

The Pennine Fund

Interim Report & Financial Statements (unaudited)
For the period from 5th October 2007 to 31st August 2008



Pennine

INDEX

Management and Administration

Registered Office and Directors	2
Company Information	2
Statement of Authorised Corporate Director's ("ACD") and Depositary's Responsibilities	2
Report of the ACD to the Shareholders	2
Directors' Statement	3

The Pennine Fund Aggregated Financial Statements

Statement of Total Return, Statement of Change in Shareholders' Net Assets & Balance Sheet	4
Notes to the Aggregated Financial Statements	5-6

Pennine Dynamic Fund

Comparative Tables	7
Total Expense Ratio	7
Investment Objective and Policy	7
Investment Review	7
Portfolio of Investments	8-9
Statement of Total Return, Statement of Change in Shareholders' Net Assets & Balance Sheet	10
Summary of Material Portfolio Changes	11
Notes to the Financial Statements	11-14

Pennine Pathfinder Fund

Comparative Tables	15
Total Expense Ratio	15
Investment Objective and Policy	15
Investment Review	15
Portfolio of Investments	16-17
Statement of Total Return, Statement of Change in Shareholders' Net Assets & Balance Sheet	18
Summary of Material Portfolio Changes	19
Notes to the Financial Statements	19-22
Distribution Tables	22

MANAGEMENT AND ADMINISTRATION

The Authorised Corporate Director ("ACD") and registered office of The Pennine Fund ("the Company"):

PREMIER PORTFOLIO MANAGERS LIMITED

Eastgate Court, High Street,
Guildford, Surrey, GU1 3DE

Premier Portfolio Managers Limited is authorised and regulated by the Financial Services Authority ("FSA") and is a member of the Investment Management Association ("IMA"). Premier Portfolio Managers Limited and Premier Fund Managers Limited are both members of the Premier Asset Management Marketing Group.

DIRECTORS OF THE ACD: Mike O'Shea (Chairman)
Neil Macpherson (Finance Director)
Simon Weldon (Managing Director, Sales and Marketing)
Mark Friend (Managing Director, Operations)
Mike Hammond (IFA Sales Director)

INVESTMENT ADVISER: Premier Fund Managers is the Investment Adviser to the Pennine Dynamic Fund and the Pennine Pathfinder Fund.

Premier Fund Managers Limited has appointed North Investment Partners Limited as sub-Investment Adviser to the Pennine Dynamic Fund and the Pennine Pathfinder Fund.

DEPOSITARY: The Royal Bank of Scotland plc
Trustee & Depositary Services
The Broadstone,
50 South Gyle Crescent,
Edinburgh, EH12 9UZ

AUDITORS: Grant Thornton UK LLP
30 Finsbury Square,
London, EC2P 2YU

ADMINISTRATORS & REGISTRAR: Northern Trust International Fund
Administration Services (UK) Limited and
Northern Trust Global Services Limited
PO Box 55736, 50 Bank Street,
Canary Wharf,
London, E14 1BT

COMPANY INFORMATION

The Pennine Fund is an Investment Company with Variable Capital under regulation 12 of the Open-Ended Investment Company Regulations and incorporated in England and Wales under registered number IC000580 and authorised by the FSA with effect from 5th October 2007. Shareholders are not liable for the debts of the Company. At the period end the Company contained two sub-funds, the Pennine Dynamic Fund and the Pennine Pathfinder Fund.

The company is a non-UCITS scheme with the FSA's collective Investment Schemes sourcebook and is structured as an umbrella company so that different sub-funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary.

STATEMENT OF ACD AND DEPOSITARY'S RESPONSIBILITIES IN RELATION TO THE ACCOUNTS OF THE SCHEME

The Open-Ended Investment Companies Regulations 2001 and the FSA's Collective Investment Schemes sourcebook ("the Regulations") require the ACD to prepare accounts for each annual accounting period together with half-yearly reports, which give a true and fair view of the financial position of the scheme as at the end of the period and of the net income and the net gains or losses on the property of the scheme for the period then ended. In preparing the accounts, the ACD is required to:

- select suitable accounting policies and then apply them consistently make judgements and estimates that are reasonable and prudent.
- comply with the disclosure requirements of the Statement of Recommended Practice relating to 'Financial Statements of Authorised Funds', issued by the IMA in December 2005 and the Instrument of Incorporation.
- follow UK generally accepted accounting principles and applicable accounting standards.
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the scheme will continue in operation.
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements.

The ACD is responsible for the management of the Fund in accordance with its Instrument of Incorporation, the Prospectus and the Regulations.

The Depositary is responsible for safeguarding the property of the scheme and must take reasonable care to ensure that the scheme is managed by the ACD in compliance with the Regulations and the provisions of the Instrument of Incorporation and Prospectus.

The ACD and Depositary are responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MANAGEMENT AND ADMINISTRATION

REPORT OF THE ACD TO THE SHAREHOLDERS OF THE COMPANY

The ACD, as sole director, presents its report and the unaudited financial statements of the Company for the period from 5th October 2007 to 31st August 2008.

The Company is a non-UCITS scheme which complies with the FSA's Collective Investment Schemes sourcebook. The shareholders are not liable for the debts of the Company.

The Investment Objectives and Policies of each sub-fund of the Company are covered in the section for each sub-fund. The sub-funds of an umbrella company should be invested as if they were a single company. The names and addresses of the ACD, the Depositary and the Auditor are detailed on page 2.

In the future there may be other sub-funds of the umbrella Company. As a sub-fund is not a legal entity, if the assets attributable to any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall might have to be met out of the assets attributable to one or more other sub-funds of the umbrella Company.

DIRECTORS' STATEMENT

In accordance with the Regulations, we hereby certify the report on behalf of the Directors of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

27th October 2008

PENNINE FUNDS AGGREGATED FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

For the period from 5th October 2007 to 31st August 2008

		31/08/08	
	Notes	£'000	£'000
Net losses on investments during the period	2		(270)
Other losses	3		(2)
Income	4	220	
Expenses	5	(182)	
Finance costs	7	-	
Net income before taxation		38	
Taxation	6	(10)	
Net income after taxation			28
Total return before distributions			(244)
Finance costs: Distributions	7		(42)
Change in net assets attributable to shareholders (286)			(286)

STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 5th October 2007 to 31st August 2008

		31/08/08	
	Notes	£'000	£'000
Net assets at the start of the period			-
Movements due to sales and repurchases of shares:			
Amounts receivable on issue of shares		16,681	
Less: Amount payable on cancellation of shares		(977)	
			15,704
Stamp Duty Reserve Tax (SDRT)			(4)
Change in net assets attributable to shareholders (see above)			(286)
Retained distribution on accumulation shares	7		56
Net assets at the end of the period			15,470

BALANCE SHEET

As at 31st August 2008

		31/08/08	
	Notes	£'000	£'000
ASSETS			
Portfolio of Investments			14,752
Debtors	8		101
Cash and bank balances	9		886
Total other assets			987
Total assets			15,739
LIABILITIES			
Creditors	11		(252)
Bank overdrafts	10		(6)
Distributions payable on income shares	7		(11)
Total other liabilities			(269)
Total liabilities			(269)
Net assets attributable to shareholders			15,470

The notes on pages 5 to 6 are an integral part of these financial statements.
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson
Finance Director (of the ACD)
27th October 2008

Mark Friend
Managing Director, Operations (of the ACD)

PENNINE FUNDS AGGREGATED FINANCIAL STATEMENTS

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies applied are set out in the notes to the financial statements of each of the sub-funds. The aggregated financial statements represent the summation of the financial statements for each of the sub-funds.

2. NET LOSSES ON INVESTMENTS

The net losses on investments during the period comprise:

	31/08/08 £'000
Non-derivative securities	(270)
Net losses on investments	(270)

3. OTHER LOSSES

Other losses comprise:

	31/08/08 £'000
Other currency losses	(2)
	(2)

4. INCOME

	31/08/08 £'000
Bank interest	103
Deposit interest	2
Franked UK dividends	4
Interest on debt securities	8
Overseas dividends	25
Payments from authorised collective investment schemes:	
- Franked distributions	4
- Unfranked distributions	74
	220

5. EXPENSES

	31/08/08 £'000
Payable to the ACD, associates of the ACD and agents of either of them:	
ACD's periodic charge	109
	109
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	16
Transaction charges	2
	18

Other expenses:

Auditors' remuneration	12
Registration fees	22
FSA and other regulatory fees	3
Legal fees	12
Printing fees	3
Price publication fees	3
	55
Total expenses	182

Irrecoverable VAT is included in the above expenses where relevant.

6. TAXATION

(a) The tax charge comprises:

	31/08/08 £'000
Current tax:	
Corporation tax	10
Total current tax (note 6 (b))	10

(b) Factors affecting the tax charge for the period

The tax charged for the period is higher than the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

	31/08/08 £'000
Net income before taxation	38
	38
Return on ordinary activities multiplied by the special rate of corporation tax of 20%	7
Effects of:	
Franked UK dividends and distributions not subject to taxation	(1)
Expenses not utilised in period	3
Set-up costs	1
	10
Current tax charge (note 6 (a))	10

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

PENNINE FUNDS AGGREGATED FINANCIAL STATEMENTS

7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

	31/08/08 £'000
Interim distribution	11
Interim accumulation	56
	67
Add: Income deducted on cancellation of shares	2
Deduct: Income received on issue of shares	(27)
Net distributions for the period	42
Interest	-
Total finance costs	42

The difference between the net income after taxation and the amounts distributed comprises:

Net income after taxation	28
Expenses offset against capital	2
Income deficit taken to capital	12
Finance costs: Distributions	42

8. DEBTORS

	31/08/08 £'000
Accrued income	39
Amounts receivable for issue of shares	62
	101

9. CASH AND BANK BALANCES

	31/08/08 £'000
Sterling	886
Cash and bank balances	886

10. BANK OVERDRAFTS

	31/08/08 £'000
Sterling	6
Bank overdrafts	6

11. CREDITORS

	31/08/08 £'000
Accrued expenses	34
Amounts payable for cancellation of shares	1
Corporation tax payable	9
Purchases awaiting settlement	208
	252

12. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

13. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the Balance Sheet date.

14. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

15. SHARE CLASSES

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

16. PORTFOLIO TRANSACTION COSTS

	31/08/08 £'000
Analysis of total purchase costs:	
Purchases in period before transaction costs	15,916
Commissions	9
Taxes	3
Total purchase costs	12
Gross purchases total	15,928
Analysis of total sale costs:	
Gross sales before transaction costs	909
Commissions	-
Total sale costs	-
Total sales net of transaction costs	909

PENNINE DYNAMIC FUND

COMPARATIVE TABLES

Performance Record

Calendar Year	High (p)	Low (p)
2007 ¹	102.01	96.33
2008 ²	101.18	90.82

Accumulation Record

Calendar Year	Net Income Per Share (p)	Net Income Per £1,000 at Launch (£)
2007 ¹	-	-
2008 ²	-	-

Net Asset Values

As at	Shares In Issue	Net Asset Value Per Share (p)	Net Asset Value of Sub-Fund (£)
31/08/2008	3,970,826	93.70	3,720,721

¹ From 5th October 2007 to 31st December 2007.

² To 31st August 2008.

TOTAL EXPENSE RATIO (TER)

Estimated

1.99%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses to different schemes.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Fund is to provide medium to long term capital growth from a portfolio of global investments.

The Fund will achieve this by investing mainly in units in collective investment schemes. The Fund may also invest in equities, fixed interest securities, money market instruments, deposits and warrants, and may invest indirectly in immovable property typically through units in collective investment schemes and/or shares in property companies.

The Fund may invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund).

The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

INVESTMENT REVIEW

PERFORMANCE

The Pennine Dynamic Fund was launched on 5 October 2007 with the aim of achieving returns in excess of cash over a three year period. The Fund has, over its short life, experienced some of the most difficult market conditions we have seen for some time. It has posted a fall of 5.9% over the stated reporting period. The MSCI World Index, not the Fund's benchmark but an accepted representation of world equity markets and a strong indicator of the prevailing market conditions in which the Fund has operated over the past twelve months, fell by 7.6%. These are early days for the Fund and although it is disappointing to report a fall, the prevailing environment has offered plenty of opportunities, and these short term returns are a direct consequence of adopting a longer term strategy of buying into market weakness.

MARKET REVIEW

The effects of the US sub prime mortgage collapse and subsequent credit crunch have been felt across the western world but it has been rising commodity prices, particularly oil and food, that have really threatened to stall global growth during this period. The oil price rose consistently and dramatically throughout the first half of this year, reaching a high of \$147.27 in early July before dropping off sharply. With eyes firmly fixed on Hurricane Gustav, the oil price ended the period under review at \$115.65. However, dramatic weather patterns aside, there has been a clear break in the upward momentum of the oil price witnessed throughout the year and, with the speculators seemingly flushed out of the market for the time being, the trend of falling prices looks set to continue over the coming months.

The world had been willing the oil price to fall for some time. The recent price fall is good news and will hopefully offer some respite for the Central Banks who have, in the Western world in particular, been struggling to cope with the external inflationary pressures, whilst at the same time attempting to stave off recession. There is no doubt about the fact that investors want to see more interest rate cuts on a par with those seen over the first half of the review period and until that happens, a prolonged period of fearful markets may continue. However, inflation is still a threat and the Central Banks are likely to remain cautious until that threat has subsided.

After a prolonged period of gains, commodities as a whole were hit hard, revealing the implicit volatility within the asset class. However, the recent falls in commodity prices does not, we believe, mark the end of the commodity supercycle. It is more likely a pause for breath. The long term demand for natural resources is unlikely to decline as infrastructure spend is likely to continue in the developed world as well as the developing.

PORTFOLIO ACTIVITY

The Fund has enjoyed strong inflows from launch and we have looked to invest strategically, building the portfolio gradually and taking advantage of opportunities as and when they arrive. In this volatile time we are finding plenty of long term value in equity markets and this is proving attractive. Equities are cheap. We have used Exchange Traded Funds (ETFs) to provide cheap and flexible access to stock markets whilst we build a portfolio of active funds and fund managers. Our objective is to build a diverse portfolio capable of accessing the long term growth potential offered by equities whilst reducing the impact of this asset class implicit short term volatility. We can do this through diversification across other asset classes including natural resources, structured products, absolute return strategies, property, bonds and cash.

Over the period the portfolio has been protected to an extent from the short term difficulties currently evident in equity markets by a large tactical cash position. We currently have 20% in cash, which we prefer to bonds in the current environment, and have invested in the Goldman Sachs Sterling Liquid Return Fund which is offering around 5% at the moment. We are cautious but interested with regards to equities and, being careful not to get drawn into the market too soon, we will look to reduce our cash position in favour of equities, when the time is right.

OUTLOOK

Equity markets enjoyed a rally on the back of the falling oil price. These are volatile times though, and we are clearly in a transition phase. Markets are extremely wary at the moment and any news, good or bad, is likely to tip the fine balance. However, the tone of the market commentators is starting to change and there is plenty of scope for optimism. Stockmarkets are currently oversold on almost any valuation metric used by fund managers or global strategists. Put bluntly, equity markets are cheap; cheap historically and cheap versus other asset classes. Long term value is there to be found in these markets and it is a question of when, rather than if, that value will be realised.

Source: North Investment Partners, September 2008.

Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

PENNINE DYNAMIC FUND

PORTFOLIO OF INVESTMENTS

As at 31st August 2008

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
COLLECTIVE INVESTMENT SCHEMES 43.65%				United Kingdom - continued			
China 2.29%				16,863	PSigma Income Institutional	13	0.35
979	First State China Growth I	36	0.97	14,761	Resolution Cartesian UK Opportunities Institutional ¹	17	0.46
9,893	Gartmore China Opportunities Ret A	49	1.32	44,843	River & Mercantile UK Equity 'A'	43	1.16
		85	2.29			825	22.18
Europe 3.87%				EXCHANGE TRADED FUNDS 29.80%			
111,090	JPMorgan Europe Dynamic ex UK 'B' ¹	94	2.53	Global 0.32%			
23,915	RAB Capital European Dynamic 'A'	50	1.34	1,500	ETFS Forward Agriculture DJ	12	0.32
		144	3.87			12	0.32
Far East 2.79%				Japan 1.10%			
50,224	Atlantis China Fortune	50	1.34	6,500	iShares MSCI Japan	41	1.10
5,614	Melchior Asian Opportunities Fund 'D' ¹	7	0.19			41	1.10
225	Veritas Asian 'A'	47	1.26	North America 9.51%			
		104	2.79	50,000	iShares S&P 500	354	9.51
Frontier Markets 0.73%						354	9.51
50,000	Advance Frontier Markets	27	0.73	Taiwan 1.51%			
		27	0.73	3,350	iShares MSCI Taiwan	56	1.51
						56	1.51
Global 4.95%				United Kingdom 17.36%			
2,760	BlackRock Gold & General ¹	25	0.67	350	ETFS Oil Securities	21	0.56
18,791	Investec Global Energy 'A' ¹	44	1.18	111,000	iShares FTSE 100	625	16.80
25,601	CQS RIG Finance	17	0.46			646	17.36
17,000	Harewood BNP Paribas Agrinvest	19	0.51	EQUITY 0.32%			
12,240	Quorum Oil and Gas Technology	69	1.85	United Kingdom 0.32%			
1,110	Quorum Oil and Gas Technology Warrants	1	0.03	20,000	RAB Special Situations 'S'	12	0.32
5,546	Utilico Emerging Markets Utilities	8	0.22			12	0.32
1,084	Utilico Emerging Markets Utilities 'S'	1	0.03	FIXED INTEREST 2.28%			
		184	4.95	United Kingdom 2.28%			
Japan 3.46%				64,806	Barclays Simple '543' 0% NTS 27/06/2013	67	1.80
9,681	Coupland Cardiff CC Japan Alpha 'B'	60	1.61	400	Lyxor Gold Bullion 0% Undated Notes	18	0.48
87,873	Martin Currie Japan Alpha 'B'	69	1.85			85	2.28
		129	3.46	HEDGE FUNDS 5.84%			
Latin America 2.28%				Global 5.84%			
6,200	iShares MSCI Latin America	85	2.28	31,365	Absolute Return	43	1.16
		85	2.28	10,000	BlackRock Absolute Return Strategies	104	2.80
Russia 1.10%				19,704	Harewood Structured Hedge Elite	17	0.46
14,700	Neptune Russia & Greater Russia 'B' ¹	41	1.10	33,757	Thames River Multi Hedge PCC	53	1.42
		41	1.10			217	5.84
United Kingdom 22.18%				INVESTMENT TRUSTS 12.95%			
3,594	AXA Framlington Monthly Income ¹	12	0.32	Asia 2.36%			
1,124	BlackRock Special Situations Income	14	0.38	53,000	Invesco Asia	51	1.37
23,858	F&C Asset Management UK Opportunities 2 ¹	12	0.32	26,000	Schroder Asia Pacific	37	0.99
92,398	FRM Credit Alpha	108	2.90			88	2.36
605,842	Goldman Sachs Sterling Liquid Reserves Institutional	606	16.29				

PORTFOLIO OF INVESTMENTS

As at 31st August 2008

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
Global 6.93%			
45,523	Cazenove Absolute Equity	54	1.45
12,800	BlackRock World Mining	77	2.07
111,744	PSource Structured Debt	127	3.41
		258	6.93
Property 2.26%			
59,997	Enhanced Property Recovery	49	1.32
20,000	MedicX	15	0.40
28,000	Terra Catalyst	20	0.54
		84	2.26
Russia 1.40%			
8,500	JPMorgan Russian Securities	52	1.40
		52	1.40
STRUCTURED PLANS 1.32%			
United Kingdom 1.32%			
46,000	Symphony Structure Defensive FTSE AutoCall 4	49	1.32
		49	1.32
	Total Value of Investments	3,578	96.16
	Net Other Assets	143	3.84
	Total Net Assets	3,721	100.00

¹ Accumulation Shares.

There are no prior year figures as the sub-fund launched on 5th October 2007.

PENNINE DYNAMIC FUND

STATEMENT OF TOTAL RETURN

For the period from 5th October 2007 to 31st August 2008

	Notes		31/08/08		31/08/08
			£'000		£'000
Net losses on investments during the period	2				(141)
Other losses	3				(1)
Income	4		47		
Expenses	5		(60)		
Finance costs: Interest	7		-		

Net expense before taxation			(13)		
Taxation	6		-		

Net expense after taxation					(13)
Total return before distributions					(155)
Finance costs: Distributions	7				-

Change in net assets attributable to shareholders					(155)
					=====

BALANCE SHEET

As at 31st August 2008

	Notes		31/08/08
			£'000
ASSETS			
Portfolio of Investments			<u>3,578</u>
Debtors	8		57
Cash and bank balances	9		<u>308</u>
Total other assets			<u>365</u>
Total assets			<u>3,943</u>
LIABILITIES			
Creditors	11		(216)
Bank overdrafts	10		<u>(6)</u>
Total liabilities			<u>(222)</u>
Net assets attributable to shareholders			<u>3,721</u>

STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 5th October 2007 to 31st August 2008

		31/08/08		31/08/08
		£'000		£'000
Net assets at the start of the period				-
Movements due to sales and repurchases of shares:				
Amounts receivable on issue of shares				4,190
Less: Amount payable on cancellation of shares			(312)	

				3,878
Stamp Duty Reserve Tax (SDRT)				(2)
Change in net assets attributable to shareholders (see above)				(155)

Net assets at the end of the period				3,721
				=====

The notes on pages 11 to 14 are an integral part of these financial statements.
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson
Finance Director (of the ACD)
27th October 2008

Mark Friend
Managing Director, Operations (of the ACD)

PENNINE DYNAMIC FUND

SUMMARY OF MATERIAL PORTFOLIO CHANGES

For the period from 5th October 2007 to 31st August 2008

Purchases	Cost £'000	Note
Goldman Sachs Sterling Liquid Reserves Institutional	806	
iShares FTSE 100	714	
iShares S&P 500	311	
PSource Structured Debt	126	
FRM Credit Alpha	105	
JPMorgan Europe Dynamic ex UK 'B' ¹	103	
BlackRock Absolute Return Strategies	100	
iShares MSCI Latin America	93	
Coupland Cardiff CC Japan Alpha 'B'	81	
BlackRock World Mining	79	
Martin Currie Japan Alpha 'B'	74	
Veritas Asian 'A'	70	
Atlantis China Fortune	70	
iShares MSCI Taiwan	67	
Barclays Simple '543' 0% NTS 27/06/2013	65	
Quorum Oil and Gas Technology	63	
Enhanced Property Recovery	61	
Invesco Asia	61	
Gartmore China Opportunities	58	
JPMorgan Russian Securities	54	
Other	978	
Total purchases during the period	4,139	16
Sales	Proceeds £'000	
Goldman Sachs Sterling Liquid Reserves Institutional	200	
iShares FTSE 100	60	
JPMorgan Europe Dynamic ex UK 'B' ¹	49	
ETFS Oil Securities	33	
iShares FTSE 250	25	
Lyxor Gold Bullion 0% Undated Notes	20	
Veritas Asian 'A'	18	
Melchior Asian Opportunities Fund 'D' ¹	15	
Total sales during the period	420	16

¹ Accumulation Shares.

Please note: the purchases and sales shown represent all those with a value of 2% or more of the net asset value of the sub-fund at the start of the period (or at the end of the period for the sub-fund's first accounting period) and at minimum the top 20 purchases and sales during the period. There were 8 sales during the period.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for 'Financial Statements of Authorised Funds', issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Income Recognition

Income from collective investment schemes, and quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Accumulation of income relating to accumulation units or shares held in collective investment schemes is recognised as income and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

The gains and losses arising on investments in structured plans are allocated as between income and capital according to the nature of the structured plan. This is dependent on the extent to which the return is capital based or income based. In the year, all gains and losses were taken to capital.

Bank interest, interest on debt securities, underwriting commission and other income are recognised on an accruals basis.

In the case of debt securities, the total income arising includes the amortisation of any premium or discount at the time of purchase spread over the life of the security, having regard to applicable accounting standards.

Expenses

For accounting purposes, all expenses (other than SDRT and those relating to the purchase and sale of investments) are charged against income for the period on an accruals basis.

Distributions

Amounts distributable are calculated after excluding those expenses relating to the purchase and sale of investments which are borne by capital and expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100% of the sub-funds' expenses are to be borne by income.

Valuations

All investments are valued at their fair value at noon on 29th August 2008, being the last business day of the financial period. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

The fair value of investments managed by the ACD is their single price and the fair value of investments which are managed by other management groups is their contractual bid price.

Structured plans are valued at the latest price from the product provider.

Taxation

Corporation tax has been provided for at a rate of 20%. Dividend income and taxation are stated net of any associated tax credits. Deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised only to the extent that the assets are considered to be recoverable.

Dilution Levy

In certain circumstances the ACD may charge a dilution levy, in accordance with the FSA Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-fund and included in the Statement of Change in Shareholders' Net Assets. The levy is intended to cover certain dealing charges not included in the mid market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

Stamp Duty Reserve Tax (SDRT)

SDRT will be charged to the sub-fund. It is the ACD's view that this will not be material.

PENNINE DYNAMIC FUND

2. NET LOSSES ON INVESTMENTS

The net losses on investments during the period comprise:

	31/08/08 £'000
Non-derivative securities	(141)
Net losses on investments	(141)

3. OTHER LOSSES

Other losses comprise:

	31/08/08 £'000
Other currency losses	(1)
	(1)

4. INCOME

	31/08/08 £'000
Bank interest	19
Franked UK dividends	1
Overseas dividends	10
Payments from authorised collective investment schemes:	
- Franked distributions	1
- Unfranked distributions	16
	47

5. EXPENSES

	31/08/08 £'000
Payable to the ACD, associates of the ACD and agents of either of them:	
ACD's periodic charge	26
	26
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	8
Transaction charges	1
	9
Other expenses:	
Auditors' remuneration	6
Registration fees	10
FSA and other regulatory fees	1
Legal fees	6
Printing fees	1
Price publication fees	1
	25
Total expenses	60

Irrecoverable VAT is included in the above expenses where relevant.

6. TAXATION

(a) The tax charge comprises:

	31/08/08 £'000
Current tax:	
Overseas withholding tax	-
Total current tax (note 6 (b))	-

(b) Factors affecting the tax charge for the period

The tax charged for the period is higher than the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

	31/08/08 £'000
Net expense before taxation	(13)
	(13)

Return on ordinary activities multiplied by the special rate of corporation tax of 20%

Effects of:
Expenses not utilised in period

Current tax charge (note 6 (a))

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has not recognised a deferred tax asset of £2,578 arising as a result of having unutilised management expense.

7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

	31/08/08 £'000
Interim distribution	-
	-
Add: Income deducted on cancellation of shares	-
Deduct: Income received on issue of shares	-
Net distribution for the period	-
Interest	-
Total Finance Costs	-

The difference between the net income after taxation and the amounts distributed comprises:

Net expense after taxation	(13)
Expenses offset against capital	1
Deficit Transferred to capital	12

Finance costs: Distributions

PENNINE DYNAMIC FUND

8. DEBTORS

	31/08/08 £'000
Accrued income	9
Amounts receivable for issue of shares	48
	57

9. CASH AND BANK BALANCES

	31/08/08 £'000
Sterling	308
Cash and bank balances	308

10. BANK OVERDRAFTS

	31/08/08 £'000
Sterling	6
Bank overdrafts	6

11. CREDITORS

	31/08/08 £'000
Accrued expenses	16
Purchases awaiting settlement	200
	216

12. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. The ACD is responsible for managing and administering the sub-fund's affairs in compliance with the FSA Regulations. In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the sub-fund, calculated on a mid-market basis.

The annual management charge ("AMC") accrues daily and is payable monthly. The current AMC for the sub-fund is set out in note 15 on page 14. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 5 on page 12. The balance outstanding at the period end was £nil.

Investment Adviser

The ACD has appointed Premier Fund Managers Limited to provide investment management and advisory services to the ACD.

The Investment Adviser has appointed North Investment Partners Limited as sub-Investment Adviser to the sub-fund.

Depositary

The sub-fund's Depositary is The Royal Bank of Scotland plc. The Depositary is responsible for the safekeeping of all of the scheme property of the sub-fund and has a duty to take reasonable care to ensure that the sub-fund is managed in accordance with the provisions of the FSA Regulations relating to the pricing of and dealing in shares and relating to the income of the sub-fund. Subject to FSA Regulations, the Depositary has full power under the Depositary agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depositary. It has delegated custody services to The Northern Trust Company. The Depositary received for its own account a periodic fee which accrues daily and is payable monthly. The fee is payable out of the property attributable to the sub-fund. The rate of the periodic fee is as agreed between the ACD and the Depositary from time to time and subject to a current maximum of 0.077% of the value of the relevant sub-fund per annum which may be varied from time to time with the agreement of the ACD and the Depositary.

The total remuneration payable to the Depositary out of the property attributable to each sub-fund for its services also includes transaction charges and custody charges.

Amounts paid to The Royal Bank of Scotland plc in respect of the Depositary's services are disclosed in note 5 on page 12. There was nothing due to the Depositary at the period end.

13. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the Balance Sheet date.

14. DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

In pursuing the sub-funds investment objective, as set out in the investment objective and policy on page 7, the main risks arising from the sub-funds financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The Investment Adviser and sub-Investment Adviser 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 sub-fund's investment objective.

The Investment Adviser and sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against risks as, in their opinion, the cost of such a process would result in an unacceptable reduction in the potential capital growth.

Currency Risk

The currency profile of the sub-fund's financial instruments at the balance sheet date (including short term debtors and creditors) was:

Currency exposure as at 31st August 2008

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	233	-	233	6.26
Sterling	3,345	143	3,488	93.74
Total	3,578	143	3,721	100.00

Interest Rate Risk

The sub-fund does not have any material direct interest rate risk as the majority of financial assets are in collective investment schemes, which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk.

Interest on bank balances and overdrafts is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall within one year.

Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a large number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the Investment Adviser as an acceptable counterparty and from recognised product providers.

Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the Balance Sheet on page 10.

Derivatives

The sub-fund does not hold any derivatives that could materially impact the value of the sub-fund.

15. SHARE CLASSES

The sub-fund currently has one type of share, Accumulation Shares. The AMC is as follows:

Accumulation Shares: 1.50%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 7.

16. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	31/08/08 £'000
Purchases in period before transaction costs	4,136
Commissions	2
Taxes	1
Total purchase costs	3
Gross purchases total	4,139
Analysis of total sale costs:	
Gross sales before transaction costs	420
Commissions	-
Total sale costs	-
Total sales net of transaction costs	420

PENNINE PATHFINDER FUND

COMPARATIVE TABLES

Performance Record

Calendar Year	High (p)	Low (p)
---------------	----------	---------

Income Shares

2007 ¹	101.22	98.41
2008 ²	102.34	95.36

Accumulation Shares

2007 ¹	101.22	98.42
2008 ²	102.32	91.96

Income/Accumulation Record

Calendar Year	Net Income Per Share (p)	Net Income Per £1,000 at Launch (£)
---------------	--------------------------	-------------------------------------

Income Shares

2007 ¹	-	-
2008 ²	0.5658	5.66

Accumulation Shares

2007 ¹	-	-
2008 ²	0.5658	5.66

Net Asset Values

As at	Shares In Issue	Net Asset Value Per Share (p)	Net Asset Value of Sub-Fund (£)
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Income Shares

31/08/2008	1,971,355	98.36	11,748,783
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Accumulation Shares

31/08/2008	9,913,384	98.95	11,748,783
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¹ From 5th October 2007 to 31st December 2007.

² To 31st August 2008.

TOTAL EXPENSE RATIO (TER)

Estimated

1.99%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses to different schemes. The TER for income and accumulation shares is the same.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Fund is to provide long term capital growth from a portfolio of global investments.

The Fund will achieve this by investing predominantly in units in collective investment schemes. The long term capital growth objective may lead to the Fund maintaining a weighting of equity based collective investment schemes. The Fund may also invest in equities, fixed interest securities, money market instruments, deposits and warrants, and may invest indirectly in immovable property typically through units in collective investment schemes and/or shares in property companies.

The Fund may invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund).

The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

INVESTMENT REVIEW

PERFORMANCE

The Pennine Pathfinder Fund was launched on 5 October 2007 with the aim of achieving returns in excess of cash over a three year period. The Fund has, over its short life, experienced some of the most difficult market conditions we have seen for some time. It has posted a fall of 1.0% over the stated reporting period. The MSCI World Index, not the Fund's benchmark but an accepted representation of world equity markets and a strong indicator of the prevailing market conditions in which the Fund has operated over the past twelve months, fell by 7.6%. These are early days for the Fund and although it is disappointing to report a fall, the prevailing environment has offered plenty of opportunities and these short term returns are a direct consequence of adopting a longer term strategy of buying into market weakness.

MARKET REVIEW

The effects of the US sub prime mortgage collapse and subsequent credit crunch have been felt across the western world but it has been rising commodity prices, particularly oil and food, that have really threatened to stall global growth during this period. The oil price rose consistently and dramatically throughout the first half of this year, reaching a high of \$147.27 in early July before dropping off sharply. With eyes firmly fixed on Hurricane Gustav, the oil price ended the period under review at \$115.65. However, dramatic weather patterns aside, there has been a clear break in the upward momentum of the oil price witnessed throughout the year and, with the speculators seemingly flushed out of the market for the time being, the trend of falling prices looks set to continue over the coming months.

The world had been willing the oil price to fall for some time. The recent price fall is good news and will hopefully offer some respite for the Central Banks who have, in the Western world in particular, been struggling to cope with the external inflationary pressures, whilst at the same time attempting to stave off recession. There is no doubt about the fact that investors want to see more interest rate cuts on a par with those seen over the first half of the review period and until that happens, a prolonged period of fearful markets may continue. However, inflation is still a threat and the Central Banks are likely to remain cautious until that threat has subsided.

After a prolonged period of gains, commodities as a whole were hit hard, revealing the implicit volatility within the asset class. However, the recent falls in commodity prices does not, we believe, mark the end of the commodity supercycle. It is more likely a pause for breath. The long term demand for natural resources is unlikely to decline as infrastructure spend is likely to continue in the developed world as well as the developing.

PORTFOLIO ACTIVITY

The Fund has enjoyed strong inflows from launch and we have looked to invest strategically, building the portfolio gradually and taking advantage of opportunities as and when they arrive. In this volatile time we are finding plenty of long term value in equity markets and this is proving attractive. Equities are cheap. We have used Exchange Traded Funds (ETFs) to provide cheap and flexible access to stock markets whilst we build a portfolio of active funds and fund managers. Our objective is to build a diverse portfolio capable of accessing the long term growth potential offered by equities whilst reducing the impact of this asset class implicit short term volatility. We can do this through diversification across other asset classes including natural resources, structured products, absolute return strategies, property, bonds and cash.

Over the period the portfolio has been protected to an extent from the short term difficulties currently evident in equity markets by a large tactical cash position. We currently have 28% in cash, which we prefer to bonds in the current environment, and have invested in the Goldman Sachs Sterling Liquid Return Fund which is offering around 5% at the moment. We are cautious but interested with regards to equities and, being careful not to get drawn into the market too soon, we will look to reduce our cash position in favour of equities, when the time is right.

OUTLOOK

Equity markets enjoyed a rally on the back of the falling oil price. These are volatile times though, and we are clearly in a transition phase. Markets are extremely wary at the moment and any news, good or bad, is likely to tip the fine balance. However, the tone of the market commentators is starting to change and there is plenty of scope for optimism. Stockmarkets are currently oversold on almost any valuation metric used by fund managers or global strategists. Put bluntly, equity markets are cheap; cheap historically and cheap versus other asset classes. Long term value is there to be found in these markets and it is a question of when, rather than if, that value will be realised.

Source: North Investment Partners, September 2008.

Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

PENNINE PATHFINDER FUND

PORTFOLIO OF INVESTMENTS

As at 31st August 2008

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
COLLECTIVE INVESTMENT SCHEMES 44.93%				United Kingdom 16.06%			
Europe 2.69%				FIXED INTEREST 5.02%			
235,986	JPMorgan Europe Dynamic Ex UK 'B' ¹	199	1.69	1,500	ETFS Oil Securities	90	0.77
56,702	RAB Capital European Dynamic 'A'	118	1.00	7,000	iShares FTSE All Stocks Gilt	70	0.60
		317	2.69	306,300	iShares FTSE 100	1,726	14.69
						1,886	16.06
Far East 2.21%				United Kingdom 5.02%			
120,607	Atlantis China Fortune	120	1.02	398,804	Barclays Simple '543' 0% NTS 27/06/2013	411	3.50
9,036	Melchior Asian Opportunities Fund 'D' ¹	11	0.09	2,400	Lyxor Gold Bullion 0% Undated Notes	108	0.92
624	Veritas Asian 'A'	129	1.10	70,000	Treasury 4% 07/03/2009	70	0.60
		260	2.21			589	5.02
Frontier Markets 0.23%				HEDGE FUNDS 6.75%			
50,000	Advance Frontier Markets	27	0.23	Global 6.75%			
		27	0.23	124,715	Absolute Return	173	1.47
Global 6.15%				32,000	BlackRock Absolute Return Strategies	331	2.82
96,919	Allianz RCM BRIC Stars 'C' ¹	149	1.27	98,522	Harewood Structured Hedge Elite	83	0.71
7,109	BlackRock Gold & General ¹	65	0.55	130,661	Thames River Multi Hedge PCC	206	1.75
37,928	CQS RIG Finance	25	0.21			793	6.75
58,000	Harewood BNP Paribas Agrinvest	66	0.56	EQUITY 0.23%			
67,566	Investec Global Energy 'A' ¹	160	1.36	United Kingdom 0.23%			
45,167	Quorum Oil and Gas Technology	256	2.18	45,000	RAB Special Situations 'S'	27	0.23
3,300	Quorum Oil and Gas Technology Warrants	2	0.02			27	0.23
		723	6.15	INVESTMENT TRUSTS 10.38%			
Japan 2.54%				Asia 1.05%			
18,306	Coupland Cardiff CC Japan Alpha 'B'	114	0.97	79,000	Invesco Asia	77	0.68
234,969	Martin Currie Japan Alpha 'B'	184	1.57	30,000	Schroder Asia Pacific	43	0.37
		298	2.54			120	1.05
United Kingdom 31.11%				Global 6.31%			
16,945	AXA Framlington Monthly Income ¹	55	0.47	100,000	Acencia Debt Strategies	99	0.84
5,297	BlackRock Special Situations Income	64	0.54	167,806	Cazenove Absolute Equity	198	1.69
295,229	FRM Credit Alpha	345	2.94	40,800	BlackRock World Mining	245	2.09
112,474	F&C Asset Management UK Opportunities 2 ¹	58	0.49	173,533	PSource Structured Debt	198	1.69
1,930,497	Goldman Sachs Sterling Liquid Reserves Institutional	1,930	16.43			740	6.31
960,000	Insight Liquidity Class 5	960	8.17	PROPERTY 2.39%			
79,499	PSigma Income Institutional	60	0.51	181,304	Enhanced Property Recovery	147	1.25
46,613	Resolution Cartesian UK Opportunities Institutional ¹	54	0.46	75,000	MedicX	57	0.49
133,671	River & Mercantile UK Equity 'A'	129	1.10	104,000	Terra Catalyst	76	0.65
		3,655	31.11			280	2.39
EXCHANGE TRADED FUNDS 26.02%				Russia 0.63%			
Global 0.33%				12,000	JPMorgan Russian Securities	74	0.63
5,000	ETFS Forward Agriculture DJ	39	0.33			74	0.63
		39	0.33	North America 9.63%			
160,000	iShares S&P 500	1,131	9.63				
		1,131	9.63				

PENNINE PATHFINDER FUND

PORTFOLIO OF INVESTMENTS

As at 31st August 2008

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
	STRUCTURED PLANS 1.83%		
	United Kingdom 1.83%		
200,000	Symphony Structure Defensive FTSE AutoCall 4	215	1.83
		<u>215</u>	<u>1.83</u>
	Total Value of Investments	<u>11,174</u>	<u>95.16</u>
	Net Other Assets	575	4.84
	Total Net Assets	<u><u>11,749</u></u>	<u><u>100.00</u></u>

¹ Accumulation Shares.

There are no prior year figures as the sub-fund launched on 5th October 2007.

PENNINE PATHFINDER FUND

STATEMENT OF TOTAL RETURN

For the period from 5th October 2007 to 31st August 2008

	Notes	£'000	31/08/08 £'000
Net losses on investments during the period	2		(129)
Other losses	3		(1)
Income	4	173	
Expenses	5	(122)	
Finance costs: Interest	7	-	
Net income before taxation		51	
Taxation	6	(10)	
Net income after taxation			<u>41</u>
Total return before distributions			(89)
Finance costs: Distributions	7		(42)
Change in net assets attributable to shareholders			<u><u>(131)</u></u>

STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 5th October 2007 to 31st August 2008

	Notes	£'000	31/08/08 £'000
Net assets at the start of the period			-
Movements due to sales and repurchases of shares:			
Amounts receivable on issue of shares		12,491	
Less: Amount payable on cancellation of shares		(665)	
			<u>11,826</u>
Stamp Duty Reserve Tax (SDRT)			(2)
Change in net assets attributable to shareholders (see above)			(131)
Retained distribution on accumulation shares	7		56
Net assets at the end of the period			<u><u>11,749</u></u>

BALANCE SHEET

As at 31st August 2008

	Notes		31/08/08 £'000
ASSETS			
Portfolio of Investments			<u>11,174</u>
Debtors	8		44
Cash and bank balances	9		<u>578</u>
Total other assets			<u>622</u>
Total assets			<u><u>11,796</u></u>
LIABILITIES			
Creditors	10		(36)
Distributions payable on income shares	7		<u>(11)</u>
Total liabilities			<u>(47)</u>
Net assets attributable to shareholders			<u><u>11,749</u></u>

The notes on pages 19 to 22 are an integral part of these financial statements.
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson
Finance Director (of the ACD)
27th October 2008

Mark Friend
Managing Director, Operations (of the ACD)

PENNINE PATHFINDER FUND

SUMMARY OF MATERIAL PORTFOLIO CHANGES

For the period from 5th October 2007 to 31st August 2008

Purchases	Cost £'000	Note
Goldman Sachs Sterling Liquid Reserves Institutional	1,930	
iShares FTSE 100	1,812	
iShares S&P 500	997	
Insight Liquidity Class 5	960	
Barclays Simple '543' 0% NTS 27/06/2013	400	
FRM Credit Alpha	339	
BlackRock Absolute Return Strategies	320	
BlackRock World Mining	258	
Quorum Oil and Gas Technology	233	
JPMorgan Europe Dynamic Ex UK 'B' ¹	211	
Thames River Multi Hedge PCC	206	
Symphony Structure Defensive FTSE AutoCall 4	200	
PSource Structured Debt	195	
Cazenove Absolute Equity	192	
Martin Currie Japan Alpha 'B'	192	
Allianz RCM BRIC Stars 'C' ¹	186	
Enhanced Property Recovery	185	
Atlantis China Fortune	177	
Absolute Return	167	
Lyxor Gold Bullion 0% Undated Notes	163	
Other	2,463	
Total purchases during the period	11,786	16
Sales	Proceeds £'000	Note
JPMorgan Europe Dynamic Ex UK 'B' ¹	120	
iShares FTSE 100	96	
ETFS Oil Securities	88	
Lyxor Gold Bullion 0% Undated Notes	64	
iShares FTSE 250	61	
Resolution Cartesian UK Opportunities Institutional ¹	60	
Total sales during the period	489	16

¹ Accumulation Shares.

Please note: the purchases and sales shown represent all those with a value of 2% or more of the net asset value of the sub-fund at the start of the period (or at the end of the period for the sub-fund's first accounting period) and at minimum the top 20 purchases and sales during the period. There were 6 sales during the period.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for 'Financial Statements of Authorised Funds', issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Income Recognition

Income from collective investment schemes, and quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Accumulation of income relating to accumulation units or shares held in collective investment schemes is recognised as income and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

The gains and losses arising on investments in structured plans are allocated as between income and capital according to the nature of the structured plan. This is dependent on the extent to which the return is capital based or income based. In the year, all gains and losses were taken to capital.

Bank interest, interest on debt securities, underwriting commission and other income are recognised on an accruals basis.

In the case of debt securities, the total income arising includes the amortisation of any premium or discount at the time of purchase spread over the life of the security, having regard to applicable accounting standards.

Expenses

For accounting purposes, all expenses (other than SDRT and those relating to the purchase and sale of investments) are charged against income for the period on an accruals basis.

Distributions

Amounts distributable are calculated after excluding those expenses relating to the purchase and sale of investments which are borne by capital and expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100 % of the sub-funds' expenses are to be borne by income.

Valuations

All investments are valued at their fair value at noon on 29th August 2008, being the last business day of the financial period. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

The fair value of investments managed by the ACD is their single price and the fair value of investments which are managed by other management groups is their contractual bid price.

Structured plans are valued at the latest price from the product provider.

Taxation

Corporation tax has been provided for at a rate of 20%. Dividend income and taxation are stated net of any associated tax credits. Deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised only to the extent that the assets are considered to be recoverable.

Dilution Levy

In certain circumstances the ACD may charge a dilution levy, in accordance with the FSA Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-fund and included in the Statement of Change in Shareholders' Net Assets. The levy is intended to cover certain dealing charges not included in the mid market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

Stamp Duty Reserve Tax (SDRT)

SDRT will be charged to the sub-fund. It is the ACD's view that this will not be material.

PENNINE PATHFINDER FUND

2. NET LOSSES ON INVESTMENTS

The net losses on investments during the period comprise:

	31/08/08 £'000
Non-derivative securities	(129)
Net losses on investments	<u>(129)</u>

3. OTHER LOSSES

Other losses comprise:

	31/08/08 £'000
Other currency losses	(1)
	<u>(1)</u>

4. INCOME

	31/08/08 £'000
Bank interest	84
Deposit interest	2
Franked UK dividends	3
Interest on debt securities	8
Overseas dividends	15
Payments from authorised collective investment schemes:	
- Franked distributions	3
- Unfranked distributions	58
	<u>173</u>

5. EXPENSES

	31/08/08 £'000
Payable to the ACD, associates of the ACD and agents of either of them:	
ACD's periodic charge	83
	<u>83</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	8
Transaction charges	1
	<u>9</u>
Other expenses:	
Auditors' remuneration	6
Registration fees	12
FSA and other regulatory fees	2
Legal fees	6
Printing fees	2
Price publication fees	2
	<u>30</u>
Total expenses	<u>122</u>

Irrecoverable VAT is included in the above expenses where relevant.

6. TAXATION

(a) The tax charge comprises:

	31/08/08 £'000
Current tax:	
Corporation tax	10
Total current tax (note 6 (b))	<u>10</u>

(b) Factors affecting the tax charge for the period

The tax charged for the period is at the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

	31/08/08 £'000
Net income before taxation	51
	<u>51</u>
Return on ordinary activities multiplied by the special rate of corporation tax of 20%	10
Effects of:	
Franked UK dividends and distributions not subject to taxation	(1)
Set-up costs	1
Current tax charge (note 6 (a))	<u>10</u>

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has not recognised a deferred tax asset of £9,540 arising as a result of having unutilised management expenses.

7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

	31/08/08 £'000
Interim distribution	11
Interim accumulation	56
	<u>67</u>
Add: Income deducted on cancellation of shares	2
Deduct: Income received on issue of shares	(27)
Net distribution for the period	<u>42</u>
Interest	-
Total Finance Costs	<u>42</u>
The difference between the net income after taxation and the amounts distributed comprises:	
Net income after taxation	41
Expenses offset against capital	1
Finance costs: Distributions	<u>42</u>

PENNINE PATHFINDER FUND

8. DEBTORS

	31/08/08 £'000
Accrued income	30
Amounts receivable for issue of shares	14
	44

9. CASH AND BANK BALANCES

	31/08/08 £'000
Sterling	578
Cash and bank balances	578

10. CREDITORS

	31/08/08 £'000
Accrued expenses	18
Amounts payable for cancellation of shares	1
Corporation tax payable	9
Purchases awaiting settlement	8
	36

12. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. The ACD is responsible for managing and administering the sub-fund's affairs in compliance with the FSA Regulations. In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the sub-fund, calculated on a mid-market basis.

The annual management charge ("AMC") accrues daily and is payable monthly. The current AMC for the sub-fund is set out in note 15 on page 22. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 5 on page 20. The balance outstanding at the period end was £nil.

Investment Adviser

The ACD has appointed Premier Fund Managers Limited to provide investment management and advisory services to the ACD.

The Investment Adviser has appointed North Investment Partners Limited as sub-Investment Adviser to the sub-fund.

Depository

The sub-fund's Depository is The Royal Bank of Scotland plc. The Depository is responsible for the safekeeping of all of the scheme property of the sub-fund and has a duty to take reasonable care to ensure that the sub-fund is managed in accordance with the provisions of the FSA Regulations relating to the pricing of and dealing in shares and relating to the income of the sub-fund. Subject to FSA Regulations, the Depository has full power under the Depository agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depository. It has delegated custody services to The Northern Trust Company. The Depository received for its own account a periodic fee which accrues daily and is payable monthly. The fee is payable out of the property attributable to the sub-fund. The rate of the periodic fee is as agreed between the ACD and the Depository from time to time and subject to a current maximum of 0.077% of the value of the relevant sub-fund per annum which may be varied from time to time with the agreement of the ACD and the Depository.

The total remuneration payable to the Depository out of the property attributable to each sub-fund for its services also includes transaction charges and custody charges.

Amounts paid to The Royal Bank of Scotland plc in respect of the Depository's services are disclosed in note 5 on page 20. There was nothing due to the Depository at the period end.

13. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the Balance Sheet date.

14. DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

In pursuing the sub-funds investment objective, as set out in the investment objective and policy on page 15, the main risks arising from the sub-funds financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The Investment Adviser and sub-Investment Adviser 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 sub-fund's investment objective.

The Investment Adviser and sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against risks as, in their opinion, the cost of such a process would result in an unacceptable reduction in the potential capital growth.

Currency Risk

The currency profile of the sub-fund's financial instruments at the balance sheet date (including short term debtors and creditors) was:

Currency exposure as at 31st August 2008

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	640	-	640	5.45
Sterling	10,534	575	11,109	94.55
Total	11,174	575	11,749	100.00

Interest Rate Risk

The sub-fund does not have any material direct interest rate risk as the majority of financial assets are in collective investment schemes, which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk.

Interest on bank balances and overdrafts is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall within one year.

Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a large number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the Investment Adviser as an acceptable counterparty and from recognised product providers.

Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the Balance Sheet on page 18.

PENNINE PATHFINDER FUND

Derivatives

The sub-fund does not hold any derivatives that could materially impact the value of the sub-fund.

15. SHARE CLASSES

The sub-fund currently has two types of share, Income Shares and Accumulation Shares. The AMC on each share class is as follows:

Income Shares: 1.50%

Accumulation Shares: 1.50%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 15. The distribution per share class is given in the distribution tables opposite.

16. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	31/08/08 £'000
Purchases in period before transaction costs	11,780
Commissions	4
Taxes	2
Total purchase costs	6

Gross purchases total **11,786**

Analysis of total sale costs:

Gross sales before transaction costs	489
Commissions	-
Total sale costs	-

Total Sales Net Of Transaction Costs **489**

DISTRIBUTION TABLES

For the period from 5th October 2007 to 31st August 2008

Income Shares

	Net Income	Equalisation	Distribution Payable 31/10/08
Group 1	0.5658	-	0.5658
Group 2	0.2595	0.3063	0.5658

Accumulation Shares

	Net Income	Equalisation	Distribution Payable 31/10/08
Group 1	0.5658	-	0.5658
Group 2	0.3644	0.2014	0.5658

The Pennine Fund

Administration Queries

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You should remember that past performance is not a guide to the future. The price of shares and the income from them may go down as well as up and you may get back less than you invested. Exchange rates will also cause the value of underlying investments to fall or rise. Tax concessions are not guaranteed and may be changed at any time; their value will depend on your individual circumstances. For your protection when dealing, your call may be recorded and monitored. Details of the nature of the investments, the commitment required and fund specific risk warnings are described in the Simplified Prospectus document which is available on request. Large print documents are available on request from the above Guildford address.



Pennine