

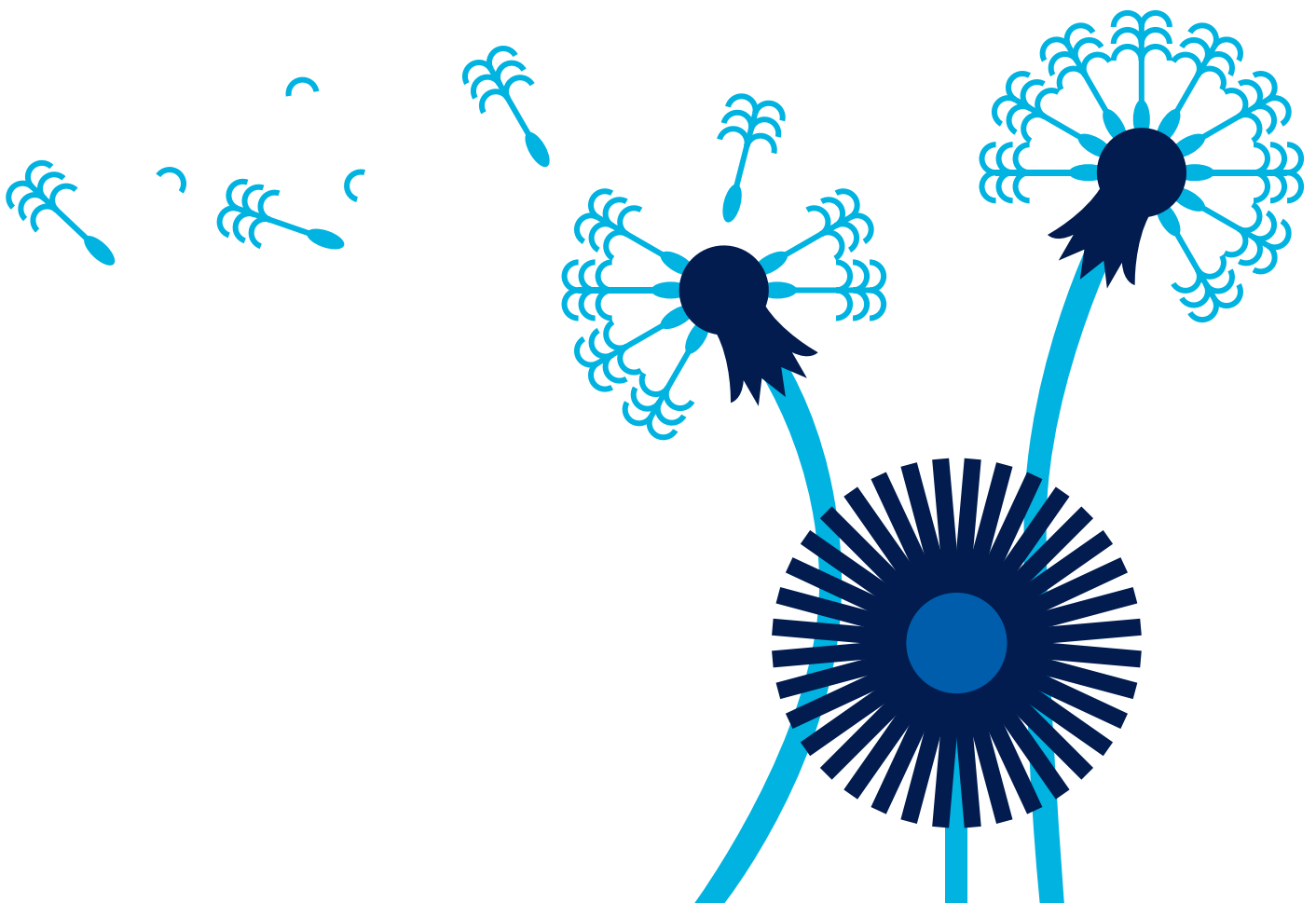
**Family Investments  
Funds ICVC**



Closing Report and Accounts of the  
FI Post Office® Cautious Managed  
Investment Fund

For the period 1st September 2010  
to 23rd June 2011.

Distribution number 6 (Close, Audited)  
Distribution due 23rd October 2011



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# FI Post Office® Cautious Managed Investment Fund

## Manager's Report

### Management and Professional Services

#### Company Information

Family Investments Funds ICVC  
16 West Street  
Brighton BN1 2RE

#### Authorised Corporate Director and Registrar

*Family Investment Management Limited*  
16 West Street  
Brighton BN1 2RE  
Tel: 01273 724570  
Fax: 01273 736958

*Registered in England No. 1915516*

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

The Director is a member of the IMA (Investment Management Association).

*This report is issued and approved by the Director.*

#### Investment Advisor

Aviva Investors Limited  
No: 1 Poultry  
London EC2R 8EJ  
Authorised and regulated by the Financial Services Authority

#### Depositary

State Street Trustees Limited  
20 Churchill Place  
London E14 5HJ  
Authorised and regulated by the Financial Services Authority

#### Auditors

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD

Family Investments is a trading name for Family Investment Management Limited, which is a wholly owned subsidiary of Family Assurance Friendly Society Limited, a Friendly Society incorporated in England and Wales under the Friendly Societies Act 1992, registration no: 939F.

# **FI Post Office® Cautious Managed Investment Fund**

## **Manager's Report - continued**

### **Company Information**

Family Investments Funds ICVC is an open-ended investment company with variable capital under Regulation 12 (Authorisation) of the OEIC Regulations 2001(SI2001/1228). The Company comprised a single fund, the FI Post Office® Cautious Managed Investment Fund.

Family Investment Management Limited, the Authorised Corporate Director (the "ACD") of the Family Investments Funds ICVC (the "Company"), is the sole director and is responsible for managing and administering the affairs of the company. The ACD has appointed Aviva Limited as the Investment Advisor to the FI Post Office® Cautious Managed Investment Fund (the "Fund").

The Company is a Non-UCITS retail scheme ('NURS'). The Company has an "umbrella" structure meaning that it can comprise a number of separate Sub-funds holding different portfolios of assets. The Sub-funds are not "ring fenced" from each other and under the FSA Regulations if one Sub-fund becomes insolvent, the other Sub-funds could be called upon to make up its deficit. The Company does not intend to have an interest in immovable or tangible movable property.

Each sub-fund has the investment powers equivalent to those of a Non-UCITS Scheme.

Other sub-funds may be launched in the future.

### **Financial Statements**

These financial statements are for the period ended the 23rd June 2011.

### **Shareholders**

Shares of the company have no par value and the share capital of the Company will at all times equal the sum of the net asset value of the Fund. Shareholders are not liable for the debts of the ICVC.

### **Instrument of Incorporation and Prospectus**

The Company was incorporated and authorised by the Financial Services Authority on 1st August 2008 under registered number IC000686. At 23rd June 2011, it comprised a single fund, the FI Post Office® Cautious Managed Investment Fund.

### **Other Information**

The Fund currently offers only Accumulation shares.

### **Significant Changes**

Family Investment Management Limited, the ACD for the FI Post Office® Cautious Managed Investment Fund, was advised by Aviva Investors Limited, who was appointed by the ACD to provide investment management and related advisory services, of their wish to resign as investment managers to the Fund from 31st May 2011 because the Fund was too small and therefore uneconomic for them to manage. Various alternatives to appoint a replacement manager were explored over a period of time but due to the Fund size being only £6.7m it was difficult for the ACD to achieve cost effective investment fees elsewhere.

As such, a decision was made to close the Fund and an application was made to the FSA to request approval for such action. This was received on the 17th June 2011 and the Fund commenced termination on the 23rd June 2011.

# FI Post Office® Cautious Managed Investment Fund

## Manager's Report - continued

### Authorised Corporate Director's Investment Report

#### Objective and Policy

The investment objective of the FI Post Office® Cautious Managed Investment Fund was to aim to provide medium to long term capital growth by investing primarily in collective investment schemes that in turn invest in equities and bonds, predominantly in the UK, with some overseas exposure.

The ACD could also invest at its discretion in other collective investment schemes (including unregulated schemes), transferable securities, money market instruments, deposits as well as cash and near cash.

#### Market Review

Shares rallied in response to a wave of stronger-than-expected company results and economic data. The rally was underpinned by loose monetary policy as central banks such as the US Federal Reserve maintained record low short-term interest rates and continued to inject liquidity into their domestic financial systems in an effort to boost economic activity and fend off deflationary pressures. Share prices received an extra boost from increased bid activity across a wide range of industries.

Higher-rated corporate bonds delivered negative returns as the prospect of rising global inflation and renewed concern over the record fiscal deficits currently being run by many western governments combined to unsettle investors. But by contrast, the high-yield segment continued to advance as record low interest rates continued to encourage investors to seek out assets offering incremental returns.

#### Fund Performance

The Fund rose by 8.10 per cent over the period 1st September 2010 to 24th May 2011, which is when Family Equity Plan Limited decided to redeem its entire holding in the Fund.

#### Activity

Below are the individual rationales for the asset positions that were held in the FI Post Office® Cautious Managed Investment Fund:

Overweight UK equities - Long-term expected return is higher than other developed markets driven by a higher dividend yield than US equities and better dividend growth prospects than European equities.

Underweight European equities - Fiscal tightening is constraining the recovery and sovereign debt problems linger. Moreover, our equilibrium foreign exchange model suggests the euro is 18% overvalued vs. sterling which further hampers return prospects for unhedged sterling investors.

Overweight (on aggregate basis) World excluding UK Equities - Reduce current home bias within equity space and diversify across international markets (US, Japan, Asia-Pacific, Emerging Markets). Especially for Asia-Pacific and Emerging Markets, lower dividend yields are compensated with higher dividend growth prospects providing expected returns above (Emerging Markets) or in line (Asia-Pacific) with UK equities.

Overweight UK fixed interest - Although spreads have almost normalised, UK corporate bonds still offer attractive yields relative to government bonds and cash on a default-adjusted basis.

Underweight Cash - Very low interest rates and a steep yield curve make return from cash unattractive from an opportunity cost viewpoint.

Underweight Alternatives - Absolute Tactical Asset Allocation is at the moment the only alternative asset allowed in the investment universe and high concentration on a single alpha-dependent strategy should be avoided.

#### Outlook

The FI Post Office® Cautious Managed Investment Fund closed on the 23rd June 2011. The reasons are explained in "significant changes".

Jason Josefs, CFA  
Multi Asset Fund Manager  
Aviva Investors Limited

18th October 2011

# FI Post Office® Cautious Managed Investment Fund

## Manager's Report - continued

### Total Expense Ratio (TER)

<i>At period ended</i>	<i>TER %</i>
August 2010	1.44
June 2011*	1.36

\* Annualised

### Comparative Table

<b>Fund size</b>	Valuation Basis	Net Asset Value (£)	No. of Shares In Issue	Net Asset Value per Share (pence)
At period ended				
August 2009	Bid	2,831,535	1,937,748.84	146.12
August 2010	Bid	5,287,709	3,301,307.21	160.17
June 2011*	Bid	—	—	—

\* to 23rd June only, on the 24th May 2011 Family Equity Plan Limited decided to redeem its entire holding in the Fund.

### Share price range and income history

<i>Year</i>	<i>Share Prices</i>		<i>Annual Income (Net Allocations) per share (pence)</i>
	<i>Highest Buying (pence)</i>	<i>Lowest Selling (pence)</i>	
2008#	150.00	119.68	—
2009	160.00	115.60	1.6157
2010	174.20	153.50	3.3379
2011*	175.60	165.20	3.1474

# Since launch 1st September 2008

\* to 23rd June 2011 date of closure

Past performance should not be seen as an indication of future performance.

Investors are reminded that the price of shares, and the income from them is not guaranteed and may go down as well as up.

# **FI Post Office® Cautious Managed Investment Fund**

## **Manager's Report - continued**

### **Portfolio Statement**

#### **As at 23rd June 2011 date of closure**

The Company realised its assets by the 16th May 2011, and held them in cash until the 24th May 2011, which was when Family Equity Plan redeemed its entire holding in the Fund, and therefore had nil assets as at the 23rd June 2011.

# **FI Post Office® Cautious Managed Investment Fund**

## **Statement of Authorised Corporate Director's Responsibilities**

### **In relation to the Report and Accounts of the ICVC**

The Financial Services Authority's Collective Investment Schemes Sourcebook (COLL) as amended requires the Authorised Corporate Director to prepare financial statements for each accounting period, which give a true and fair view of the financial position of the Company and of its net income and the net gains for the period.

In preparing the financial statements the Authorised Corporate Director is required to:

- (a) Select suitable accounting policies and then apply them consistently.
- (b) Comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by IMA in October 2010.
- (c) Follow generally accepted accounting principles and applicable accounting standards.
- (d) Keep proper accounting records, which enable it to demonstrate that the financial statements as prepared, comply with the above requirements.
- (e) Make judgements and estimates that are reasonable and prudent.
- (f) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that this ICVC will continue in operation.

The Authorised Corporate Director confirms that all requirements have been met in preparing the financial statements.

The Authorised Corporate Director is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Authorised Corporate Director is responsible for the management of the ICVC in accordance with its Instrument of Incorporation, Full Prospectus and COLL.

In pursuing its investment objective set out on page 5 the Company holds a number of financial instruments. These comprise:

Shares/units in collective investment schemes which are held in accordance with the Fund's investment objective and policies;

Cash, liquid resources and short term debtors and creditors that arise directly from its operations;

Shareholders' funds which represent investors' monies which are invested on their behalf;

Borrowings used to finance investment activity.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments, other than on the Company's account, shall be undertaken (August 2010: Same).

## **Authorised Corporate Director's Statement**

John Adams  
Director

Keith Meeres  
Director

18th October 2011

## Statement of the Depositary's Responsibilities

### **In respect of the scheme and report of the Depositary to the shareholders of the Family Investments Post Office® Cautious Managed Investment Fund of the Family Investments Funds ICVC ("the company") for the period to 23rd June 2011**

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

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

## Report of the Depositary

Report of the Depositary for period ended 23rd June 2011

Prepared pursuant to and in accordance with regulations 4.5.11 of the Collective Investment Schemes Sourcebook (COLL)

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

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

For and on behalf of  
State Street Trustees Limited  
London

18th October 2011

# Report of the Auditor

## **Independent auditor's report to the shareholders of the Family Investments Funds ICVC.**

We have audited the financial statements of Family Investments Funds ICVC (hereafter "the Company") for the period ended 23rd June 2011 which comprise the Statement of Total Return, the Statement of Change in Shareholders' Funds, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective Responsibilities of the Authorised Corporate Director and Auditors**

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities, the Authorised Corporate Director is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. The Depository is required to take reasonable care to ensure compliance by the Authorised Corporate Director with all relevant requirements.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the shareholders, as a body, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Basis of Audit Opinion**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 23rd June 2011 and of the net revenue and the net gains on the property of the Company for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting practice; and
- have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010, the rules in the Collective Investment Schemes Sourcebook (COLL) of the Financial Services Authority and the Instrument of Incorporation.

### **Opinion on other matters prescribed by the Collective Investments Schemes Sourcebook (COLL) of the Financial Services Authority**

In our opinion the information given in the Report of the Manager for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Collective Investment Schemes Sourcebook (COLL) of the Financial Services Authority requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

Raymond Tidbury (Senior statutory auditor)  
for and on behalf of Mazars LLP,  
Chartered Accountants and Statutory Auditor  
London

18th October 2011

### **Electronic publication and communication of financial statements and auditor's report**

As auditors we acknowledge that the Authorised Corporate Director may wish to publish the financial statements and the auditor's report of the Family Investments Funds ICVC on its website or distribute them by electronic means such as e-mail. As directors of the ACD you recognise responsibility for ensuring that any such publication properly presents the financial information and audit report. You also agree to advise us as your auditors of an intended electronic publication or communication before it occurs. You acknowledge that if we are not satisfied with the presentation of the audited financial statements and audit report, we have the right to request the presentation to be amended.

# FI Post Office® Cautious Managed Investment Fund

## Statement of Total Return

For the period 1st September 2010 to 23rd June 2011

	Note	June 2011 £'000	£'000	August 2010 £'000	£'000
Income					
Net capital gains	3		344		213
Revenue	4	207		171	
Expenses	5	(68)		(61)	
Net revenue before taxation		<u>139</u>		<u>110</u>	
Taxation	6	<u>(21)</u>		<u>(18)</u>	
Net revenue after taxation for the period			<u>118</u>		<u>92</u>
<b>Total return before distribution</b>			462		305
Finance Costs: Distributions	7		<u>(120)</u>		<u>(95)</u>
<b>Change in shareholders' funds from investment activities</b>			<u><u>342</u></u>		<u><u>210</u></u>

## Statement of Change in Shareholders' Funds

For the period 1st September 2010 to 23rd June 2011

	June 2011 £'000	£'000	August 2010 £'000	£'000
<b>Opening Net Assets</b>		5,288		2,832
Movement due to sale and repurchase of shares:				
Amounts received on creation of shares	1,271		2,296	
Less: Amounts paid on cancellation of shares	<u>(7,018)</u>	(5,747)	<u>(142)</u>	2,154
Stamp duty reserve tax		(3)		(3)
Change in shareholders' funds from investment activities (see above)		342		210
Retained distribution on accumulation shares		<u>120</u>		<u>95</u>
<b>Closing Net Assets</b>		<u><u>—</u></u>		<u><u>5,288</u></u>

# FI Post Office® Cautious Managed Investment Fund

## Balance Sheet

As at 23rd June 2011

	Note	June 2011 £'000	June 2011 £'000	August 2010 £'000	August 2010 £'000
<b>Assets</b>					
<b>Investment Assets</b>			—		5,089
Debtors	8	10		9	
Cash and bank balances	9	<u>14</u>		<u>232</u>	
<b>Total Other Assets</b>			<u>24</u>		<u>241</u>
<b>Total Assets</b>			<u>24</u>		<u>5,330</u>
<b>Liabilities</b>					
Creditors	10	<u>24</u>		<u>42</u>	
<b>Total Liabilities</b>			<u>24</u>		<u>42</u>
<b>Net Assets</b>			<u>—</u>		<u>5,288</u>
<b>Shareholders' Funds</b>			<u>—</u>		<u>5,288</u>

# FI Post Office® Cautious Managed Investment Fund

## Notes to the Financial Statements

### 1. Accounting Policies

#### *(a) Basis of Accounting*

The Family Investments Funds ICVC ("the Company") comprised a single fund, the FI Post Office® Cautious Managed Investment Fund.

Financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by IMA in October 2010 (IMA SORP 2010). As a result of the application of IMA SORP 2010 the shares of the Company have been classified as equity instruments. The shareholders' funds are now shown in the balance sheet, with consequent other changes in the presentation only. No changes have been made to accounting policies or to the accounting estimates used in applying these policies.

The property of the Company is stated as at close of business on the 23rd June 2011, being the last business day of the financial period. The difference between the valuation at the close of business and that at the pricing point is disclosed in Note 12. The difference between these valuations is not considered to be significant.

#### *(b) Income*

Dividends on equities are recognised when the security is quoted ex-dividend, and are shown net of any attributable tax credits. Interest on debt securities is recognised as revenue using the effective interest rate method by reference to the purchase price. Interest on cash balances and other income are accounted for on an accruals basis. Underwriting commission is recognised when the issue takes place.

Income distribution from collective investment schemes (CIS's) are recognised when the security is quoted ex-dividend, and are shown net of any attributable tax credits. Accumulation distributions from CIS's are also recognised when the security is quoted ex-dividend and are included gross of tax deducted. Equalisations received as part of the distribution from CIS's are included within net capital gains or losses.

#### *(c) Valuation*

All investments are valued at their fair value as at close of business on 23rd June 2011, being the last business day of the financial period.

Listed investments have been valued at bid value as at close of business on the Balance Sheet date, and are shown net of any accrued interest which is included in the Balance Sheet as a debtor.

Any unlisted, delisted, suspended or unapproved securities have been valued at the Authorised Corporate Director's best estimate.

#### *(d) Deferred Taxation*

Deferred tax is provided for on all timing differences that have originated but not reversed by the Balance Sheet date. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

#### *(e) Foreign Currencies*

Assets and liabilities have been translated into sterling at the exchange rate prevailing at the valuation point. Non-Sterling receipts and payments are translated at the rates applicable on the date of settlement. Any gains or losses arising from holding assets or liabilities denominated in currencies other than sterling are recognised as capital or income depending on the nature of the underlying item.

#### *(f) Dividend Policy*

The net income of the Company is regarded as the amount available for distribution; no adjustment is made in respect of either Authorised Corporate Director expenses or stock dividends. Authorised Corporate Director expenses, to the extent that it is permitted, are charged against income.

Should the expenses exceed the income of the Company no distribution will be made and the shortfall will be transferred from capital.

#### *(g) Special Dividends*

These were recognised as either income or capital depending upon the nature and circumstances of the dividend receivable.

#### *(h) Treatment of Stock Dividends*

The Company may elect to take up stock paid in lieu of a cash dividend. These stocks are recorded in the accounts at a value equal to the dividend cash equivalent. These dividends have been recognised as income and form part of the distribution.

In the case of enhanced stock dividends, the amount by which such dividends exceed the cash dividends is treated as capital and does not form part of the distribution.

#### *(i) Treatment of expenses*

All expenses, except for those relating to the purchases and sales of investments and Stamp Duty Reserve Tax are charged initially against income.

# FI Post Office® Cautious Managed Investment Fund

## Notes to the Financial Statements - continued

### 2. Distribution Policy

All revenue received by the Company less accrued income, revenue expenses and taxation is distributed.

June 2011 £'000	August 2010 £'000
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### 3. Net Gains on Investments

The net gains on investments during the period comprise:

Gains on investments	<u>344</u>	<u>213</u>
Net gains on investments	<u><u>344</u></u>	<u><u>213</u></u>

### 4. Revenue

Franked Collective Investment Schemes	59	39
Unfranked Collective Investment Schemes	128	118
Bank interest	1	—
Rebated external fund management fees	<u>19</u>	<u>14</u>
	<u><u>207</u></u>	<u><u>171</u></u>

### 5. Expenses

**Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:**

Authorised Corporate Directors periodic charge	<u>55</u>	<u>51</u>
	<u><u>55</u></u>	<u><u>51</u></u>

**Payable to the Depositary, associates of the Depositary and agents of either of them:**

Depositary charges	2	1
Custodian charges	—	1
Custody transaction charges	<u>2</u>	<u>3</u>
	<u><u>4</u></u>	<u><u>5</u></u>

#### Other expenses

Audit fee (including VAT)	<u>9</u>	<u>5</u>
	<u><u>9</u></u>	<u><u>5</u></u>

<b>Total Expenses</b>	<u><u><u>68</u></u></u>	<u><u><u>61</u></u></u>
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# FI Post Office® Cautious Managed Investment Fund

## Notes to the Financial Statements - continued

	June 2011 £'000	August 2010 £'000
<b>6. Taxation</b>		
a.) Analysis of charge in the period		
Corporation tax	19	20
Adjustment in respect of prior periods	<u>2</u>	<u>(2)</u>
Total Current Tax	21	18
Deferred tax (note c)	<u>—</u>	<u>—</u>
Total Taxation	<u>21</u>	<u>18</u>

Corporation tax has been provided at a rate of 20% (August 2010: 20%).

### b.) Factors affecting current tax charge for period

The tax assessed for the period is different from the standard rate of corporation tax in the UK for an ICVC (20%). The differences are explained below.

Net income before tax	<u>139</u>	<u>110</u>
Tax at standard rate of 20%	28	22
Tax on franked portion of CIS dividends	(12)	(2)
Other adjustments already taxed	(7)	—
Expenses not relieviable	—	1
Current year tax adjustment	10	—
Prior year tax adjustment	<u>2</u>	<u>(3)</u>
Current tax charge for period (note a.)	<u>21</u>	<u>18</u>
c.) Provision for deferred tax		
Provision at start of period	—	—
Deferred tax charge in P & L for period (note a)	—	—
Provision at end of period	<u>—</u>	<u>—</u>

The Company is exempt from Capital Gains Tax.

## 7. Finance Costs Distributions

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise.

Interim	45	46
Final	<u>75</u>	<u>49</u>
	<u>120</u>	<u>95</u>

Details of the distribution per share are set out in the distribution table on page 20.

# FI Post Office® Cautious Managed Investment Fund

## Notes to the Financial Statements - continued

	June 2011 £'000	August 2010 £'000
<b>8. Debtors</b>		
Amount due for creation of shares	—	7
Rebated external fund management fees	—	2
Taxation deducted at source recoverable	<u>10</u>	<u>—</u>
	<u><u>10</u></u>	<u><u>9</u></u>
<b>9. Cash and Bank Balances</b>		
Cash and bank balances	<u>14</u>	<u>232</u>
Total cash and bank balances	<u><u>14</u></u>	<u><u>232</u></u>
<b>10. Creditors</b>		
Accrued expenses	14	21
Corporation tax	10	20
Transaction charges	<u>—</u>	<u>1</u>
	<u><u>24</u></u>	<u><u>42</u></u>

### 11. Related Party Transactions

The Authorised Corporate Director of the Company, Family Investment Management Limited, is a wholly owned subsidiary of Family Assurance Friendly Society Limited ("the Society"), being the ultimate controlling party. The Society and the Company are deemed to be related parties. In addition, State Street Trustees Limited, as Depositary, is also regarded as a related party.

All share creations and cancellations, and all balances in respect of creations and cancellations, as disclosed in the Balance Sheet, are executed with the Authorised Corporate Director.

Total Authorised Corporate Director charges and Depositary charges incurred during the period are disclosed in note 5.

All bank balances are with the Depositary and are disclosed in the Balance Sheet.

Family Equity Plan limited, being a subsidiary of Family Assurance Friendly Society Limited, is deemed to be a related party of the Company.

# FI Post Office® Cautious Managed Investment Fund

## Notes to the Financial Statements - continued

### 12. Risk management

Financial Instruments are valued at fair value in accordance with Financial Reporting Standard 26 as disclosed in note 1(c).

#### Management of risk

The principal risks arising from the Company's financial instruments are market price and credit risks. The Authorised Corporate Director reviews (and agrees with the Depositary) policies for managing each of these risks. These policies have remained unchanged since the beginning of the period to which these financial statements relate, and the preceding period.

#### Fair values of financial instruments

All of the financial assets of the Company are held at fair value.

#### Financial liabilities and equity instruments

The shares of the Company are puttable equity instruments and the main liability of the Company is that due to the shareholders.

- At the Balance Sheet date the liability to redeem shares to the shareholders was nil (August 2010: £5,287,709).

The fair value of the Company is derived from the cancellation price of the shares as at 23rd June 2011, which is the lowest redeemable value of the Company.

Set out below is a comparison by category of book values and fair values of the Company's financial liabilities and equity instruments as at 23rd June 2011.

		<b>Book Value</b> <b>(fair value at close)</b> £	<b>Fair Value</b> <b>(at pricing point)</b> £
<b>Primary financial liabilities and equity instruments held or issued to finance the Fund's operations:</b>			
Liability to redeem shares	Jun 2011	—	—
	Aug 2010	5,287,709	5,279,511

#### Market price risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Investment Advisor meets monthly (or more often if appropriate) to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that the individual stocks also meet the risk reward profile that is acceptable.

The Authorised Corporate Director does not use derivative instruments to hedge the investment portfolio against market risk, as in their opinion the cost of such a process would result in an unacceptable reduction in the potential for capital growth.

#### Liquidity risk

The Company's assets comprise mainly of readily realisable securities, which can be readily sold. The main liability of the Company is the redemption of any shares that investors wish to sell.

#### Interest rate risk

The Company may invest in debt securities. Any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Investment Advisor being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general if interest rates rise the income potential of the Company also rises but the value of the debt securities will decline (along with certain expenses calculated by reference to the assets of the Company). A decline in interest rates will in general have the opposite effect.

The Investment Advisor reviews interest rate risk as part of its monthly asset allocation process.

# FI Post Office® Cautious Managed Investment Fund

## Notes to the Financial Statements - continued

### Credit risk

Certain security transactions that the Company enters into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Company has fulfilled its responsibilities.

The Company only buys and sells investments through brokers, which have been approved by the Investment Advisor as an acceptable counter-party. The Authorised Corporate Director undertakes periodic visits to the Investment Advisor to confirm that delegated functions are being performed in accordance with Financial Services Authority's rules.

### Currency rate risk

The Company may invest in foreign equities, which are priced in local currency. The local value is converted to sterling at the prevailing exchange rate for valuation purposes. The Company is exposed to the possibility of sharp currency movements, which can affect the value of the portfolio on a daily basis.

The Company may be subject to short term exposure to exchange rate movement, for instance where there is a difference between the date when the investment purchase or sale is entered into and the date when settlement of the proceeds occurs. When the Company enters into such a transaction which will involve the buying and selling of foreign currency in order to complete, a forward contract is entered into at the same time as the initial transaction in order to eliminate exchange rate risk.

The Company may receive income in currencies other than sterling and movements in exchange rates can affect the sterling values of this income. The Company converts all receipts of income into sterling on or near the date of receipt. However it does not hedge or otherwise seek to avoid rate movement risk on income accrued but not received.

### 13. Portfolio Transaction Costs

	June 2011 £'000	August 2010 £'000
Analysis of total purchase costs		
Purchases in period before transaction costs	2,354	2,126
Commissions	—	—
Taxes	—	—
Total purchase costs	—	—
Gross purchase total	<u>2,354</u>	<u>2,126</u>
Analysis of total sale costs		
Gross sales in period before transaction costs	7,788	69
Commissions	—	—
Taxes	—	—
Total sales costs	—	—
Total sales net of transaction cost	<u>7,788</u>	<u>69</u>

# FI Post Office® Cautious Managed Investment Fund

## Notes to the Financial Statements - continued

### 14. Contingent Liabilities

As at 23rd June 2011 there were no contingent liabilities (August 2010 none).

### 15. Non-Eligible Markets

As at 23rd June 2011 there were no securities held that trade on non-eligible markets (August 2010 none).

### 16. Stamp Duty Reserve Tax

The Stamp Duty Reserve Tax (SDRT) regime generally imposes a 0.5% charge on the value of redemptions of shares to the Authorised Corporate Director, which is potentially reduced by two ratios:

1. If more shares are redeemed than issued during the two week period, which consists of the week the redemption occurs and the following week, then the liability is reduced by multiplying it by the ratio  $I/R$  (where I and R are the number of shares issued and redeemed in the two week period).
2. If a Fund has investments in exempt assets, the liability is (further) reduced by multiplying it by the ratio  $N/(N+E)$  (where N and E are the average market values of the non-exempt and exempt assets of the fund over the two week period).

SDRT is calculated on a two week rolling basis (the charging period is one week: the level of SDRT ultimately payable will depend on the number of issues and redemptions of shares dealt during the charging week and the following week) and charged to the property of the Fund via a weekly accrual. Although legally the Depositary is liable for the tax, it is the Authorised Corporate Director who collects and administers it.

### 17. Share Classes

The Company only issues accumulation shares. The annual Authorised Corporate Director's charge for these shares is 1.25% of the Fund's Net Asset Value, calculated daily but taken monthly.

# FI Post Office® Cautious Managed Investment Fund

## Distribution Table

For the period ended 23rd June 2011

*Distribution - in pence per share*

	Current Year	Prior Year
28th February 2011	1.2289	1.8559
23rd June 2011	1.9185	1.4820

## Corporate Shareholders Information

A shareholder within the charge to UK corporation tax receives the allocation excluding any equalisation as unfranked income to the extent that the income from which the allocation is made is not franked investment income.

Where the income from which the allocation is made is not wholly franked investment income, part of the allocation is received as an annual payment from which income tax at the lower rate has been deducted.

	Franked% (1)	Unfranked % (2)
28th February	31.76	68.24
23rd June	48.09	51.91

(1) The percentage of the total allocation that is received as franked investment income.

(2) The percentage of the allocation that is received as an annual payment after deduction of income tax at the lower rate and is chargeable to corporation tax. It is not franked investment income.

# FI Post Office® Cautious Managed Investment Fund

## General Information

### Launch:

The Company was launched on 1st September 2008 at an initial offer price of 150p.

### Distributions:

The annual accounting year ends on 31st August.

The interim accounting date is the last day of February.

Income is reinvested net of Income Tax, and distribution certificates are distributed twice a year two months in arrears of the interim date and four months in arrears of the annual date.

### Reports:

Manager's reports for the FI Post Office® Cautious Managed Investment Fund are published twice a year. The Interim report on 30th April and the Annual report on 31st December.

### Prices:

There are two prices quoted for the ICVC, a selling price and a buying price. The selling price is the price at which you can sell your shares back to the Authorised Corporate Director and the buying price is the price at which you can buy shares from the Authorised Corporate Director.

Prices are calculated as at 12.00noon (UK time) on each business day.

Shareholders can obtain the price of their shares by calling the Authorised Corporate Director on 0808 100 7654 (telephone calls may be recorded or monitored) or going to the Authorised Corporate Director website ([familyinvestments.co.uk](http://familyinvestments.co.uk)).

### Shares:

The FI Post Office® Cautious Managed Investment Fund issues only accumulation shares. Accumulation shares ensure that any distribution is added to the value of the investment.

### Buying and selling shares:

The Authorised Corporate Director can receive written requests to buy or sell shares during normal business hours. The shares will be bought and sold following the next price calculation.

### Cancellation rights:

Investors entering into a contract to purchase shares will have the right to cancel said purchase within 14 days of receipt of the cancellation notice. Please note that, for lump sum investments, clients who exercise their right to cancel may be charged for any market loss (shortfall) incurred.

### Prospectus:

The Full Prospectus for the FI Post Office® Cautious Managed Investment Fund is available on request from the Authorised Corporate Director.

### Other Authorised Funds managed by Family Investment Management Limited:

The Full Prospectuses and latest Report and Accounts for any of the Trusts managed by Family Investment Management Limited are available upon request.

**Managed by**

Family Investment Management Limited

16 West Street

Brighton

East Sussex BN1 2RE

Tel: 01273 724570

Fax: 01273 736958

Member of the IMA

Authorised and regulated by the Financial Services Authority

Family Investments is the trading name of Family Assurance Friendly Society (incorporated under the Friendly Societies Act 1992, Reg No. 939F), Family PEP Managers Limited (Co. No. 2934967), Family Investment Management Limited (Co. No. 1915516) and Family Equity Plan Limited (Co. No. 2208249), which are all authorised and regulated by the Financial Services Authority (25 The North Colonnade, Canary Wharf, London E14 5HS). Registered in England at: 16-17 West Street, Brighton, East Sussex BN1 2RL.

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