622)
Operating expenses paid	(778,731)	(28,760)	(106,094)
Net cash inflow/(outflow) from operating activities	<u>9,134,591</u>	<u>1,210,493</u>	<u>1,236,277</u>
<b>Cash flows from financing activities</b>			
Distributions paid to holders of participating redeemable preference shares	(2,608,272)	(305,170)	(723,424)
Proceeds received from issue of participating redeemable preference shares	11,335,198	783,241	2,258,717
Proceeds paid due to redemption of participating redeemable preference shares	(17,950,904)	(1,673,993)	(2,626,470)
Net cash (outflow)/inflow from financing activities	<u>(9,223,978)</u>	<u>(1,195,922)</u>	<u>(1,091,177)</u>
Net (decrease)/increase in cash and cash equivalents	(89,387)	14,571	145,100
Cash and cash equivalents at 1st June 2008	1,078,453	84,321	(14,164)
Exchange gains/(losses) on cash and cash equivalents	21,326	(189)	713
Movement in currency translation	(410,473)	—	—
Cash and cash equivalents at 31st May 2009	<u><u>599,919</u></u>	<u><u>98,703</u></u>	<u><u>131,649</u></u>

The notes on pages 33 to 53 form an integral part of these Financial Statements.

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
(2,697,997)	(7,068,993)	(1,858,004)	(1,327,999)	(802,997)	(1,319,000)
3,585,089	7,070,000	1,655,004	871,999	5,708,453	4,215,000
(87,000)	(13,000)	—	—	—	—
703,724	1,240,601	300,965	162,962	5,935	—
3,471	5,515	2,549	1,667	1,866	459
(944)	(1,063)	(465)	(89)	(21)	(52)
<u>(100,343)</u>	<u>(288,983)</u>	<u>(106,039)</u>	<u>(81,248)</u>	<u>(35,799)</u>	<u>(74,013)</u>
<u>1,406,000</u>	<u>944,077</u>	<u>(5,990)</u>	<u>(372,708)</u>	<u>4,877,437</u>	<u>2,822,394</u>
(606,788)	(839,692)	(133,198)	—	—	—
1,362,462	3,388,806	1,430,743	1,175,947	328,919	1,223,909
<u>(2,370,198)</u>	<u>(4,186,736)</u>	<u>(1,086,610)</u>	<u>(860,621)</u>	<u>(5,080,520)</u>	<u>(4,071,293)</u>
<u>(1,614,524)</u>	<u>(1,637,622)</u>	<u>210,935</u>	<u>315,326</u>	<u>(4,751,601)</u>	<u>(2,847,384)</u>
(208,524)	(693,545)	204,945	(57,382)	125,836	(24,990)
124,612	553,631	85,963	101,399	124,775	156,497
4,404	15,604	(1,043)	3,535	1	(2,731)
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>(79,508)</u>	<u>(124,310)</u>	<u>289,865</u>	<u>47,552</u>	<u>250,612</u>	<u>128,776</u>

# Investment Portfolio

## Cautious Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 £	% of Total Net Assets	Market Value 31.05.09 £
<b>Cash Funds 10.34% (11.82%)*</b>					
Lloyds TSB Offshore Funds Limited: Sterling Deposit Fund	590,441	651,706	659,526	10.34	597,526
<b>Bond Funds 85.00% (83.92%)*</b>					
Russell Sterling Bond Fund	100,866	106,084	1,035,380	16.23	852,927
Lloydstrust Gilt Fund	76,916	100,905	1,151,324	18.05	859,917
Lloyds TSB Offshore Gilt Fund "A" Class	743,619	972,472	1,151,407	18.05	857,393
Lloyds TSB Offshore Funds Limited: High Income Fund	1,149,801	1,228,496	1,041,150	16.32	837,630
Sterling Bond Fund	732,090	782,930	1,042,863	16.35	834,583
<b>Property Funds 7.88% (7.04%)*</b>					
SWIP Multi Manager Global Real Estate Securities Fund	476,188	498,448	502,935	7.88	355,713
<b>Total Value of Assets</b>			6,584,585	103.22	5,195,689
<b>Other Assets</b>			74,991	1.18	102,153
<b>Total Assets</b>			6,659,576	104.40	5,297,842
<b>Liabilities</b>			(279,839)	(4.40)	(243,248)
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			<u>6,379,737</u>	<u>100.00</u>	<u>5,054,594</u>

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	£1,271,000	£651,000
Proceeds from investments sold	£454,000	£1,600,000

# Investment Portfolio

## Conservative Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 £	% of Total Net Assets	Market Value 31.05.09 £
<b>Cash Funds 0.00% (0.80%)*</b>					
Lloyds TSB Offshore Funds Limited: Sterling Deposit Fund	116,324	—	—	—	117,720
<b>Bond Funds 86.99% (86.11%)*</b>					
Russell Sterling Bond Fund	308,427	321,909	3,141,833	17.24	2,608,061
Lloydstrust Gilt Fund	220,208	282,802	3,226,774	17.70	2,461,926
Lloyds TSB Offshore Gilt Fund "A" Class	2,139,773	2,725,373	3,226,841	17.70	2,467,159
Lloyds TSB Offshore Funds Limited: High Income Fund	3,517,091	3,692,958	3,129,782	17.17	2,562,201
Sterling Bond Fund	2,219,395	2,351,758	3,132,541	17.18	2,530,111
<b>Equity Funds 8.73% (10.08%)*</b>					
Russell UK Equity Fund	177	156	1,591,539	8.73	1,477,719
<b>Property Funds 7.74% (6.88%)*</b>					
SWIP Multi Manager Global Real Estate Securities Fund	1,350,546	1,398,176	1,410,760	7.74	1,008,858
<b>Total Value of Assets</b>			18,860,070	103.46	15,233,755
<b>Other Assets</b>			393,662	2.16	147,008
<b>Total Assets</b>			19,253,732	105.62	15,380,763
<b>Liabilities</b>			(1,025,099)	(5.62)	(714,637)
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			18,228,633	100.00	14,666,126

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	£3,511,001	£1,947,933
Proceeds from investments sold	£1,892,458	£2,388,000

# Investment Portfolio

## Balanced Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 £	% of Total Net Assets	Market Value 31.05.09 £
<b>Cash Funds 0.00% (0.90%)*</b>					
Lloyds TSB Offshore Funds Limited: Sterling Deposit Fund	117,088	—	—	—	118,493
<b>Bond Funds 65.08% (64.83%)*</b>					
Russell Sterling Bond Fund	192,404	183,045	1,786,519	11.86	1,626,965
Lloydstrust Gilt Fund	166,215	194,578	2,220,135	14.74	1,858,285
Lloyds TSB Offshore Gilt Fund "A" Class	1,615,162	1,875,453	2,220,536	14.74	1,862,282
Lloyds TSB Offshore Funds Limited: High Income Fund	2,178,500	2,116,340	1,793,598	11.91	1,587,037
Sterling Bond Fund	1,386,126	1,337,774	1,781,914	11.83	1,580,184
<b>Equity Funds 27.64% (29.50%)*</b>					
Russell UK Equity Fund	233	204	2,082,979	13.83	1,943,222
Russell UK Equity Plus Fund	28,770	25,516	2,080,282	13.81	1,932,467
<b>Property Funds 10.45% (8.97%)*</b>					
SWIP Multi Manager Global Real Estate Securities Fund	1,577,433	1,560,282	1,574,324	10.45	1,178,342
<b>Total Value of Assets</b>			15,540,287	103.17	13,687,277
<b>Other Assets</b>			624,279	4.14	105,509
<b>Total Assets</b>			16,164,566	107.31	13,792,786
<b>Liabilities</b>			(1,101,480)	(7.31)	(656,712)
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			15,063,086	100.00	13,136,074

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	£2,181,003	£2,697,997
Proceeds from investments sold	£2,418,420	£3,585,089

# Investment Portfolio

## Growth Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 £	% of Total Net Assets	Market Value 31.05.09 £
<b>Cash Funds 0.00% (0.75%)*</b>					
Lloyds TSB Offshore Funds Limited: Sterling Deposit Fund	223,107	—	—	—	225,784
<b>Bond Funds 33.56% (32.15%)*</b>					
Lloydstrust Gilt Fund	264,512	381,973	4,358,311	10.62	2,957,246
Lloyds TSB Offshore Gilt Fund "A" Class	2,573,553	3,647,545	4,318,694	10.52	2,967,307
Lloyds TSB Offshore Funds Limited: High Income Fund	5,147,385	6,018,007	5,100,261	12.42	3,749,870
<b>Equity Funds 58.11% (61.81%)*</b>					
Russell Continental European Equity Fund	165,389	194,655	2,263,843	5.51	1,682,005
Russell Emerging Markets Equity Fund	18,666	15,806	429,138	1.05	368,469
Russell Japan Equity Fund	70,074	74,339	1,019,192	2.48	835,981
Russell Pacific Basin Equity Fund	45,332	40,073	847,539	2.06	720,318
Russell UK Equity Fund	676	705	7,187,773	17.51	5,638,604
Russell UK Equity Plus Fund	82,887	88,644	7,227,123	17.60	5,567,551
Russell US Equity Fund	493,322	474,249	4,884,767	11.90	3,788,714
<b>Property Funds 10.21% (8.74%)*</b>					
SWIP Multi Manager Global Real Estate Securities Fund	3,521,939	4,152,642	4,190,016	10.21	2,630,888
<b>Total Value of Assets</b>			41,826,657	101.88	31,132,737
<b>Other Assets</b>			1,792,061	4.37	66,280
<b>Total Assets</b>			43,618,718	106.25	31,199,017
<b>Liabilities</b>			(2,567,112)	(6.25)	(1,104,256)
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			41,051,606	100.00	30,094,761

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	£9,680,996	£7,068,993
Proceeds from investments sold	£5,318,780	£7,070,000

# Investment Portfolio

## Progressive Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 £	% of Total Net Assets	Market Value 31.05.09 £
<b>Cash Funds 0.00% (0.85%)*</b>					
Lloyds TSB Offshore Funds Limited: Sterling Deposit Fund	74,626	—	—	—	75,522
<b>Bond Funds 10.69% (11.72%)*</b>					
Lloyds TSB Offshore Funds Limited: High Income Fund	1,435,638	1,601,440	1,357,221	10.69	1,045,862
<b>Equity Funds 79.55% (80.28%)*</b>					
Russell Continental European Equity Fund	84,420	110,127	1,280,783	10.08	858,550
Russell Emerging Markets Equity Fund	10,011	9,574	259,921	2.05	197,610
Russell Japan Equity Fund	34,280	40,459	554,692	4.37	408,959
Russell Pacific Basin Equity Fund	21,489	21,232	449,047	3.54	341,459
Russell UK Equity Fund	199	230	2,345,670	18.47	1,660,141
Russell UK Equity Plus Fund	24,412	28,927	2,358,380	18.57	1,639,774
Russell US Equity Fund	88,672	91,937	946,954	7.46	681,004
Russell US Growth Fund	98,565	101,689	951,812	7.49	679,035
Russell US Value Fund	92,187	87,685	954,891	7.52	697,646
<b>Property Funds 9.98% (7.69%)*</b>					
SWIP Multi Manager Global Real Estate Securities Fund	918,877	1,256,849	1,268,160	9.98	686,401
<b>Total Value of Assets</b>			12,727,531	100.22	8,971,963
<b>Other Assets</b>			597,413	4.70	323,633
<b>Total Assets</b>			13,324,944	104.92	9,295,596
<b>Liabilities</b>			(623,866)	(4.92)	(372,139)
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			12,701,078	100.00	8,923,457

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	£2,740,003	£2,005,004
Proceeds from investments sold	£1,508,525	£1,655,004

# Investment Portfolio

## Aggressive Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 £	% of Total Net Assets	Market Value 31.05.09 £
<b>Equity Funds 99.38% (100.35%)*</b>					
Russell Continental European Equity Fund	91,226	120,797	1,404,875	14.63	927,768
Russell Emerging Markets Equity Fund	10,480	10,567	286,906	2.99	206,875
Russell Japan Equity Fund	38,001	49,057	672,575	7.00	453,350
Russell Pacific Basin Equity Fund	23,639	24,787	524,237	5.46	375,622
Russell UK Equity Fund	136	168	1,711,502	17.82	1,130,548
Russell UK Equity Plus Fund	16,779	20,997	1,711,873	17.82	1,127,072
Russell US Equity Fund	90,455	104,204	1,073,305	11.18	694,696
Russell US Growth Fund	99,851	115,099	1,077,331	11.22	687,571
Russell US Value Fund	92,618	99,301	1,081,385	11.26	700,931
<b>Total Value of Assets</b>			9,543,989	99.38	6,304,433
<b>Other Assets</b>			485,766	5.06	71,445
<b>Total Assets</b>			10,029,755	104.44	6,375,878
<b>Liabilities</b>			(425,457)	(4.44)	(93,728)
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			<u>9,604,298</u>	<u>100.00</u>	<u>6,282,150</u>

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	£2,115,998	£1,327,999
Proceeds from investments sold	£693,998	£871,999

# Investment Portfolio

## Global US\$ Conservative Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 US\$	% of Total Net Assets	Market Value 31.05.09 US\$
<b>Cash Funds 17.67% (17.43%)*</b>					
Lloyds TSB Money Fund US\$ Class	7,260	7,441	453,751	17.67	442,604
<b>Bond Funds 53.15% (53.96%)*</b>					
Russell Global Bond Fund (US Dollar hedge)	40,996	36,002	456,870	17.79	455,463
Russell US Bond Fund	40,885	33,932	453,668	17.66	458,318
Russell Multi-Style, Multi-Manager Funds plc: Global Bond Fund (US Dollar hedge)	42,632	36,231	454,703	17.70	456,161
<b>Equity Funds 18.35% (18.44%)*</b>					
Russell US Equity Fund	49,880	41,260	471,184	18.35	468,076
<b>Total Value of Assets</b>			2,290,176	89.17	2,280,622
<b>Other Assets</b>			317,638	12.37	262,368
<b>Total Assets</b>			2,607,814	101.54	2,542,990
<b>Liabilities</b>			(39,465)	(1.54)	(4,391)
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			<u>2,568,349</u>	<u>100.00</u>	<u>2,538,599</u>

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	US\$ 716,000	US\$ 802,997
Proceeds from investments sold	US\$ 1,060,949	US\$ 5,708,453

# Investment Portfolio

## Global US\$ Growth Strategy Fund

	Holding 31.05.09	Holding 31.05.10	Market Value 31.05.10 US\$	% of Total Net Assets	Market Value 31.05.09 US\$
<b>Equity Funds 98.62% (97.66%)*</b>					
Russell Continental European Equity Fund	73,612	111,666	1,600,179	17.13	996,701
Russell Emerging Markets Equity Fund	994	1,164	350,079	3.75	238,293
Russell Japan Equity Fund	43,530	62,261	744,015	7.97	495,805
Russell Pacific Basin Equity Fund	18,392	22,003	587,250	6.29	403,341
Russell UK Equity Fund	53,045	78,653	1,034,282	11.08	615,850
Russell US Equity Fund	103,722	142,335	1,625,467	17.41	973,330
Russell US Growth Fund	121,101	167,008	1,631,673	17.47	960,328
Russell US Value Fund	115,682	138,295	<u>1,636,031</u>	<u>17.52</u>	<u>1,046,114</u>
<b>Total Value of Assets</b>			<u>9,208,976</u>	<u>98.62</u>	<u>5,729,762</u>
<b>Other Assets</b>			<u>357,482</u>	<u>3.83</u>	<u>146,308</u>
<b>Total Assets</b>			<u>9,566,458</u>	<u>102.45</u>	<u>5,876,070</u>
<b>Liabilities</b>			<u>(227,772)</u>	<u>(2.45)</u>	<u>(8,431)</u>
<b>Net Assets attributable to holders of participating redeemable preference shares</b>			<u><u>9,338,686</u></u>	<u><u>100.00</u></u>	<u><u>5,867,639</u></u>

\* As at 31.05.09

	For the year ended 31.05.10	For the year ended 31.05.09
Cost of investments purchased	US\$ 2,934,00	US\$ 1,319,000
Proceeds from investments sold	US\$ 495,000	US\$ 4,215,000

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# Notes to the Financial Statements

31st May 2010

1. The Company is an open ended investment company registered in Jersey, Channel Islands.

Full details of the Company are stated on pages 2 to 7.

## 2. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The policies set out below have been consistently applied to all periods presented.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and in accordance with the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended). Jersey is not part of the United Kingdom and the Company is not regulated by the Financial Services Authority ("FSA") of the United Kingdom.

All amounts reported in the statements of comprehensive income are in respect of continuing activities.

The capital of the Company comprises various classes of shares each relating to a separate portfolio ("Fund") consisting of securities, cash, other assets and liabilities. These Financial Statements present the balance sheets, statements of comprehensive income, statements of changes in net assets attributable to holders of participating redeemable preference shares and cash flow statements. At the balance sheet date there were eight Funds in existence; Cautious Strategy Fund, Conservative Strategy Fund, Balanced Strategy Fund, Growth Strategy Fund, Progressive Strategy Fund, Aggressive Strategy Fund, Global US\$ Conservative Strategy Fund and Global US\$ Growth Strategy Fund.

The net assets attributable to holders of participating redeemable preference shares are classified as Financial Liabilities and therefore, in the opinion of the Directors, the Capital of the Company is only represented by the Management Shares and Nominal Shares. Details of Management Shares and Nominal Shares are disclosed in notes 3(g) and 14.

### Critical accounting estimates and judgements

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting policies deemed critical to the Company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated in the following text. The Directors also monitor new standards and ensure that they are applied when relevant.

The following interpretation is effective for the Company's accounting periods beginning 1st June 2008 but is not relevant for the Company's operations:

- IFRIC 16 'Hedges of a net investment in a foreign operation'

The following standards, amendments and interpretations are effective on or after 1st January 2009 but are not relevant for the Company's operations:

- IAS 23 (Amendment), 'Borrowing costs'
- IAS 39 & IFRIC 9 (Amendment), 'Embedded derivatives'
- IAS 39 & IFRS 7 (Amendment), 'Reclassification of financial assets'
- IFRS 1 (Amendment), 'First-time adoption of IFRS'
- IAS 27 'Consolidated and separate financial statements'
- IFRS 2 (Amendment), 'Share-based payment'
- IFRIC 15 'Agreements for construction of real estates'
- IAS 27 (Revised) 'Consolidated and separate financial statements'
- IFRS 1 (Amendment), 'Additional exemptions for first time adopters'
- IFRS 2 (Amendment), 'Group cash-settled share-based payment transactions'
- IFRS 3 (Revised) 'Business combinations'
- IFRIC 17 'Distributions of non-cash assets to owners'
- IFRIC 18 'Transfers of assets from customers'
- IFRS 8 'Operating segments'
- IFRIC 12 'Service concession arrangements'
- IFRIC 13 'Customer Loyalty programmes'

No additional standards, amendments and interpretations are effective on or after 1st January 2010.

Improvements to IFRS were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which IASB consider non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition of measurements purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1st January 2009 and 1st January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

## Notes to the Financial Statements (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Functional currency, presentational currency and currency translation**

Items included in the Company's aggregated financial statements (balance sheet, statement of comprehensive income, statement of changes in net assets attributable to holders of participating redeemable preference shares and cash flow statement) are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The Directors have adopted sterling as the functional and presentational currency for aggregation purposes which reflects the Company's primary activity of investing in sterling share classes.

The Company has adopted sterling as its presentational and functional currency for the Cautious Strategy Fund, the Conservative Strategy Fund, the Balanced Strategy Fund, the Growth Strategy Fund, the Progressive Strategy Fund and the Aggressive Strategy Fund. The primary activity of these Strategies is to invest in sterling denominated securities, the majority of Shares in each Strategy have been subscribed for in sterling and all income, fees and expenses are paid in sterling.

The Company has adopted the US dollar as its presentational and functional currency for the Global US\$ Conservative Strategy Fund and the Global US\$ Growth Strategy Fund. The primary activity of these Strategies is to invest in US dollar denominated securities, the majority of Shares in each Strategy have been subscribed for in US dollars and the primary currency in which income, fees and expenses are paid is US dollars.

The rate of exchange to sterling from US dollars ruling at 31st May 2010 used for the conversion of balance sheet items was 1.45695 and the average rate for the period used for the conversion of the statement of comprehensive income was 1.59376.

Assets and liabilities denominated in currencies other than the functional currency of each Strategy are translated at the rate of exchange ruling at the balance sheet date. The currency profits or losses arising on translation, together with currency profits or losses realised during the period, are recognised in the income statement.

Translation differences on non-monetary items, such as holdings in funds, held at fair value through profit or loss are reported as part of the fair value gain or loss.

#### **Share premium and share capital currency translation**

Share premium and share capital transactions are translated into sterling at the exchange rate ruling at the time of the transaction. The aggregated balance of net assets attributable to holders of participating redeemable preference shares has been translated using the average exchange rate for the year.

#### **Segmental reporting**

The Company, at the balance sheet date, is organised into eight business segments, each focussing on achieving returns by investing in a range of Funds as described in the Investment Objective and Policy on pages 3 and 4.

The Company issues shares which are allocated to the Strategy selected by the investor. A separate account is maintained for each Strategy, to which proceeds of issue, the income arising from those proceeds and expenses are allocated.

Upon redemption, shareholders are entitled to their proportion of the net assets held in the Strategy in which their shares have been designated.

A balance sheet, statement of comprehensive income, statement of changes in net assets attributable to holders of participating redeemable preference shares and cash flow statement have been prepared for each Strategy as well as for the Company as a whole.

#### **Financial assets and liabilities at fair value through profit or loss**

##### **(a) Classification**

The Company classifies its investments in debt securities as financial assets at fair value through profit or loss. Financial assets and financial liabilities are designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Manager and the Board of Directors to evaluate the information about these financial assets at fair value together with other related financial information.

##### **(b) Recognition**

Purchases and sales are recognised on trade date (the date on which the Company commits to purchase or sell the asset).

##### **(c) Measurement**

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed in the income statement as incurred. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in the fair value of 'financial assets or financial liabilities at fair value through profit or loss' are recognised in the statement of comprehensive income in the period in which they arise.

## Notes to the Financial Statements (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets and financial liabilities held by the Company is the current mid-market price. When the Company holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this mid-market price to the net open position, as appropriate.

The Directors are aware that using the bid-market price is required by IAS39, but the valuation price received for the underlying assets is a mid-market price and as a consequence they have decided that the mid-market price should be used.

#### (e) Revenue recognition

Investment income from Fund investments is recognised in the statement of comprehensive income on an ex-dividend basis when the right to receive payment is established.

Bank interest is recognised in the statement of comprehensive income on a time proportionate basis using the effective interest method.

#### (f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

#### (g) Share capital

(i) The Founders Shares have been subscribed for by the Manager and are 'non-participating'. The holders thereof are entitled only to income arising on the assets represented by the Founders Shares. These Shares are classified as Ordinary share capital in the balance sheet.

(ii) Unclassified Shares may be issued as either participating redeemable preference shares ("Participating Shares") or Nominal Shares. Participating Shares are redeemable at the shareholder's option and are classified as financial liabilities. Participating Shares are carried at the redemption amount that is payable if the holder exercises the right to redeem shares at the balance sheet date.

Participating Shares are issued and redeemed at the holder's option at prices based on the Company's net asset value per share at the time of issue or redemption. The Funds net asset value per share is calculated by dividing the net assets attributable to the holders of participating redeemable preference shares with the total number of Participating Shares in issue. In accordance with the provisions of the Company's regulations, investments are valued based on the latest traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

The Shares are divided into Funds according to the type of investment in which the proceeds of the issue of Shares in each Fund are invested. A separate portfolio of investments is maintained for each Fund. Each holder of a Participating Share is entitled on a poll, to one vote for each Participating Share held. Participating Shares have a right to dividends declared. If any dividends are paid, different amounts of dividends may be payable in respect of different Funds.

(iii) Nominal Shares have been accounted for in accordance with the Companies (Jersey) Law 1991 and corresponding amounts have been included in debtors and financial liabilities. A Nominal Share will be created when a Participating Share is cancelled. A Nominal Share will be cancelled when a Participating Share is created until the number of Nominal Shares falls to zero.

Both issued Nominal and Participating Shares are carried at a value of £ 0.01 per Share.

(iv) Details of the Company's share capital transactions are shown in note 14.

#### (h) Share premium

The premium on issues and redemptions of Participating Shares is accounted for within the share premium account which forms part of the Net Assets Attributable to holders of Participating Redeemable Preference Shares. Details are shown in notes 15 and 17.

#### (i) Distributions payable to holders of participating redeemable preference shares

Distributions to holders of Participating Shares are recognised in the statement of comprehensive income as finance costs when they are ratified by the Directors.

#### (j) Accrued income and expenses

Accrued income and expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

## Notes to the Financial Statements (continued)

	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>4. OTHER ACCRUED INCOME AND PRE-PAID EXPENSES</b>			
<b>As at 31st May 2010</b>			
Accrued income	421	17	74
Founders shares	<u>1,000</u>	<u>—</u>	<u>—</u>
Total other accrued income and pre-paid expenses	<u>1,421</u>	<u>17</u>	<u>74</u>
<b>As at 31st May 2009</b>			
Accrued income	220	17	59
Founders shares	<u>1,000</u>	<u>—</u>	<u>—</u>
Total other accrued income and pre-paid expenses	<u>1,220</u>	<u>17</u>	<u>59</u>
<b>5. DISTRIBUTIONS</b>			
<b>Year ended 31st May 2010</b>			
The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise of :			
Distributions due to holders of participating redeemable preference shares as at 31st May 2010			
	<u>2,367,971</u>	<u>239,866</u>	<u>705,311</u>
Income paid on cancellation of shares	160,575	13,394	41,210
Income received on creation of shares	<u>(266,746)</u>	<u>(33,296)</u>	<u>(86,338)</u>
Net distributions*	<u>2,261,800</u>	<u>219,964</u>	<u>660,183</u>
<b>Year ended 31st May 2009</b>			
The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise of :			
Distributions due to holders of participating redeemable preference shares as at 31st May 2009			
	<u>2,722,510</u>	<u>234,340</u>	<u>694,796</u>
Income paid on cancellation of shares	262,927	37,152	62,943
Income received on creation of shares	<u>(149,399)</u>	<u>(13,085)</u>	<u>(35,674)</u>
Net distributions*	<u>2,836,038</u>	<u>258,407</u>	<u>722,065</u>

\* Details of Distributions are set out on page 54

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
49	155	60	42	33	1
<u>49</u>	<u>155</u>	<u>60</u>	<u>42</u>	<u>33</u>	<u>1</u>
14	28	57	13	32	20
<u>14</u>	<u>28</u>	<u>57</u>	<u>13</u>	<u>32</u>	<u>20</u>
496,694	780,891	135,761	9,448	—	—
37,960 (33,271)	54,130 (88,952)	12,465 (19,124)	1,416 (5,765)	—	—
<u>501,383</u>	<u>746,069</u>	<u>129,102</u>	<u>5,099</u>	<u>—</u>	<u>—</u>
561,805	942,394	209,091	80,084	—	—
63,403 (19,929)	79,926 (48,282)	11,442 (23,119)	8,061 (9,310)	—	—
<u>605,279</u>	<u>974,038</u>	<u>197,414</u>	<u>78,835</u>	<u>—</u>	<u>—</u>

## Notes to the Financial Statements (continued)

	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>6. ACCRUED EXPENSES</b>			
<b>As at 31st May 2010</b>			
Due to the Manager	90,661	2,762	10,841
Due to the Custodian	9,698	553	1,595
Other creditors	<u>35,869</u>	<u>4,658</u>	<u>7,352</u>
Total accrued expenses	<u>136,228</u>	<u>7,973</u>	<u>19,788</u>
<b>As at 31st May 2009</b>			
Due to the Manager	74,655	2,727	9,922
Due to the Custodian	7,317	446	1,305
Other creditors	<u>37,396</u>	<u>5,735</u>	<u>8,614</u>
Total accrued expenses	<u>119,368</u>	<u>8,908</u>	<u>19,841</u>
<b>7. NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>The net gains on investments during the year comprise:</b>			
<b>Year ended 31st May 2010</b>			
Proceeds from sales of investments during the year	13,262,455	454,000	1,892,458
Original cost of investments sold during the year	<u>(13,637,503)</u>	<u>(493,491)</u>	<u>(2,017,109)</u>
(Losses)/gains realised on investments sold during the year	(375,048)	(39,491)	(124,651)
Realised foreign exchange (losses)/gains	<u>(51,629)</u>	<u>(3,690)</u>	<u>(6,933)</u>
Net realised (depreciation)/appreciation for the year	(426,677)	(43,181)	(131,584)
Net unrealised appreciation for the year	16,603,154	610,900	2,132,223
Net gains on financial assets fair value through profit or loss	<u>16,176,477</u>	<u>567,719</u>	<u>2,000,639</u>
<b>Year ended 31st May 2009</b>			
Proceeds from sales of investments during the year	23,248,590	1,600,000	2,388,000
Original cost of investments sold during the year	<u>(25,449,889)</u>	<u>(1,730,928)</u>	<u>(2,576,788)</u>
Losses realised on investments sold during the year	(2,201,299)	(130,928)	(188,788)
Realised foreign exchange gains	<u>32,815</u>	<u>188</u>	<u>1,574</u>
Net realised depreciation for the year	(2,168,484)	(130,740)	(187,214)
Net unrealised depreciation for the year	(15,743,950)	(248,167)	(1,322,170)
Net losses on financial assets fair value through profit or loss	<u>(17,912,434)</u>	<u>(378,907)</u>	<u>(1,509,384)</u>

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
10,055	33,494	14,506	11,533	2,227	8,656
1,327	3,590	1,101	829	221	803
<u>4,404</u>	<u>9,340</u>	<u>3,498</u>	<u>3,647</u>	<u>2,017</u>	<u>2,313</u>
<u>15,786</u>	<u>46,424</u>	<u>19,105</u>	<u>16,009</u>	<u>4,465</u>	<u>11,772</u>
9,687	27,650	11,279	8,462	1,923	6,001
1,169	2,656	762	544	215	484
<u>4,543</u>	<u>7,246</u>	<u>4,007</u>	<u>4,638</u>	<u>2,253</u>	<u>1,946</u>
<u>15,399</u>	<u>37,552</u>	<u>16,048</u>	<u>13,644</u>	<u>4,391</u>	<u>8,431</u>
2,418,420	5,318,780	1,508,525	693,998	1,060,949	495,000
<u>(2,629,930)</u>	<u>(5,399,986)</u>	<u>(1,448,659)</u>	<u>(665,284)</u>	<u>(1,003,399)</u>	<u>(563,340)</u>
(211,510)	(81,206)	59,866	28,714	57,550	(68,340)
<u>(2,099)</u>	<u>(14,125)</u>	<u>(10,913)</u>	<u>(12,952)</u>	<u>—</u>	<u>(1,462)</u>
(213,609)	(95,331)	48,953	15,762	57,550	(69,802)
2,302,258	6,415,041	2,468,798	1,791,374	296,953	1,109,638
<u>2,088,649</u>	<u>6,319,710</u>	<u>2,517,751</u>	<u>1,807,136</u>	<u>354,503</u>	<u>1,039,836</u>
3,585,089	7,070,000	1,655,004	871,999	5,708,453	4,215,000
<u>(4,002,298)</u>	<u>(7,727,201)</u>	<u>(1,927,038)</u>	<u>(1,028,860)</u>	<u>(5,837,776)</u>	<u>(4,703,235)</u>
(417,209)	(657,201)	(272,034)	(156,861)	(129,323)	(488,235)
<u>4,601</u>	<u>16,155</u>	<u>4,028</u>	<u>6,269</u>	<u>1</u>	<u>—</u>
(412,608)	(641,046)	(268,006)	(150,592)	(129,322)	(488,235)
(1,722,946)	(6,052,163)	(2,408,844)	(1,966,674)	(280,850)	(3,021,777)
<u>(2,135,554)</u>	<u>(6,693,209)</u>	<u>(2,676,850)</u>	<u>(2,117,266)</u>	<u>(410,172)</u>	<u>(3,510,012)</u>

## Notes to the Financial Statements (continued)

	Notes	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £
<b>8. TOTAL OTHER INCOME</b>				
<b>Year ended 31st May 2010</b>				
Bank interest from cash balances		<u>698</u>	<u>25</u>	<u>97</u>
<b>Year ended 31st May 2009</b>				
Bank interest from cash balances		<u>16,033</u>	<u>1,012</u>	<u>2,822</u>
<b>9. TOTAL OPERATING EXPENSES</b>				
<b>Year ended 31st May 2010</b>				
Payable to the Manager:				
Annual management fees	10	616,361	12,106	69,555
Registrar fees	10	65,287	3,372	8,616
Payable to the Custodian:				
Custodian fees	11	103,444	5,870	16,984
Other expenses:				
Administration expenses		54,147	3,498	7,269
Audit fee		<u>16,950</u>	<u>981</u>	<u>2,803</u>
Total operating expenses		<u>856,189</u>	<u>25,827</u>	<u>105,227</u>
<b>Year ended 31st May 2009</b>				
Payable to the Manager:				
Annual management fees	10	532,958	13,046	67,717
Registrar fees	10	61,466	3,456	8,688
Payable to the Custodian:				
Custodian fees	11	90,027	5,774	15,968
Other expenses:				
Administration expenses		63,582	5,419	7,314
Audit fee		<u>16,500</u>	<u>1,000</u>	<u>2,902</u>
Total operating expenses		<u>764,533</u>	<u>28,695</u>	<u>102,589</u>

Balanced Strategy Fund £	Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Conservative Strategy Fund US\$	Global US\$ Growth Strategy Fund US\$
<u>56</u>	<u>190</u>	<u>85</u>	<u>60</u>	<u>150</u>	<u>145</u>
<u>3,310</u>	<u>4,959</u>	<u>2,256</u>	<u>1,293</u>	<u>323</u>	<u>298</u>
60,324	243,321	101,446	79,360	19,225	60,859
9,528	21,816	10,080	7,500	1,671	5,303
14,906	38,496	11,808	8,517	2,888	8,050
8,078	17,822	6,038	4,166	4,755	6,840
<u>2,316</u>	<u>6,312</u>	<u>1,953</u>	<u>1,477</u>	<u>381</u>	<u>1,385</u>
<u>95,152</u>	<u>327,767</u>	<u>131,325</u>	<u>101,020</u>	<u>28,920</u>	<u>82,437</u>
62,242	208,159	78,874	60,062	20,536	49,432
9,600	20,796	8,616	6,660	1,540	4,419
14,692	31,992	8,894	6,424	3,764	6,492
9,649	19,810	7,017	5,285	6,612	8,226
<u>2,599</u>	<u>5,955</u>	<u>1,766</u>	<u>1,244</u>	<u>509</u>	<u>1,179</u>
<u>98,782</u>	<u>286,712</u>	<u>105,167</u>	<u>79,675</u>	<u>32,961</u>	<u>69,748</u>

## Notes to the Financial Statements (continued)

### 10. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the party in making financial or operating decisions. The following are considered by the Directors of the Company to be related parties:

The Manager in accordance with the Management Agreement.

The Asset Allocation Adviser in accordance with the Asset Allocation Advisory Agreement.

The fees received by the Manager are set out in note 9. The Asset Allocation Adviser is paid by the Manager.

The Manager is involved in all transactions in the Shares of the Company, the aggregate values of which are set out in the Statement of changes in net assets attributable to holders of participating redeemable preference shares on pages 18 and 19.

At the year end the Manager held participating Shares in the Company as follows:

	<b>31st May 2010</b>	<b>31st May 2009</b>
Cautious Strategy Fund	6,896.64	7,045.54
Conservative Strategy Fund	7,087.06	6,827.78
Balanced Strategy Fund	7,237.06	6,424.22
Growth Strategy Fund	8,342.25	7,075.20
Progressive Strategy Fund	8,033.27	6,501.60
Aggressive Strategy Fund	7,757.98	7,108.46
US\$ Global Conservative Strategy Fund	10,074.90	10,031.77
US\$ Global Growth Strategy Fund	<u>28,103.82</u>	<u>20,095.82</u>
	<u>83,532.98</u>	<u>71,110.39</u>

#### (a) Management and Registrar fees

The Manager, which is related to the Company by virtue of a Management Agreement, is entitled to a daily fee equal at the annual rate set out below by reference to the net assets of each Fund calculated daily and paid monthly by the Company.

Cautious Strategy Fund	1.00%
Conservative Strategy Fund	1.25%
Balanced Strategy Fund	1.25%
Growth Strategy Fund	1.50%
Progressive Strategy Fund	1.75%
Aggressive Strategy Fund	1.75%
US\$ Global Conservative Strategy Fund	1.25%
US\$ Global Growth Strategy Fund	1.75%

The Directors and the Manager may agree a higher fee for any Fund subject to a maximum annual rate of 2.00% of the net assets of the Fund. If such a higher fee is agreed, shareholders of the relevant Fund will be given at least three months' written notice before it comes into effect.

Where a Fund invests in another Fund, the Manager will ensure that any initial or ongoing charges levied by the second Fund are repaid into the assets of the investing Fund.

The Manager, in its capacity as Registrar, is entitled to a fee payable by the Company of £12.00 for each shareholding which appears on the Share Register on the last business day of each annual and half yearly accounting period.

The Manager and the Company may agree a higher fee.

Details of amounts due to the Manager at the end of the year are shown in Note 6.

#### (b) Directors' fees

Directors who are employees of the Lloyds Banking Group do not receive Directors' fees. All other Directors currently receive a fee of £5,000 per annum (2009 £5,000 per annum).

## Notes to the Financial Statements (continued)

### 11. CUSTODIAN FEES

The Custodian is entitled to an annual fee payable monthly by the Company, in respect of each Fund, at the rates set out below by reference to the net asset value of each Fund calculated on a mid market basis and subject to a minimum overall fee of £5,000 per annum per Sterling Fund Class and US\$10,000 per US Dollar Fund Class. The minimum fee for the US Dollar Fund Classes has been waived until further notice.

The fees received by the Custodian are set out in note 9. Details of the amounts due to the Custodian at the end of the year are shown in note 6.

		NAV of each Fund	
Sterling Fund Classes	Up to	Next	£100M
	£50M	£50M	Plus
Cautious Strategy Fund	0.100%	0.075%	0.050%
Conservative Strategy Fund	0.100%	0.075%	0.050%
Balanced Strategy Fund	0.100%	0.075%	0.050%
Growth Strategy Fund	0.100%	0.075%	0.050%
Progressive Strategy Fund	0.100%	0.075%	0.050%
Aggressive Strategy Fund	0.100%	0.075%	0.050%
		NAV of each Fund	
US Dollar Fund Classes	Up to	Next	US\$200M
	US\$100M	US\$100M	Plus
Global US\$ Conservative Strategy Fund	0.100%	0.075%	0.050%
Global US\$ Growth Strategy Fund	0.100%	0.075%	0.050%

The Custodian is entitled to reimbursement by each Fund of its expenses in connection with its duties as Custodian and to make transaction charges to cover the cost of effecting settlement of stock and cash.

### 12. CONTROLLING PARTY

In the opinion of the Directors, there is no ultimate controlling party of the Company as defined by International Accounting Standards No. 24 Related Party Disclosures.

### 13. EQUALISATION

The price of a Share includes an equalisation amount calculated by dividing the net undistributed income of the Company by the number of Shares in issue at the time when the price is calculated. The payment of the first distribution after the issue of a Share includes an amount of equalisation calculated by averaging the amounts received by way of equalisation during the period to which the distribution relates.

## Notes to the Financial Statements (continued)

### 14. SHARE CAPITAL

	31st May 2010 £	31st May 2009 £
<b>Authorised Share Capital:</b>		
1,000 Founders Shares of £1	1,000	1,000
750,000,000 Unclassified Shares of 1p	<u>7,500,000</u> <u>7,501,000</u>	<u>7,500,000</u> <u>7,501,000</u>
<b>Issued Share Capital:</b>		
Founders Shares	<u>1,000</u>	<u>1,000</u>
<b>Nominal Shares:</b>		
Balance brought forward	121,920	6,194
Creations	111,923	228,529
Redemptions	<u>(232,022)</u>	<u>(112,803)</u>
Balance carried forward	<u>1,821</u>	<u>121,920</u>
<b>Participating Shares:</b>		
Balance brought forward	982,448	1,089,404
Creations	236,066	121,577
Redemptions	(111,923)	(228,529)
Movement in currency translation	<u>—</u>	<u>(4)</u>
Balance carried forward	<u>1,106,591</u>	<u>982,448</u>
Total Share Capital	<u>1,108,412</u>	<u>1,104,368</u>

	31st May 2010		31st May 2009	
	Shares	£	Shares	£
Cautious Strategy Fund	6,853,301	68,533	6,008,713	60,087
Conservative Strategy Fund	19,062,470	190,625	17,369,888	173,699
Balanced Strategy Fund	15,051,328	150,513	15,183,932	151,839
Growth Strategy Fund	37,185,292	371,853	32,496,340	324,963
Progressive Strategy Fund	11,313,423	113,134	9,956,709	99,566
Aggressive Strategy Fund	<u>8,074,815</u>	<u>80,748</u>	<u>6,673,630</u>	<u>66,736</u>
Total Sterling Funds	97,540,629	975,406	87,689,212	876,890
	Shares	US\$	Shares	US\$
Global US\$ Conservative Strategy Fund	2,408,393	59,068	2,663,376	62,543
Global US\$ Growth Strategy Fund	<u>10,709,841</u>	<u>200,183</u>	<u>7,892,505</u>	<u>155,387</u>
Total US Dollar Funds	<u>13,118,234</u>	<u>259,251</u>	<u>10,555,881</u>	<u>217,930</u>
Total Company (Sterling)	<u>110,658,863</u>	<u>1,106,591</u>	<u>98,245,093</u>	<u>982,448</u>

## Notes to the Financial Statements (continued)

### 15. SHARE PREMIUM

	<b>31st May 2010</b>	<b>31st May 2009</b>
	£	£
Cautious Strategy Fund	6,674,571	5,924,505
Conservative Strategy Fund	18,805,422	17,256,993
Balanced Strategy Fund	15,690,239	15,845,371
Growth Strategy Fund	40,623,627	36,031,325
Progressive Strategy Fund	12,280,680	11,026,206
Aggressive Strategy Fund	<u>9,060,965</u>	<u>7,559,982</u>
Total Sterling Funds	103,135,504	93,644,382
	US\$	US\$
Global US\$ Conservative Strategy Fund	2,495,849	2,788,357
Global US\$ Growth Strategy Fund	<u>11,089,950</u>	<u>8,621,243</u>
Total US\$ Dollar Funds	13,585,799	11,409,600
Total Company (Sterling)	<u>109,280,618</u>	<u>99,145,803</u>
	£	£
Balance brought forward	99,145,803	106,210,161
Premium on creations	19,917,688	10,395,085
Premium on redemptions	<u>(9,782,873)</u>	<u>(17,459,443)</u>
Balance carried forward	<u>109,280,618</u>	<u>99,145,803</u>

## Notes to the Financial Statements (continued)

### 16. CAPITAL RESERVES

	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £	Balanced Strategy Fund £
Net realised (losses)/gains on investments brought forward	(437,528)	(123,064)	(174,384)	(218,849)
Net losses for the year	(426,677)	(43,181)	(131,584)	(213,609)
Net realised (losses)/gains on investments carried forward	(864,205)	(166,245)	(305,968)	(432,458)
Net unrealised movements on investments brought forward	(17,878,738)	(811,666)	(2,596,381)	(2,648,040)
Net movement in the year	16,603,154	610,900	2,132,223	2,302,258
Net unrealised movements on investments carried forward	(1,275,584)	(200,766)	(464,158)	(345,782)
Total realised/unrealised movements	(2,139,789)	(367,011)	(770,126)	(778,240)
Net transfer to capital reserve brought forward	(137,574)	—	—	—
Net movement in the year	(69,669)	—	—	—
Net transfer to capital reserve carried forward	(207,243)	—	—	—
Movement in currency translation brought forward	105,909	—	—	—
Net movement in the year	(241,783)	—	—	—
Movement in currency translation carried forward	(135,874)	—	—	—
At 31st May 2010	<u>(2,482,906)</u>	<u>(367,011)</u>	<u>(770,126)</u>	<u>(778,240)</u>

### 17. NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING REDEEMABLE PREFERENCE SHARES

#### 31st May 2010

Share capital (Note 14)	1,106,591	68,533	190,625	150,513
Share premium (Note 15)	109,280,618	6,674,571	18,805,422	15,690,239
Capital reserves (Note 16)	(2,482,906)	(367,011)	(770,126)	(778,240)
Net undistributed income	19,566	3,644	2,712	574
Movement in currency translation	3,277,146	—	—	—
Net assets attributable to holders of participating redeemable preference shares	<u>111,201,015</u>	<u>6,379,737</u>	<u>18,228,633</u>	<u>15,063,086</u>

#### 31st May 2009

Share capital (Note 14)	982,448	60,087	173,699	151,839
Share premium (Note 15)	99,145,803	5,924,505	17,256,993	15,845,371
Capital reserves	(18,347,932)	(934,730)	(2,770,765)	(2,866,889)
Net undistributed income	39,549	4,732	6,199	5,753
Movement in currency translation	1,565,704	—	—	—
Net assets attributable to holders of participating redeemable preference shares	<u>83,385,572</u>	<u>5,054,594</u>	<u>14,666,126</u>	<u>13,136,074</u>

Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global USD Conservative Strategy Fund US\$	Global USD Growth Strategy Fund US\$
104,302	25,899	194,125	(94,606)	(265,297)
(95,331)	48,953	15,762	57,550	(69,802)
<u>8,971</u>	<u>74,852</u>	<u>209,887</u>	<u>(37,056)</u>	<u>(335,099)</u>
(6,379,967)	(2,236,941)	(1,531,173)	(167,746)	(2,456,826)
6,415,041	2,468,798	1,791,374	296,953	1,109,638
<u>35,074</u>	<u>231,857</u>	<u>260,201</u>	<u>129,207</u>	<u>(1,347,188)</u>
<u>44,045</u>	<u>306,709</u>	<u>470,088</u>	<u>92,151</u>	<u>(1,682,287)</u>
—	—	(7,520)	(49,949)	(186,868)
—	—	17	(28,770)	(82,292)
—	—	(7,503)	(78,719)	(269,160)
—	—	—	—	—
—	—	—	—	—
<u>44,045</u>	<u>306,709</u>	<u>462,585</u>	<u>13,432</u>	<u>(1,951,447)</u>

371,853	113,134	80,748	59,068	200,183
40,623,627	12,280,680	9,060,965	2,495,849	11,089,950
44,045	306,709	462,585	13,432	(1,951,447)
12,081	555	—	—	—
—	—	—	—	—
<u>41,051,606</u>	<u>12,701,078</u>	<u>9,604,298</u>	<u>2,568,349</u>	<u>9,338,686</u>

324,963	99,566	66,736	62,543	155,387
36,031,325	11,026,206	7,559,982	2,788,357	8,621,243
(6,275,665)	(2,211,042)	(1,344,568)	(312,301)	(2,908,991)
14,138	8,727	—	—	—
—	—	—	—	—
<u>30,094,761</u>	<u>8,923,457</u>	<u>6,282,150</u>	<u>2,538,599</u>	<u>5,867,639</u>

# Notes to the Financial Statements (continued)

## 18. TAXATION

Investment income is stated gross of withholding taxes. The withholding tax suffered is recorded on the taxation line as set out below:

	<b>31st May 2010</b>	<b>31st May 2009</b>
Foreign tax on income for the year	<u>£24,443</u>	<u>£4,127</u>

With effect from 1st January 2009 Exempt Company Status is no longer available under Jersey Income Tax regulations. However from that date, the Company is liable to be charged at a tax rate of 0% under Schedule D under the Income Tax (Jersey) Law 1961, as amended (the "Income Tax Law") in respect of (i) the income or profits of any trade carried on by the Company in Jersey or elsewhere, (ii) any interest of money, whether yearly or otherwise, or other annual payment paid to the Company, whether such payment is made within or outside of Jersey, (iii) dividends and other distributions of a company regarded as resident in Jersey paid to the Company, (iv) income arising to the Company from securities outside of Jersey and (v) any other income of the Company that is not derived from the ownership or disposal of land in Jersey. It is not expected that the Company will be in receipt of income charged to tax under any Schedule under Income Tax Law other than Schedule D. As such the Company is no longer subject to the payment of tax in Jersey.

## 19. INVESTMENT DEALING

During the year no transactions in the property of the Fund were carried out through brokers. All transactions are carried out directly with the fund managers.

## 20. FINANCIAL RISK MANAGEMENT

### Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk, counter-party risk, capital risk and certain other risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Each Strategy is able to use derivative financial instruments to moderate certain risk exposures.

Each Strategy's investment objectives are stated on pages 3 and 4. To achieve these objectives the Company's assets and liabilities comprise financial instruments held in accordance with each Strategy's investment objectives and policies. These may include:

- Investments in cash, fixed interest, property and equity funds.
- Cash, liquid resources and short term debtors and creditors that arise directly from the investment activities.

### Market price risk

All securities investments present a risk of loss of capital. The Manager moderates this risk through a careful selection of investments within specified limits. The maximum risk resulting from investments is determined by the fair value of those investments.

The overall market position and therefore the risk exposure for each Strategy is governed by the Prospectus, the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended) and the investment objectives for each Strategy. These positions are monitored on a daily basis by the Manager and are reviewed on a quarterly basis by the Board of Directors.

The investments held in underlying funds are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risks are managed through diversification of the investment portfolios of each Strategy across different asset classes and markets. Investments in the underlying Funds are principally in equities, fixed interest securities, property related assets and bank deposits dependent on each Strategy's investment policy. The value of these is not fixed (other than bank deposits) and may go down as well as up. This may be the result of a specific factor affecting the value of an individual stock or asset or be caused by general market factors (such as interest rates, government policy or the health of the underlying economy) which could affect the entire portfolio of a Strategy. Each Strategy will invest in a portfolio of funds in line with its investment objectives and policy.

The year end portfolios of each Strategy are detailed on pages 24 to 31.

The Manager controls this risk on a Strategy by Strategy basis and monitors the movements in the underlying equities, bonds and interest rates against the relevant equity and bond indices and market interest rates respectively.

The Manager considers that a reasonably possible movement in the market risk components would be equivalent to a 5% movement in equity and bond indices and a 1% movement in market interest rates.

## Notes to the Financial Statements (continued)

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### Market price risk (continued)

The table below summarises, for each of the Strategies, the impact of increases/(decreases) in the equity and bond indices, and market interest rates on the net asset value at 31st May 2009 and 2010. The analysis is based on the assumption that the equity and bond indices increase/(decrease) by 5%, and market interest rates increase/(decrease) by 1%, with all other variables held constant. The analysis also assumes that the movement in the portfolios of each Strategy is directly correlated with the equity and bond indices and market interest rates.

Period	Strategy	Value (base currency)	Equities 5% Movement in equity index	Bonds 5% Movement in bond index	Cash 1% Movement in interest rate
31.05.10	Cautious	6,379,737	25,147	258,850	7,290
31.05.09	Cautious	5,054,594	17,786	202,033	6,962
31.05.10	Conservative	18,228,633	150,115	756,781	1,842
31.05.09	Conservative	14,666,126	124,329	601,314	2,494
31.05.10	Balanced	15,063,086	286,879	468,245	5,146
31.05.09	Balanced	13,136,074	252,702	405,670	390
31.05.10	Growth	41,051,606	1,402,470	657,945	17,178
31.05.09	Growth	30,094,761	1,061,627	460,215	1,015
31.05.10	Progressive	12,701,078	568,516	63,565	3,928
31.05.09	Progressive	8,923,457	392,529	49,025	3,654
31.05.10	Aggressive	9,604,298	477,199	—	1,158
31.05.09	Aggressive	6,282,150	315,222	—	476
31.05.10	US\$ Global Conservative	2,568,349	23,559	64,416	6,647
31.05.09	US\$ Global Conservative	2,538,599	23,404	64,769	6,932
31.05.10	US\$ Global Growth	9,338,686	460,449	—	1,543
31.05.09	US\$ Global Growth	5,867,639	286,488	—	1,288

#### Interest rate risk

Each Strategy receives income from its various investments. The income received by each Fund is not fixed in nature. It is derived from the securities held in the portfolio of each underlying Strategy which may be varied from time to time in accordance with its investment objective and policy. In accordance with the Strategy's policy, the Manager monitors the Strategy's overall interest rate sensitivity on a daily basis, and the Board of Directors reviews it on a quarterly basis.

The interest bearing financial assets and liabilities held in the underlying funds expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

The table above summarises the effect of interest rate risks on each Strategy. It includes the Strategy's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates. Other than those financial instruments identified above, each Strategy has no significant exposure to interest rate risks.

#### Foreign currency risk

A portion of the underlying financial assets of the Strategies may be denominated in currencies other than the base currency with the effect that the balance sheet and each Strategy's total return can be significantly affected by currency movements. An investment in a currency other than the Shareholder's own base currency will be subject to the movement of foreign exchange rates, which may cause additional favourable or unfavourable changes in value. In respect of foreign currency exposure, derivative instruments will only be utilised where a forward exchange or currency options are used for the purpose of reduction of foreign currency risk, in order to hedge this exposure back to the base currency of the Strategy. It is currently the Strategy's policy not to enter into any currency hedging transactions.

In accordance with the Company's policy, the Manager monitors each Strategy's currency position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

#### Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Impairment provisions would be provided for losses that have been incurred by the balance sheet date. At 31st May 2009 and 2010 no provisions were required.

# Notes to the Financial Statements (continued)

## 20. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

The Company's main credit risk exposure arises through investments in debt securities at the underlying Strategies level. If any of the Strategies hold any interest bearing instruments directly or indirectly (via underlying funds), at least 90% of these instruments must have a credit rating of "investment grade" as provided by Moodys Investor Services Limited, Standard and Poor's or Fitch Ratings Limited. These instruments could include inter alia money market instruments, bonds, gilts, corporate bonds etc.

In accordance with each Fund's policy, the Manager monitors the Fund's credit position on a daily basis, and the Board of Directors review it on a quarterly basis.

### Counter-party risk

Certain transactions that the Strategies enter into expose them to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Strategy has fulfilled its responsibilities. It is the policy of the Manager to buy and sell investments only through approved brokers, or directly with the fund manager.

### Capital risk

Where the objective of the underlying Strategy seeks to provide high or good levels of income, the investment policy which supports this may result in a gradual reduction in the capital value of the underlying Strategy's shares, except where bond prices are generally rising.

### Capital risk management

The net assets attributable to holders of redeemable preference shares are classified as Financial Liabilities and therefore, in the opinion of the Directors, the Capital of the Company is only represented by the Management Shares and Nominal Shares. Details of Management Shares and Nominal Shares are shown in note 3(g).

Due to the nature of the Management Shares and Nominal Shares the Directors have decided that no active capital risk management is required.

### Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Strategy is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Strategy holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

# Notes to the Financial Statements (continued)

## 20. FINANCIAL RISK MANAGEMENT (continued)

### Fair value estimation (continued)

The determination of what constitutes 'observable' requires significant judgement by the Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market

There have been no transfers between levels.

The Financial assets at fair value through profit or loss of the Company are all quoted in active markets and therefore fall under level 1 as defined on the previous page.

### Derivatives

Derivatives will only be used where they accord with existing investment objectives and policy. They may not be used for the purpose of reducing risk independently of investment strategy in respect of the underlying physical assets or for merely speculative purposes. Derivatives will only be used for efficient portfolio management. Derivatives may not be used for the purpose of gearing or leveraging or for purposes of producing, enhancing or generating income. No derivative can be traded on an OTC basis, and no uncovered positions are allowed.

The underlying funds may hold the following derivatives:

#### (a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in the futures contracts' value are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. Futures are settled on a net basis.

#### b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities prices. Where options are held by the underlying funds, they are exchange-traded. The Funds are exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the balance sheet, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not therefore indicate the Company's exposure to credit or market price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

During the year under review, the Company has not entered into any derivative contracts.

## Notes to the Financial Statements (continued)

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk

The Company is exposed to daily cash redemptions of participating shares which are redeemed on demand at the Shareholder's option. It therefore invests all of its assets in investments that are traded in an active market and can be readily disposed of, as such each Fund's financial assets are considered to be readily realisable. The Manager manages each Fund's cash to meet its liabilities. Where investments cannot be realised in time to meet any redemptions of participating Shares, each Fund may borrow up to 10% of its value to ensure settlement of its liabilities. No such borrowings have arisen during the year.

In accordance with the Company's policy, the Manager monitors each Fund's liquidity position on a daily basis, and the Board of Directors review it on a quarterly basis.

The table below analyses the Company's Financial Liabilities into relevant maturity group based on the remaining period at the balance sheet date to the contractual maturity date.

	Company £	Cautious Strategy Fund £	Conservative Strategy Fund £	Balanced Strategy Fund £
<b>31st May 2010</b>				
Assets attributable to Shareholders (less than 1 month)	111,202,015	6,379,737	18,228,633	15,063,086
Investment purchase payable (less than 1 month)	3,665,278	32,000	300,000	589,000
Cancellation payable (less than 1 month)	36,797	—	—	—
Proposed dividend (1 month to 3 months)	2,367,971	239,866	705,311	496,694
Accrued expenses (less than 1 month)	100,359	3,315	12,436	11,382
(1 month to 3 months)	35,869	4,658	7,352	4,404
Total financial liabilities	<u>117,408,289</u>	<u>6,659,576</u>	<u>19,253,732</u>	<u>16,164,566</u>
<b>31st May 2009</b>				
Assets attributable to Shareholders (less than 1 month)	83,386,572	5,054,594	14,666,126	13,136,074
Investment purchase payable (less than 1 month)	147,000	—	—	—
Overdraft (less than 1 month)	203,818	—	—	79,508
Proposed dividend (1 month to 3 months)	2,722,510	234,340	694,796	561,805
Accrued expenses (less than 1 month)	81,972	3,173	11,227	10,856
(1 month to 3 months)	37,396	5,735	8,614	4,543
Total financial liabilities	<u>86,579,268</u>	<u>5,297,842</u>	<u>15,380,763</u>	<u>13,792,786</u>

Growth Strategy Fund £	Progressive Strategy Fund £	Aggressive Strategy Fund £	Global USD Conservative Strategy Fund US\$	Global USD Growth Strategy Fund US\$
41,051,606	12,701,078	9,604,298	2,568,349	9,338,686
1,703,000	469,000	400,000	35,000	216,000
36,797	—	—	—	—
780,891	135,761	9,448	—	—
37,084	15,607	12,362	2,448	9,459
9,340	3,498	3,647	2,017	2,313
<u>43,618,718</u>	<u>13,324,944</u>	<u>10,029,755</u>	<u>2,607,814</u>	<u>9,566,458</u>
30,094,761	8,923,457	6,282,150	2,538,599	5,867,639
—	147,000	—	—	—
124,310	—	—	—	—
942,394	209,091	80,084	—	—
30,306	12,041	9,006	2,138	6,485
7,246	4,007	4,638	2,253	1,946
<u>31,199,017</u>	<u>9,295,596</u>	<u>6,375,878</u>	<u>2,542,990</u>	<u>5,876,070</u>

## Distribution table - Unaudited

For the year ended 31st May 2010

### Cautious Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
<u>31st May 2010</u>				
Group 1	3.50	—	3.50	3.90
Group 2	1.193	2.307	3.50	3.90

Group 1 : Shares purchased before 31st May 2009

Group 2 : Shares purchased between 1st June 2009 and 31st May 2010

### Conservative Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
<u>31st May 2010</u>				
Group 1	3.70	—	3.70	4.00
Group 2	1.523	2.177	3.70	4.00

Group 1 : Shares purchased before 31st May 2009

Group 2 : Shares purchased between 1st June 2009 and 31st May 2010

### Balanced Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
<u>31st May 2010</u>				
Group 1	3.30	—	3.30	3.70
Group 2	1.542	1.758	3.30	3.70

Group 1 : Shares purchased before 31st May 2009

Group 2 : Shares purchased between 1st June 2009 and 31st May 2010

### Growth Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
<u>31st May 2010</u>				
Group 1	2.10	—	2.10	2.90
Group 2	0.887	1.213	2.10	2.90

Group 1 : Shares purchased before 31st May 2009

Group 2 : Shares purchased between 1st June 2009 and 31st May 2010

### Progressive Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
<u>31st May 2010</u>				
Group 1	1.20	—	1.20	2.10
Group 2	0.468	0.732	1.20	2.10

Group 1 : Shares purchased before 31st May 2009

Group 2 : Shares purchased between 1st June 2009 and 31st May 2010

### Aggressive Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
<u>31st May 2010</u>				
Group 1	0.117	—	0.117	1.20
Group 2	—	0.117	0.117	1.20

Group 1 : Shares purchased before 31st May 2009

Group 2 : Shares purchased between 1st June 2009 and 31st May 2010

# Performance Record - Unaudited

For the year ended 31st May 2010

## Cautious Strategy Fund

Shares in the Fund were first offered to the public on the 14th September 2004 at an offer price of 100p per Share.

Calendar Year ended	Highest offer price p	Lowest bid price p	Income per Share p	Income Per £1,000 invested at launch £
2005	106.20	98.11	3.19	31.90
2006	107.70	96.43	3.60	36.00
2007	99.53	92.34xd	3.60	36.00
2008	96.79	85.36	4.30	43.00
2009	93.66	84.10xd	3.90	39.00
31.05.10	97.42	92.68	3.50	35.00

## Conservative Strategy Fund

Shares in the Fund were first offered to the public on the 14th September 2004 at an offer price of 100p per Share.

2005	109.30	98.90	2.15	21.50
2006	111.00	99.41	3.30	33.00
2007	103.00	96.18xd	3.50	35.00
2008	100.20	84.55	4.00	40.00
2009	96.07	83.97	4.00	40.00
31.05.10	100.00	95.25	3.70	37.00

## Balanced Strategy Fund

Shares in the Fund were first offered to the public on the 14th September 2004 at an offer price of 100p per Share.

2005	112.20	98.56	1.56	15.60
2006	114.60	102.80	2.80	28.00
2007	109.00	102.20	3.10	31.00
2008	106.20	83.78	3.70	37.00
2009	100.20	82.46	3.70	37.00
31.05.10	105.40	98.88	3.30	33.00

## Growth Strategy Fund

Shares in the Fund were first offered to the public on the 14th September 2004 at an offer price of 100p per Share.

2005	119.10	98.93	0.82	8.20
2006	123.89	108.30	1.75	17.50
2007	121.20	112.10	2.10	21.00
2008	118.50	84.26	2.50	25.00
2009	109.70	82.48	2.90	29.00
31.05.10	118.00	106.60	2.10	21.00

## Progressive Strategy Fund

Shares in the Fund were first offered to the public on the 14th September 2004 at an offer price of 100p per Share.

2005	122.20	97.04	—	—
2006	129.16	110.40	0.60	6.00
2007	128.80	117.20	0.85	8.50
2008	124.60	78.05	1.40	14.00
2009	111.30	74.76	2.10	21.00
31.05.10	121.80	106.40	1.20	12.00

## Aggressive Strategy Fund

Shares in the Fund were first offered to the public on the 14th September 2004 at an offer price of 100p per Share.

2005	126.20	96.50	—	—
2006	134.00	111.30	—	—
2007	135.40	120.50	—	—
2008	131.10	78.44	—	—
2009	117.10	75.65	1.20	12.00
31.05.10	128.70	111.10	0.117	1.17

## Performance Record - Unaudited (continued)

### Global US\$ Conservative Strategy Fund

Shares in the Fund were first offered to the public on the 14th October 2005 at an offer price of US\$1.00 per Share.

Calendar Year ended	Highest offer price US\$ cents	Lowest bid price US\$ cents	Income per Share US\$ cents	Income per US\$1,000 invested at launch US\$ cents
2005	101.29	95.78	—	—
2006	102.56	97.11	—	—
2007	106.00	101.20	—	—
2008	105.40	88.30	—	—
2009	104.40	87.47	—	—
31.05.10	108.50	104.30	—	—

### Global US\$ Growth Strategy Fund

Shares in the Fund were first offered to the public on the 14th October 2005 at an offer price of US\$1.00 per Share.

2005	107.60	93.95	—	—
2006	118.84	99.10	—	—
2007	133.70	114.70	—	—
2008	125.40	56.54	—	—
2009	92.80	52.17	—	—
31.05.10	99.32	84.02	—	—

# Net asset value per Share - Unaudited

For the year ended 31st May 2010

Period	Net Asset Value of Fund	Net Asset Value per Share	No. of Shares in issue
<b>Cautious Strategy Fund</b>			
31.05.2007	£6,852,226	93.89p	7,297,970
31.05.2008	£6,371,532	89.78p	7,096,980
31.05.2009	£5,054,594	84.12p	6,008,713
31.05.2010	£6,379,737	93.09p	6,853,301
<b>Conservative Strategy Fund</b>			
31.05.2007	£17,189,822	97.83p	17,571,931
31.05.2008	£16,762,725	92.68p	18,085,592
31.05.2009	£14,666,126	84.43p	17,369,888
31.05.2010	£18,228,633	95.63p	19,062,470
<b>Balanced Strategy Fund</b>			
31.05.2007	£18,660,495	105.22p	17,734,540
31.05.2008	£16,251,480	99.10p	16,399,627
31.05.2009	£13,136,074	86.51p	15,183,932
31.05.2010	£15,063,086	100.08p	15,051,328
<b>Growth Strategy Fund</b>			
31.05.2007	£35,457,207	118.66p	29,880,737
31.05.2008	£37,678,068	112.18p	33,587,672
31.05.2009	£30,094,761	92.61p	32,496,340
31.05.2010	£41,051,606	110.40p	37,185,292
<b>Progressive Strategy Fund</b>			
31.05.2007	£9,811,588	127.26p	7,709,500
31.05.2008	£11,280,500	118.56p	9,514,135
31.05.2009	£8,923,457	89.62p	9,956,709
31.05.2010	£12,701,078	112.27p	11,313,423
<b>Aggressive Strategy Fund</b>			
31.05.2007	£7,729,183	132.62p	5,827,918
31.05.2008	£8,274,095	125.74p	6,580,110
31.05.2009	£6,282,150	94.14p	6,673,630
31.05.2010	£9,604,298	118.94p	8,074,815
<b>Global US\$ Conservative Strategy Fund</b>			
31.05.2007	\$1,959,384	103.23 US\$ cents	1,898,000
31.05.2008	\$7,730,437	104.48 US\$ cents	7,399,176
31.05.2009	\$2,538,599	95.32 US\$ cents	2,663,376
31.05.2010	\$2,568,349	106.64 US\$ cents	2,408,393
<b>Global US\$ Growth Strategy Fund</b>			
31.05.2007	\$5,613,809	126.91 US\$ cents	4,423,550
31.05.2008	\$12,330,388	119.98 US\$ cents	10,277,005
31.05.2009	\$5,867,639	74.35 US\$ cents	7,892,505
31.05.2010	\$9,338,686	87.20 US\$ cents	10,709,841

# Notice of Meeting

Notice is hereby given that the sixth Annual General Meeting of Lloyds TSB Offshore Multi Strategy Fund Limited will be held at 11-12 Esplanade, St. Helier, Jersey, on Friday, 22nd October 2010 at 9.00 a.m. for the following purposes:

## Agenda

### Ordinary Business

1. To appoint the Chairman of the meeting.
2. To read the convening notice.
3. RESOLUTION 1  
To receive and if deemed appropriate, adopt the Annual Report and Audited Financial Statements of the Company for the year ended 31st May 2010.
4. RESOLUTION 2  
To consider, and if deemed appropriate, re-elect Ross Davey Willcox as a Director of the Company.
5. RESOLUTION 3  
To consider, and if deemed appropriate, re-elect Ian Mark Jeremie Hardy as a Director of the Company.
6. RESOLUTION 4  
To consider, and if deemed appropriate, re-elect Brian Charles James as a Director of the Company.
7. RESOLUTION 5  
To consider, and if deemed appropriate, re-elect Nigel Ross Jeacock-Fewtrell as a Director of the Company.
8. RESOLUTION 6  
To consider, and if deemed appropriate, re-elect Advocate Timothy Joseph Herbert as a Director of the Company.
9. RESOLUTION 7  
To re-appoint PricewaterhouseCoopers CI LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
10. RESOLUTION 8  
To fix the remuneration of each of the Directors at a maximum of £5,000 per annum.

## NOTES:

A Member entitled to attend and vote at this Meeting may appoint one or more Proxies to attend and, on a poll, vote instead of him. A Proxy need not be a Member of the Company. A proxy form is enclosed at the back of the Report and Accounts. To be valid, completed proxy forms must be deposited at the Company's Registered Office not less than 48 hours before the appointed time for holding the meeting, or any adjournment thereof.

In the case of joint holders the vote of the senior shall be accepted to the exclusion of the votes of the other joint holder(s).

The quorum requirement is two members present in person or by proxy. If a quorum is not present, the meeting shall stand adjourned to Friday, 29th October 2010 at 9.00 a.m. at the same venue and at such adjourned meeting the shareholders present in person or by proxy shall be the quorum.

By Order of the Board  
Lloyds TSB Offshore Corporate Services Limited,  
Secretary,  
PO Box 160,  
25 New Street,  
St. Helier,  
Jersey JE4 8RG,  
Channel Islands.

Date: 29th July 2010

# LLOYDS TSB OFFSHORE MULTI STRATEGY FUND LIMITED

## FORM OF PROXY

BLOCK LETTERS PLEASE

FULL NAME(S) .....

ADDRESS .....

I/We being a Member(s) of the above named Company hereby appoint the Chairman of the Meeting .....  
 ... (see Note 1.) as my/our proxy to attend and vote for me/us on my/our behalf at the sixth Annual General Meeting  
 of the Company to be held on Friday, 22nd October 2010 at 9.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions as follows:

**ORDINARY RESOLUTIONS:**

1. To receive and if deemed appropriate, adopt the Annual Report and Audited Financial Statements of the Company for the year ended 31st May 2010
2. To consider, and if deemed appropriate, re-elect Ross Davey Willcox as a Director of the Company.
3. To consider, and if deemed appropriate, re-elect Ian Mark Jeremie Hardy as a Director of the Company.
4. To consider, and if deemed appropriate, re-elect Brian Charles James as a Director of the Company.
5. To consider, and if deemed appropriate, re-elect Nigel Ross Jeacock-Fewtrell as a Director of the Company.
6. To consider, and if deemed appropriate, re-elect Advocate Timothy Joseph Herbert as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to fix their remuneration.
8. To fix the remuneration of each of the Directors at a maximum of £5,000 per annum.

FOR	AGAINST

**NOTES:**

1. If you wish to appoint another person to be your proxy instead of the Chairman of the Meeting, you should delete the words "the Chairman of the Meeting", and write the name of your proxy in the space provided and initial the alteration.
2. Except as otherwise indicated by you, the proxy will vote, or abstain from voting, at the meeting or any adjournment thereof as the proxy thinks fit.
3. In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
5. To be valid, forms of proxy must reach the registered office of the Company, PO Box 160, 25 New Street, St. Helier, Jersey JE4 8RG, Channel Islands, not later than 48 hours before the time appointed for the meeting (or any adjourned meeting). Any power of attorney or other authority under which the form of proxy is signed must be sent with the form of proxy.

Signature ..... Date .....

