

The Pennine Fund

Annual Report & Financial Statements
For the period from 1st March 2009 to 28th February 2010



Pennine

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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 Limited are 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

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

ADMINISTRATOR & REGISTRAR: Northern Trust Global Fund 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 4th September 2007. Shareholders are not liable for the debts of the Company. At the year end the Company contained 2 sub-funds, the Pennine Dynamic Fund and the Pennine Pathfinder Fund.

The Company is a non-UCITS retail scheme which complies 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 which give a true and fair view of the financial position of the scheme as at the end of the year and of the net revenue and the net capital gains or losses on the property of the scheme

- 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 'Financial Statements of Authorised Funds', issued by the IMA in November 2008 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 audited financial statements of the Company for the year from 1st March 2009 to 28th February 2010.

The Company is a non-UCITS retail 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

Finance Director (of the ACD)

30th June 2010

Mark Friend

Managing Director, Operations (of the ACD)

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS FOR THE YEAR FROM 1ST MARCH 2009 TO 28TH FEBRUARY 2010 FOR THE PENNINE FUND ('THE COMPANY')

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 FSA's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 and the Instrument of Incorporation in relation to the pricing of, and dealings in, shares in the Company, the application of the income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary, it is our opinion that:

- the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and
- the application of the Company's income have, in all material respects, been carried out in accordance with the provisions of:
- the Regulations and
- the Open-Ended Investment Companies Regulations 2001 and
- the Instrument of Incorporation of the Company

and that, in all material respects, the investment and borrowing powers and restrictions applicable to the Company, in accordance with the provision of the Regulations and Instrument of Incorporation, have been observed.

The Royal Bank of Scotland plc

Trustee & Depositary Services

30th June 2010

MANAGEMENT AND ADMINISTRATION

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE PENNINE FUND

We have audited the financial statements of The Pennine Fund for the year ended 28th February 2010. These financial statements consist of the aggregated financial statements of the Company, which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet, and notes 1 to 15, and for each of the Company's sub-funds, the statement of total return, statement of change in net assets attributable to shareholders, balance sheet, distribution tables and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook issued by the Financial Services Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Authorised Corporate Director and the auditor

The Authorised Corporate Director's responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association, the Financial Services Authority's Collective Investment Schemes sourcebook, and the Instrument of Incorporation are set out in the Statement of ACD and Depositary's responsibilities in relation to the Accounts of the Scheme.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association, the Financial Services Authority's Collective Investment Schemes sourcebook, and the Instrument of Incorporation. We also report to you whether in our opinion the information given in the Report of the ACD, (which comprises of the Management and Administration section on page 2, the Investment Reviews and Investment Objectives and Policies and Portfolio of Investments of each sub-fund) is consistent with the financial statements, and state whether we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the report of the ACD, comparative tables, total expense ratios and portfolio turnover rates. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authorised Corporate Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company and each of the sub-funds as at 28th February 2010 and of the net revenue and net capital gains on the scheme property of the Company and each of the sub-funds for the year then ended,
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in November 2008, the Financial Services Authority's Collective Investment Schemes sourcebook, and the Instrument of Incorporation, and
- the information given in the Report of the ACD is consistent with the financial statements.

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

Grant Thornton UK LLP

Registered Auditor

Chartered Accountants

London, England

30th June 2010

THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

For the year ended 28th February 2010

	Notes	28/02/10 £'000	28/02/09 ¹ £'000
Income			
Net capital gains/(losses)	2	4,242	(3,442)
Revenue	3	358	392
Expenses	4	(377)	(343)
Finance costs: Interest	6	-	(1)
Net (expense)/revenue before taxation		(19)	48
Taxation	5	(9)	(12)
Net (expense)/revenue after taxation		(28)	36
Total return before distributions		4,214	(3,406)
Finance costs: Distributions	6	(3)	(46)
Change in net assets attributable to shareholders from investment activities		4,211	(3,452)

¹Restated (see notes to the financial statements on page 6).

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 28th February 2010

	Note	28/02/10 £'000	28/02/09 £'000
Opening net assets attributable to shareholders		15,002	-
Amounts receivable on issue of shares		7,692	20,042
Amounts payable on cancellation of shares		(1,788)	(1,642)
		5,904	18,400
Dilution levy		3	-
Stamp duty reserve tax		(7)	(7)
Change in net assets attributable to shareholders from investment activities		4,211	(3,452)
Retained distributions on accumulation shares	6	8	61
Closing net assets attributable to shareholders		25,121	15,002

BALANCE SHEET

As at 28th February 2010

	Notes	28/02/10 £'000	28/02/09 £'000
ASSETS			
Investment assets		23,266	14,755
Debtors	7	822	430
Cash and bank balances	8	2,001	503
Total other assets		2,823	933
Total assets		26,089	15,688
LIABILITIES			
Creditors	10	(929)	(685)
Bank overdrafts	9	(39)	-
Distribution payable on income shares	6	-	(1)
Total liabilities		(968)	(686)
Net assets attributable to shareholders		25,121	15,002

The notes on pages 6 to 8 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Finance Director (of the ACD)

30th June 2010

Mark Friend

Managing Director, Operations (of the ACD)

THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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 'Financial Statements of Authorised Funds', issued by the IMA in November 2008, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

During the year, the Company has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses, certain management fee rebates and transaction charges are now classified as capital. The effect of this is to increase Net capital gains by £2,825 (2009: a decrease of £3,218).

Revenue Recognition

Revenue 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.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Accumulation of revenue relating to accumulation units or shares held in collective investment schemes is recognised as revenue 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 between revenue and capital according to the nature of the structured plan. This is depending on the extent to which the return is capital or revenue based.

Bank interest, and other revenue are recognised on an accruals basis.

Management fee rebates are accounted for on an accruals basis and are subsequently attributed to the Fund's revenue or capital consistent with the fee structure of the underlying Fund.

Expenses

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

Distributions

Amounts distributable are calculated after excluding expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100% of the sub-fund's expenses are borne by revenue.

Valuations

All investments are valued at their fair value at noon on 26th February 2010, being the last business day of the financial year. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

The fair value of dual priced collective investment schemes managed by the ACD is their cancellation price and the fair value of dual priced collective investment schemes which are managed by other management groups is their bid price. The fair value of all single priced collective investment schemes is their single price, taking account of any agreed redemption charges.

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

Foreign Currencies

Assets and liabilities in currencies other than sterling are translated into sterling at the exchange rates prevailing at noon on the last working day of the accounting period. Transactions in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Taxation

Corporation tax has been provided for at a rate of 20%. Deferred tax is provided in respect of timing differences that have originated but not been reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that they are more likely than not 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-funds and included in the Statement of Change in Net Assets Attributable to Shareholders. 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.

2. NET CAPITAL GAINS/(LOSSES)

	28/02/10 £'000	28/02/09 £'000
Non-derivative securities	4,235	(3,439)
Other currency gains/(losses)	4	(1)
Capital management fee rebates	5	-
Transaction charges	(2)	(2)
Net capital gains/(losses)	4,242	(3,442)

3. REVENUE

	28/02/10 £'000	28/02/09 £'000
Bank interest	-	109
Deposit interest	-	2
Franked UK dividends	1	3
Unfranked UK dividends	2	6
Interest on debt securities	-	3
Overseas dividends	21	31
Franked distributions	33	8
Unfranked distributions	292	226
Management fee rebates	9	4
	358	392

THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

4. EXPENSES

	28/02/10 £'000	28/02/09 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	291	219
	<u>291</u>	<u>219</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	20	24
	<u>20</u>	<u>24</u>
Other expenses:		
Auditor's remuneration	14	12
Registration fees	35	54
FSA and other regulatory fees	-	3
Legal fees	-	12
Printing fees	2	3
Price publication fees	4	8
PRS fees	11	8
	<u>66</u>	<u>100</u>
Total expenses	<u>377</u>	<u>343</u>

Irrecoverable VAT is included in the above expenses where relevant.

5. TAXATION

(a) The tax charge comprises:

	28/02/10 £'000	28/02/09 £'000
Current tax:		
Corporation tax	-	11
Irrecoverable income tax	9	1
Total current tax (note 5 (b))	<u>9</u>	<u>12</u>
Deferred tax (note 5 (c))	-	-
Total taxation	<u>9</u>	<u>12</u>

(b) Factors affecting the tax charge for the year:

The tax charged for the year is higher than the special 20% rate of corporation tax applicable to Open-Ended Investment Companies. The differences are explained below:

	28/02/10 £'000	28/02/09 £'000
Net (expense)/revenue before taxation	(19)	48
	<u>(19)</u>	<u>48</u>

Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2009: 20%) (4) 9

Effects of:

Franked UK dividends and distributions not subject to taxation	(7)	(3)
Irrecoverable income tax	2	1
Set-up costs	-	4
Irrecoverable PID income tax	7	-
Expenses not utilised in period	21	1
Tax effect on overseas dividends non-taxable	(3)	-
Tax effect on offshore dividends non-taxable	(7)	-

Current tax charge (note 5 (a)) 9 12

(c) Deferred tax

Provision at the start of the year	-	-
Deferred tax charge in the year	-	-

Provision at the end of the year - -

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

Factors that may affect the future tax charge:

The company has not recognised a deferred tax asset of £19,016 (2009: £1,247) arising as a result of having unutilised management expenses.

6. FINANCE COSTS

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

	28/02/10 £'000	28/02/09 £'000
Interim distribution	2	11
Interim accumulation	8	56
Final distribution	-	1
Final accumulation	-	5
	<u>10</u>	<u>73</u>
Add: Revenue deducted on cancellation of shares	2	2
Deduct: Revenue received on issue of shares	(9)	(29)
Net distributions for the year	<u>3</u>	<u>46</u>
Interest	-	1
Total finance costs	<u>3</u>	<u>47</u>
The difference between the net revenue after taxation and the amounts distributed comprises		
Net revenue after taxation	(28)	36
Deficit transferred to capital	31	10
Finance costs: Distributions	<u>3</u>	<u>46</u>

THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

7. DEBTORS

	28/02/10 £'000	28/02/09 £'000
Accrued revenue	20	31
Amounts receivable for issue of shares	70	42
Prepaid expenses	2	4
Recoverable income tax	34	-
Renewal commission receivable	10	-
Sales awaiting settlement	686	353
	822	430

8. CASH AND BANK BALANCES

	28/02/10 £'000	28/02/09 £'000
Sterling	2,001	503
Cash and bank balances	2,001	503

9. BANK OVERDRAFTS

	28/02/10 £'000	28/02/09 £'000
Euro	31	-
Sterling	8	-
	39	-

10. CREDITORS

	28/02/10 £'000	28/02/09 £'000
Accrued expenses	54	60
Amounts payable for cancellation of shares	8	-
Corporation tax payable	-	9
Purchases awaiting settlement	867	616
	929	685

11. RELATED PARTIES

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

12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2009: £nil).

13. FINANCIAL INSTRUMENTS

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

14. SHARE CLASSES

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

15. PORTFOLIO TRANSACTION COSTS

	28/02/10 £'000	28/02/09 £'000
Analysis of total purchase costs:		
Purchases in year before transaction costs	17,996	24,895
Commissions	2	8
Taxes	-	3
Total purchase costs	2	11
Gross purchases total	17,998	24,906
Analysis of total sale costs:		
Gross sales before transaction costs	13,724	6,717
Commissions	(4)	(3)
Taxes	-	-
Total sale costs	(4)	(3)
Total sales net of transaction costs	13,720	6,714

PENNINE DYNAMIC FUND

COMPARATIVE TABLES

Performance Record

Calendar Year	High (p)	Low (p)
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Accumulation Shares

2007 ¹	102.01	96.33
2008	101.18	72.56
2009	91.81	70.90
2010 ²	93.79	88.82

Income Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

Income Shares

2007 ¹	-
2008	-
2009	-
2010 ²	-

Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) ³
28/02/2009	5,420,570	72.63
28/02/2010	7,787,906	91.55

Total NAV	NAV of Sub-Fund (£)
28/02/2009	3,936,793
28/02/2010	7,129,876

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

² To 28th February 2010

³ The net asset value per share is calculated on a bid to bid basis and excludes any distribution payable.

TOTAL EXPENSE RATIO (TER)

	28/02/10	28/02/09
	2.55%	3.17%

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 of different schemes. The TER for income and accumulation shares is the same.

PORTFOLIO TURNOVER RATE (PTR)

	28/02/10	28/02/09
	121.70%	134.20%

The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

INVESTMENT OBJECTIVE AND POLICY

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

The investment policy is to invest predominantly in units in collective investment schemes. The long-term capital growth objective may lead to the sub-fund maintaining a weighting of equity based collective investment schemes. The sub-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 sub-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).

Subject to the above, the sub-fund may invest in any asset class and adopt any investment technique or strategy permitted under FSA rules and as detailed in the full prospectus. The sub-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 last decade was far from good for long term equity investors but the final six months did provide investors with some cause for renewed optimism. Global equities continued to rise, supported by improving economic fundamentals and corporate earnings surprises. There remains some concerns about what lies on the horizon for stock markets as pessimists question whether these earnings surprises have been driven by cost cutting rather than growth in sales. However for now, we find ourselves in equity friendly waters. Against this backdrop, the Pennine Dynamic Fund rose by 26% in the period under review.

MARKET REVIEW

The global economy continued to recover throughout the period with the US and major parts of Europe amongst the latest economies to return to positive GDP growth. Record levels of monetary and fiscal stimulus, coupled with further quantitative easing, eventually returned the UK back to growth in the final quarter of 2009.

Equity markets rallied initially in anticipation of this changing economic environment and most markets continued to make good gains. Emerging markets have been the best performing, with Latin America clearly standing out. However, the performance path has proved to be uneven with equities taking a temporary dip towards the end of October and November as fears surrounding Dubai's mounting debts unsettled investors around the world. This was short lived as markets, led by the US, rebounded to recoup earlier losses. In contrast, the Japanese equity market has been the worst performing with the marked appreciation of yen.

It has been a mixed bag for the government bonds markets over the period. On the one hand, government bonds have rallied strongly due to key central banks restating their intentions to keep policy rates low for an extended period. However, the expected withdrawal of Quantitative Easing and the fiscal woes of some OECD (Organisation for Economic Co-operation and Development) economies, such as the UK, have also put pressure on government bond yields. With the markets now beginning to price in a recovery, government bond yields are beginning to rise. The beginning of this year has seen the focus switch to sovereign debt default. Greece takes centre stage here as members of the euro help them to battle against insolvency. A bailout of some nature is required by Greece but is challenging under the Maastricht Treaty. As a result, euro weakness has led to US dollar strength and a short term sell off in risk assets.

Elsewhere, UK commercial property prices have improved rapidly as optimism about the economy has boosted investors' sentiment and property yields have started to decline. Commodity markets have performed with similar optimism surrounding the global economy. Industrial metal prices have continued to rise and the gold price hit a new high, in excess of \$1,200.

PORTFOLIO ACTIVITY

With evidence of the global economic recovery, we continued to move away from our stance of capital preservation over the period. This has resulted in a reduction in cash and increasing our favoured long term growth markets. In a momentum driven market, there have been very few opportunities to buy at cheap prices and we have resisted any temptation to chase prices. Holdings in First State Asian Leaders and Allianz BRIC Stars were increased along with the introduction of AXA Framlington American Growth, a fund that has a bias to the technology sector. As the economic recovery continues, investors are increasingly turning their attentions to the exit strategy and the growing debt burden. This will eventually mean higher bond yields and we have reduced our weightings in Invesco Perpetual Corporate Bond, Legal & General Dynamic Bond and M&G Optimal Bond funds.

OUTLOOK

The outlook remains supportive for equities although there are naturally a number of longer and shorter term fears that may upset this environment. Longer term concerns, particularly with regard to monetary policies and the exit strategy of central banks, remain at the forefront. Another spike in oil prices could accelerate the still present fears of a double dip recession but, for now, the price remains within a certain range. Despite these fears, it would be a mistake to sit on the sidelines. Equities are still in a sweet spot. Company profits are improving and interest rates remain low, which underpins the equity story. Developed economies, in particular, could deliver surprisingly strong growth in 2010, coming off a low base, which should boost commodity prices and the technology sector. The year ahead may look better for the global economy but there is some debate about how much of this is already priced in. If it is, then equities markets, particularly in developed markets, may move sideways and the money will be made through the stock picking skills of individual managers rather than through any major market calls. We also face the prospect of interest rate hikes on the horizon, coupled with a decline in what was abundant liquidity in 2009. This too could prove challenging for investors and we proceed with cautious optimism. We are aware that the economic recovery we continue to see remains quite fragile, as does investor confidence.

Source: North Investment Partners, March 2010. Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

The top ten purchases and sales during the period were as follows:

Purchases	Costs £'000	Sales	Proceeds £'000
First State Asia Pacific Leaders 'B'	471	Goldman Sachs Sterling	
Goldman Sachs Emerging Markets 25/06/12	346	Liquid Reserves Institutional	678
Artemis Income 'I'	311	iShares FTSE 100	578
iShares MSCI Emerging Markets	255	Insight Liquidity Class 5	557
AXA Framlington UK Select Opportunities	233	M&G Optimal Income	518
JPMorgan Income Opportunity	213	Invesco Perpetual Corporate Bond	441
Legal & General Dynamic Bond 'I'	200	iShares S&P 500	177
Goldman Sachs Sterling		iShares FTSE 250	174
Liquid Reserves Institutional	199	Goldman Sachs International 3 Year Certificates on Goldman	
iShares FTSE 100	193	Sachs Emerging Markets	
Allianz RCM BRIC Stars 'C'	174	& G10 Carry Excess Return Index - Class B due 26/06/2012	140
		Goldman Sachs International Certificates Linked to FTSE 100 20/10/2011	132
		EW&PO Finance ZDP	72
Total purchases during the year were	£5,569	Total sales during the year were	£4,040

PENNINE DYNAMIC FUND

PORTFOLIO OF INVESTMENTS

As at 28th February 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
COLLECTIVE INVESTMENT SCHEMES 57.23% (60.55%)				EXCHANGE TRADED FUNDS 17.45% (23.68%)			
China 3.35% (1.75%)				Global 3.81% (0.00%)			
979	First State China Growth 'I'	53	0.74	11,400	iShares MSCI Emerging Markets	272	3.81
36,668	First State Greater China Growth 'B'	124	1.74			272	3.81
9,893	Gartmore China Opportunities 'A'	62	0.87				
		239	3.35				
Europe 7.45% (1.65%)				Japan 0.59% (0.86%)			
2,082	JPMorgan Income Opportunity	213	2.99	6,500	iShares MSCI Japan	42	0.59
81,705	Neptune European Opportunities 'B'	258	3.62			42	0.59
146,532	Premier Pan European Property Share Fund	60	0.84				
		531	7.45				
Far East 10.86% (3.45%)				North America 1.78% (4.14%)			
4,077	Atlantis China Fortune	7	0.10	17,587	iShares S&P 500	127	1.78
14,205	Chirin Asia Absolute Alpha 'I'	168	2.36			127	1.78
179,959	First State Asia Pacific Leaders 'B'	529	7.42				
42,335	First State Indian Subcontinent 'A'	70	0.98				
		774	10.86				
Frontier Markets 0.00% (0.36%)				United Kingdom 11.27% (18.68%)			
Global 8.72% (22.63%)				Global 1.75% (3.00%)			
120,681	Allianz RCM BRIC Stars 'C'	204	2.86	126,000	BlackRock Hedge Selector UK Emerging Companies	125	1.75
4,713	BlackRock Gold & General	56	0.79			125	1.75
53,218	Investec Global Energy 'A'	121	1.70				
382,409	Legal & General Dynamic Bond 'I'	241	3.37				
		622	8.72				
Japan 2.82% (2.36%)				INVESTMENT TRUSTS 8.49% (8.30%)			
232,290	Martin Currie Japan Alpha 'B'	201	2.82	Asia 1.60% (1.63%)			
		201	2.82	53,000	Invesco Asia	67	0.94
North America 1.61% (0.00%)				10,600	Invesco Asia Sub Shares	2	0.03
57,621	AXA Framlington American Growth	115	1.61	26,000	Schroder Asia Pacific	45	0.63
		115	1.61	5,200	Schroder Asia Pacific Subscription	-	-
United Kingdom 22.42% (28.35%)						114	1.60
128,323	Absolute Insight UK Equity Market Neutral B2P	140	1.96	Global 5.98% (5.63%)			
199,129	Artemis Income 'I'	313	4.39	12,800	BlackRock World Mining	69	0.97
195,126	Artemis Strategic Assets 'I'	114	1.60	45,523	Cazenove Absolute Equity	53	0.74
25,089	AXA Framlington UK Select Opportunities	238	3.34	25,601	CQS RIG Finance	5	0.07
105,972	Cazenove Absolute UK Dynamic	103	1.44	132,000	F&C Private Equity Zero Dividend Preference Shares	135	1.89
72,224	FRM Credit Alpha	54	0.76	111,744	PSource Structured Debt	71	1.00
89,700	Gartmore UK Absolute Return 'I'	97	1.36	12,940	Quorum Oil and Gas Technology	86	1.21
116,594	Investec Enhanced Natural Resources	134	1.88	1,110	Quorum Oil and Gas Technology Warrants	-	-
323,168	Legal & General Growth Trust	173	2.42	5,546	Utilico Emerging Markets Utilities	7	0.10
16,863	PSigma Income Fund	12	0.17	1,084	Utilico Emerging Markets Utilities 'S'	-	-
511,478	Schroder Income Maximiser 'A'	221	3.10			426	5.98
		1,599	22.42	Property 0.91% (1.04%)			
EQUITY 1.04% (0.10%)				59,997	Enhanced Property Recovery	35	0.49
United Kingdom 1.04% (0.10%)				20,000	MedicX	14	0.20
67,700	Better Capital Ltd	74	1.04	10,000	MedicX (Rights)	-	-
		74	1.04	28,000	Terra Catalyst*	16	0.22
						65	0.91

PENNINE DYNAMIC FUND

PORTFOLIO OF INVESTMENTS

As at 28th February 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
STRUCTURED PLANS 6.63% (2.74%)			
United Kingdom 6.63% (2.74%)			
138,000	Goldman Sachs Certificates 20/11/14	138	1.93
87,000	Goldman Sachs Dividend-Linked Equity Income Portfolio	114	1.60
203,000	Goldman Sachs Emerging Markets 25/06/12	212	2.97
4,700,000	Goldman Sachs International 3 Year Certificates Linked to GBP 10 Year SWAP due 29/05/2012	9	0.13
		473	6.63
Total Value of Investments		6,602	92.59
Net Other Assets		528	7.41
Total Net Assets		7,130	100.00

Figures in brackets represent sector distribution at 28th February 2009.

*Securities held on the Alternative Investment Market (AIM).

PENNINE DYNAMIC FUND

STATEMENT OF TOTAL RETURN

For the year ended 28th February 2010

	Notes	28/02/10 £'000	28/02/09 ¹ £'000
Income			
Net capital gains/(losses)	2	1,200	(1,090)
Revenue	3	106	99
Expenses			
Expenses	4	(115)	(107)
Finance costs: Interest	6	-	(1)
Net expense before taxation		(9)	(9)
Taxation	5	(2)	(1)
Net expense after taxation		(11)	(10)
Total return before distributions		1,189	(1,100)
Finance costs: Distributions	6	3	-
Change in net assets attributable to shareholders from investment activities		1,192	(1,100)

¹Restated (see notes to the financial statements on page 14).

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 28th February 2010

	28/02/10 £'000	28/02/09 £'000
Opening net assets attributable to shareholders	3,937	-
Amounts receivable on issue of shares	2,423	5,475
Amounts payable on cancellation of shares	(423)	(436)
	2,000	5,039
Dilution levy	2	-
Stamp duty reserve tax	(1)	(2)
Change in net assets attributable to shareholders from investment activities	1,192	(1,100)
Closing net assets attributable to shareholders	7,130	3,937

BALANCE SHEET

As at 28th February 2010

	Notes	28/02/10 £'000	28/02/09 £'000
ASSETS			
Investment assets		6,602	3,873
Debtors	7	410	249
Cash and bank balances	8	432	112
Total other assets		842	361
Total assets		7,444	4,234
LIABILITIES			
Creditors	10	(306)	(297)
Bank overdrafts	9	(8)	-
Total liabilities		(314)	(297)
Net assets attributable to shareholders		7,130	3,937

The notes on pages 14 to 16 are an integral part of these financial statements.
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson
Finance Director (of the ACD)
30th June 2010

Mark Friend
Managing Director, Operations (of the ACD)

PENNINE DYNAMIC FUND

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies are set out in the aggregated notes to the financial statements on page 6.

During the year, the sub-fund has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses and transaction charges are now classified as capital. The effect of this is to reduce Net capital gains by £574 (2009: a reduction of £1,144).

2. NET CAPITAL GAINS/(LOSSES)

	28/02/10 £'000	28/02/09 £'000
Non-derivative securities	1,201	(1,089)
Transaction charges	(1)	(1)
Net capital gains/(losses)	1,200	(1,090)

3. REVENUE

	28/02/10 £'000	28/02/09 £'000
Bank interest	-	20
Franked UK dividends	1	3
Overseas dividends	5	9
Franked distributions	8	2
Unfranked distributions	89	62
Renewal commission	3	3
	106	99

4. EXPENSES

	28/02/10 £'000	28/02/09 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	79	53
	79	53
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	8	12
	8	12
Other expenses:		
Auditor's remuneration	7	6
Registration fees	12	21
FSA and other regulatory fees	-	1
Legal fees	-	6
Printing fees	1	1
Price publication fees	2	3
PRS fees	6	4
	28	42
Total expenses	115	107

Irrecoverable VAT is included in the above expenses where relevant.

5. TAXATION

(a) The tax charge comprises:

	28/02/10 £'000	28/02/09 £'000
Current tax:		
Irrecoverable income tax	2	1
Total taxation	2	1

(b) Factors affecting the tax charge for the year:

The tax charge for the year is higher than the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	28/02/10 £'000	28/02/09 £'000
Net expense before taxation	(9)	(9)
	(9)	(9)

Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2009: 20%)

	(2)	(2)
Effects of:		
Franked UK dividends and distributions not subject to taxation	(2)	(1)
Irrecoverable income tax	2	1
Expenses not utilised in period	8	1
Set-up costs	-	2
Tax effect on overseas dividends non taxable	(1)	-
Tax effect on offshore dividends non taxable	(3)	-
Current tax charge (note 5 (a))	2	1

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 £6,156 (2009: £1,247) arising as a result of having unutilised management expenses.

PENNINE DYNAMIC FUND

6. FINANCE COSTS

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

	28/02/10 £'000	28/02/09 £'000
Interim accumulation	-	-
Final accumulation	-	-
	-	-
Add: Revenue deducted on cancellation of shares	-	-
Deduct: Revenue received on issue of shares	(3)	-
Net distributions for the year	(3)	-
Interest	-	1
Total finance costs	(3)	1
The difference between the net revenue after taxation and the amounts distributed comprises		
Net expense after taxation	(11)	(10)
Income deficit taken to capital	8	10
Finance costs: Distributions	(3)	-

7. DEBTORS

	28/02/10 £'000	28/02/09 £'000
Accrued revenue	7	10
Amounts receivable for issue of shares	35	21
Prepaid expenses	1	2
Recoverable income tax	10	-
Renewal commission receivable	2	-
Sales awaiting settlement	355	216
	410	249

8. CASH AND BANK BALANCES

	28/02/10 £'000	28/02/09 £'000
Sterling	432	112
Cash and bank balances	432	112

9. BANK OVERDRAFTS

	28/02/10 £'000	28/02/09 £'000
Sterling	8	-
	8	-

10. CREDITORS

	28/02/10 £'000	28/02/09 £'000
Accrued expenses	20	24
Purchases awaiting settlement	286	273
	306	297

11. RELATED PARTIES

Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 4. Amounts due at the year end are included within accrued expenses on the balance sheet where applicable.

12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2009: £nil).

13. FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, the main risks arising from the sub-fund's 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 sub-fund holds positions in structured plans. The purpose of the plans are to provide a certain level of capital protection albeit with a limited potential return, dependent on the movement of underlying market indices. The use of structured plans is intended to reduce the volatility of the overall portfolio although in extreme market conditions this may not be the case. The portfolio statement on pages 11 and 12, shows that 6.63% (2009: 2.74%) of the sub-fund's portfolio consists of investments in structured plans.

The investment adviser and sub-investment adviser do not use derivative instruments to hedge the investment portfolio against risks.

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 28th February 2010

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	465	-	465	6.52
Sterling	6,137	528	6,665	93.48
Total	6,602	528	7,130	100.00

Currency exposure as at 28th February 2009

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	213	-	213	5.41
Sterling	3,660	64	3,724	94.59
Total	3,873	64	3,937	100.00

Other than cash and bank balances and bank overdrafts there was no material direct foreign currency exposure within the sub-fund at the balance sheet date. However, there was significant foreign currency exposure within the sub-fund's holdings of collective investment schemes since their assets are denominated in currencies other than sterling, with the effect that their balance sheet and total returns can be affected by exchange rate fluctuations.

PENNINE DYNAMIC FUND

Interest Rate Risk

The sub-fund does not have any 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. At the year end 3.37% (2009: 45.82%) of the Portfolio of Investments was held in bond funds.

The only interest-bearing financial assets of the sub-fund are bank balances, on which interest 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 due 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 and sub-investment adviser as an acceptable counterparty and from recognised product providers.

The sub-fund is exposed to counterparty risk with the issuers of structured plans.

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.

Derivatives and forward transactions

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

The Investment Adviser does not use derivative instruments to hedge the investment portfolio against risk.

14. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	28/02/10 £'000	28/02/09 £'000
Purchases in year before transaction costs	5,569	7,219
Commissions	-	3
Taxes	-	1
Total purchase costs	-	4
Gross purchases total	5,569	7,223

Analysis of total sale costs:

Gross sales before transaction costs	4,041	2,265
Commissions	(1)	(1)
Taxes	-	-
Total sale costs	(1)	(1)
Total sales net of transaction costs	4,040	2,264

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 9.

DISTRIBUTION TABLE

For the period from 1st March 2009 to 28th February 2010

Interim and Final dividend distribution in pence per share

Expenses exceeded revenue during the period, as a result no distributions were paid.

PENNINE PATHFINDER FUND

COMPARATIVE TABLES

Performance Record

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

Income Shares

2007 ¹	101.22	98.41
2008	102.34	80.59
2009	100.64	78.83
2010 ²	102.64	97.94

Accumulation Shares

2007	101.22	98.42
2008	102.32	81.02
2009	101.32	79.46
2010 ²	103.33	98.60

Income Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

Income Shares

2007 ¹	-
2008	0.5658
2009	0.1008
2010 ²	-

Accumulation Shares

2007 ¹	-
2008	0.5658
2009	0.1028
2010 ²	-

Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) ³
-------	-----------------	--------------------------------

Income Shares

28/02/2009	2,814,964	80.72
28/02/2010	3,118,736	100.57

Accumulation Shares

28/02/2009	10,821,221	81.26
28/02/2010	14,670,360	101.25

Total NAV

	NAV of Sub-Fund (£)
28/02/2009	11,065,417
28/02/2010	17,990,725

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

² To 28th February 2010.

³ The net asset value per share is calculated on a bid to bid basis and excludes any distribution payable.

TOTAL EXPENSE RATIO (TER)

28/02/10	28/02/09
----------	----------

2.35%	2.28%
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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 of different schemes. The TER for income and accumulation shares is the same.

PORTFOLIO TURNOVER RATE (PTR)

28/02/10	28/02/09
----------	----------

106.55%	76.86%
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The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

INVESTMENT OBJECTIVE AND POLICY

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

The investment policy is to invest mainly in units in collective investment schemes. The sub-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 sub-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).

Subject to the above, the sub-fund may invest in any asset class and adopt any investment technique or strategy permitted under FSA rules and as detailed in the full prospectus. The sub-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 last decade was far from good for long term equity investors but the final six months did provide investors with some cause for renewed optimism. Global equities continued to rise, supported by improving economic fundamentals and corporate earnings surprise. There remains some concerns about what lies on the horizon for stock markets as pessimists question whether these earnings surprises have been driven by cost cutting rather than growth in sales. However for now, we find ourselves in equity friendly waters. Against this backdrop, the Pennine Pathfinder Fund rose by 24.27% in the period under review.

MARKET REVIEW

The global economy continued to recover throughout the period with the US and major parts of Europe amongst the latest economies to return to positive GDP growth. Record levels of monetary and fiscal stimulus, coupled with further quantitative easing, eventually returned the UK back to growth in the final quarter of 2009.

Equity markets rallied initially in anticipation of this changing economic environment and most markets continued to make good gains. Emerging markets have been the best performing, with Latin America, clearly standing out. However, the performance path has proved to be uneven with equities taking a temporary dip towards the end of October and November as fears surrounding Dubai's mounting debts unsettled investors around the world. This was short lived as markets, led by the US, rebounded to recoup earlier losses. In contrast, the Japanese equity market has been the worst performing with the marked appreciation of yen.

PENNINE PATHFINDER FUND

It has been a mixed bag for the government bonds markets over the period. On the one hand, government bonds have rallied strongly due to key central banks restating their intentions to keep policy rates low for an extended period. However, the expected withdrawal of Quantitative Easing and the fiscal woes of some OECD (Organisation for Economic Co-operation and Development) economies, such as the UK, have also put pressure on government bond yields. With the markets now beginning to price in a recovery, government bond yields are beginning to rise. The beginning of this year has seen the focus switch to sovereign debt default. Greece takes centre stage here as members of the euro help them to battle against insolvency. A bailout of some nature is required by Greece but is challenging under the Maastricht Treaty. As a result, euro weakness has led to US dollar strength and a short term sell off in risk assets.

Elsewhere, UK commercial property prices have improved rapidly as optimism about the economy has boosted investors' sentiment and property yields have started to decline. Commodity markets have performed with similar optimism surrounding the global economy. Industrial metal prices have continued to rise and the gold price hit a new high, in excess of \$1,200.

PORTFOLIO ACTIVITY

With evidence of the global economic recovery, we continued to move away from our stance of capital preservation over the period. This has resulted in a reduction in cash and increasing our favoured long term growth markets. In a momentum driven market, there have been very few opportunities to buy at cheap prices and we have resisted any temptation to chase prices. Holdings in First State Asian Leaders and Allianz BRIC Stars were increased along with the introduction of AXA Framlington American Growth, a fund that has a bias to the technology sector. As the economic recovery continues, investors are increasingly turning their attentions to the exit strategy and the growing debt burden. This will eventually mean higher bond yields and we have reduced our weightings in Invesco Perpetual Corporate Bond, Legal & General Dynamic Bond and M&G Optimal Bond funds.

OUTLOOK

The outlook remains supportive for equities although there are naturally a number of longer and shorter term fears that may upset this environment. Longer term concerns, particularly with regard to monetary policies and the exit strategy of central banks, remain at the forefront. Another spike in oil prices could accelerate the still present fears of a double dip recession, but for now, the price remains within a certain range. Despite these fears, it would be a mistake to sit on the sidelines. Equities are still in a sweet spot. Company profits are improving and interest rates remain low, which underpins the equity story. Developed economies, in particular, could deliver surprisingly strong growth in 2010, coming off a low base, which should boost commodity prices and the technology sector. The year ahead may look better for the global economy but there is some debate about how much of this is already priced in. If it is, then equities markets, particularly in developed markets, may move sideways and the money will be made through the stock picking skills of individual managers rather than through any major market calls. We also face the prospect of interest rate hikes on the horizon, coupled with a decline in what was abundant liquidity in 2009. This too could prove challenging for investors and we proceed with cautious optimism. We are aware that the economic recovery we continue to see remains quite fragile, as does investor confidence.

Source: North Investment Partners, March 2010. Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

The top ten purchases and sales during the period were as follows:

Purchases	Costs £'000	Sales	Proceeds £'000
First State Asia Pacific Leaders 'B'	1,171	iShares FTSE 100	1,695
Goldman Sachs Emerging Markets 25/06/12	1,024	Goldman Sachs Sterling Liquid Reserves Institutional	1,450
Artemis Income 'I'	791	Insight Liquidity Class 5	1,350
iShares FTSE 100	703	M&G Optimal Income	1,312
Goldman Sachs Certificates 20/11/14	700	Invesco Perpetual Corporate Bond	1,265
Legal & General Dynamic Bond 'I'	587	iShares S&P 500	573
First State Greater China Growth 'B'	544	Goldman Sachs International 3 Year Certificates on Goldman Sachs Emerging Markets & G10 Carry Excess Return Index - Class B due 26/06/2012	512
JPMorgan Income Opportunity	539	iShares FTSE 250	473
Premier Pan European Property Share Fund	512	Legal & General Dynamic Bond 'I'	333
Absolute Insight UK Equity Market Neutral B2P	498	Goldman Sachs International Certificates Linked to FTSE 100 20/10/2011	289
Total purchases during the year were	£7,068	Total sales during the year were	£9,680

PENNINE PATHFINDER FUND

PORTFOLIO OF INVESTMENTS

As at 28th February 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
COLLECTIVE INVESTMENT SCHEMES 56.66% (59.75%)				EXCHANGE TRADED FUNDS 11.57% (22.95%)			
China 3.63% (0.00%)				Asia 1.89% (0.00%)			
192,640	First State Greater China Growth 'B'	653	3.63	14,222	iShares MSCI Emerging Markets	340	1.89
		653	3.63			340	1.89
Europe 6.93% (1.26%)				North America 3.50% (6.34%)			
189,475	Neptune European Opportunities 'B'	597	3.32	87,000	iShares S&P 500	629	3.50
1,599,806	Premier Pan European Property Share Fund	650	3.61			629	3.50
		1,247	6.93	United Kingdom 6.18% (16.61%)			
Far East 9.75% (3.78%)				206,600	Barclays Simple '543' 0% NTS 27/06/2013	250	1.39
14,911	Atlantis China Fortune	25	0.14	9,707	ETFS Oil Securities	334	1.86
34,982	Chirin Asia Absolute Alpha 'I'	414	2.30	7,409	Gold Bullion 0% Undated Notes	527	2.93
447,553	First State Asia Pacific Leaders 'B'	1,316	7.31			1,111	6.18
		1,755	9.75	INVESTMENT TRUSTS 7.14% (8.22%)			
Frontier Markets 0.00% (0.13%)				Asia 0.87% (0.78%)			
Global 9.06% (24.34%)				79,000	Invesco Asia	100	0.56
208,700	Allianz RCM BRIC Stars 'C'	352	1.96	15,800	Invesco Asia Sub Shares	3	0.02
26,429	BlackRock Gold & General	313	1.74	30,000	Schroder Asia Pacific	52	0.29
282,000	Insight Liquidity	282	1.57	6,000	Schroder Asia Pacific Subscription	-	-
138,361	Investec Global Energy 'A'	316	1.76			155	0.87
581,015	Legal & General Dynamic Bond 'I'	366	2.03	Global 5.06% (6.18%)			
		1,629	9.06	100,000	AcenciA Debt Strategies	78	0.43
Japan 2.10% (1.98%)				40,800	BlackRock World Mining	221	1.23
434,992	Martin Currie Japan Alpha 'B'	377	2.10	167,806	Cazenove Absolute Equity	195	1.08
		377	2.10	37,928	CQS RIG Finance	7	0.04
North America 1.76% (0.00%)				173,533	PSource Structured Debt	110	0.61
158,231	AXA Framlington American Growth	317	1.76	45,167	Quorum Oil and Gas Technology	300	1.67
		317	1.76	3,300	Quorum Oil and Gas Technology Warrants	-	-
United Kingdom 23.43% (28.26%)						911	5.06
458,969	Absolute Insight UK Equity Market Neutral B2P	500	2.78	Property 1.21% (1.26%)			
506,466	Artemis Income 'I'	796	4.42	181,304	Enhanced Property Recovery	105	0.58
535,825	Artemis Strategic Assets 'I'	313	1.74	75,000	MedicX	54	0.30
286,223	Cazenove Absolute UK Dynamic	278	1.55	37,500	MedicX (Rights)	-	-
230,768	FRM Credit Alpha	172	0.96	104,000	Terra Catalyst*	60	0.33
460,150	Gartmore UK Absolute Return 'I'	499	2.77			219	1.21
186,027	Goldman Sachs Sterling Liquid Reserves	186	1.03	STRUCTURED PLANS 8.70% (2.92%)			
296,403	Investec Enhanced Natural Resources	341	1.90	United Kingdom 8.70% (2.92%)			
640,583	Legal & General Growth Trust	342	1.90	699,000	Goldman Sachs Certificates 20/11/14	695	3.84
141,032	M&G Optimal Income 'I'	166	0.92	240,000	Goldman Sachs Dividend-Linked Equity Income Portfolio	315	1.75
1,441,593	Schroder Income Maximiser 'A'	622	3.46	512,000	Goldman Sachs Emerging Markets 25/06/12	534	2.97
		4,215	23.43	12,600,000	Goldman Sachs International 3 Year Certificates Linked to GBP 10 Year SWAP due 29/05/2012	25	0.14
EQUITY 3.92% (0.07%)						1,569	8.70
United Kingdom 3.92% (0.07%)				Total Value of Investments			
167,900	Better Capital Ltd	185	1.03			16,664	92.62
217,783	Bluecrest Allblue	342	1.90	Net Other Assets			
151,391	HSBC Infrastructure	178	0.99			1,327	7.38
		705	3.92	Total Net Assets			
FIXED INTEREST 0.00% (0.63%)						17,991	100.00
United Kingdom 0.00% (0.63%)				Figures in brackets represent sector distribution at 28th February 2009.			
HEDGE FUNDS 4.63% (3.81%)				*Securities held on the Alternative Investment Market (AIM).			
Global 4.63% (3.81%)							
296,000	BlackRock Hedge Selector UK Emerging Companies	293	1.63				
5,269	JPMorgan Income Opportunity	539	3.00				
		832	4.63				

PENNINE PATHFINDER FUND

STATEMENT OF TOTAL RETURN

For the year ended 28th February 2010

	Notes	28/02/10 £'000	28/02/09 ¹ £'000
Income			
Net capital gains/(losses)	2	3,042	(2,352)
Revenue	3	252	293
Expenses			
Expenses	4	(262)	(236)
Finance costs: Interest	6	-	-
Net (expense)/revenue before taxation		(10)	57
Taxation	5	(7)	(11)
Net (expense)/revenue after taxation		(17)	46
Total return before distributions		3,025	(2,306)
Finance costs: Distributions	6	(6)	(46)
Change in net assets attributable to shareholders from investment activities		<u>3,019</u>	<u>(2,352)</u>

¹Restated (see notes to the financial statements on page 21).

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 28th February 2010

	Note	28/02/10 £'000	28/02/09 £'000
Opening net assets attributable to shareholders		11,065	-
Amounts receivable on issue of shares		5,269	14,567
Amounts payable on cancellation of shares		(1,365)	(1,206)
		3,904	13,361
Dilution levy		1	-
Stamp duty reserve tax		(6)	(5)
Change in net assets attributable to shareholders from investment activities		3,019	(2,352)
Retained distributions on accumulation shares	6	8	61
Closing net assets attributable to shareholders		<u>17,991</u>	<u>11,065</u>

BALANCE SHEET

As at 28th February 2010

	Notes	28/02/10 £'000	28/02/09 £'000
ASSETS			
Investment assets		<u>16,664</u>	<u>10,882</u>
Debtors	7	412	181
Cash and bank balances	8	<u>1,569</u>	<u>391</u>
Total other assets		<u>1,981</u>	<u>572</u>
Total assets		<u>18,645</u>	<u>11,454</u>
LIABILITIES			
Creditors	10	(623)	(388)
Bank overdrafts	9	(31)	-
Distribution payable on income shares	6	-	(1)
Total liabilities		<u>(654)</u>	<u>(389)</u>
Net assets attributable to shareholders		<u>17,991</u>	<u>11,065</u>

The notes on pages 21 to 23 are an integral part of these financial statements.
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson
Finance Director (of the ACD)

Mark Friend
Managing Director, Operations (of the ACD)

30th June 2010

PENNINE PATHFINDER FUND

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies are set out in the aggregated notes to the financial statements on page 6.

During the year, the sub-fund has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses and transaction charges are now classified as capital. The effect of this is to increase 'Net capital gains by £3,399 (2009: a reduction of £2,074).

2. NET CAPITAL GAINS/(LOSSES)

	28/02/10 £'000	28/02/09 £'000
Non-derivative securities	3,034	(2,350)
Currency gains/(losses)	4	(1)
Capital management fee rebates	5	-
Transaction charges	(1)	(1)
Net capital gains/(losses)	3,042	(2,352)

3. REVENUE

	28/02/10 £'000	28/02/09 £'000
Bank interest	-	89
Deposit interest	-	2
Franked UK dividends	2	6
Interest on debt securities	-	3
Overseas dividends	16	22
Franked distributions	25	6
Unfranked distributions	203	164
Renewal commission	6	1
	252	293

4. EXPENSES

	28/02/10 £'000	28/02/09 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	212	166
	212	166
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	12	12
	12	12

Other expenses:

Auditor's remuneration	7	6
Registration fees	23	33
FSA and other regulatory fees	-	2
Legal fees	-	6
Printing fees	1	2
Price publication fees	2	5
PRS fees	5	4
	38	58
Total expenses	262	236

Irrecoverable VAT is included in the above expenses where relevant.

5. TAXATION

(a) The tax charge comprises:

	28/02/10 £'000	28/02/09 £'000
Current tax:		
Corporation tax	-	11
Irrecoverable income tax	7	-
Total current tax (note 5 (b))	7	11
Total taxation	7	11

(b) Factors affecting the tax charge for the year:

The tax charge for the year is higher than the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	28/02/10 £'000	28/02/09 £'000
Net (expense)/revenue before taxation	(10)	57
	(10)	57
Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2009: 20%)	(2)	11
Effects of:		
Franked UK dividends and distributions not subject to taxation	(5)	(2)
Set-up costs	-	2
Irrecoverable PID income tax	7	-
Expenses not utilised in period	13	-
Tax effect on overseas dividends non-taxable	(2)	-
Tax effect on offshore dividends non-taxable	(4)	-
Current tax charge (note 5 (a))	7	11

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 £12,860 (2009: £nil) arising as a result of having unutilised management expenses.

PENNINE PATHFINDER FUND

6. FINANCE COSTS

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

	28/02/10 £'000	28/02/09 £'000
Interim distribution	2	11
Interim accumulation	8	56
Final distribution	-	1
Final accumulation	-	5
	10	73
Add: Revenue deducted on cancellation of shares	2	2
Deduct: Revenue received on issue of shares	(6)	(29)
Net distributions for the year	6	46
Interest	-	-
Total finance costs	6	46

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

Net (expense)/revenue after taxation	(17)	46
Income shortfall	23	-
Finance costs: Distributions	6	46

7. DEBTORS

	28/02/10 £'000	28/02/09 £'000
Accrued revenue	13	21
Amounts receivable for issue of shares	35	21
Prepaid expenses	1	2
Recoverable income tax	24	137
Management fee rebates receivable	8	-
Sales awaiting settlement	331	-
	412	181

8. CASH AND BANK BALANCES

	28/02/10 £'000	28/02/09 £'000
Sterling	1,569	391
Cash and bank balances	1,569	391

9. BANK OVERDRAFTS

	28/02/10 £'000	28/02/09 £'000
Euro	31	-
	31	-

10. CREDITORS

	28/02/10 £'000	28/02/09 £'000
Accrued expenses	34	36
Amounts payable for cancellation of shares	8	-
Corporation tax payable	-	9
Purchases awaiting settlement	581	343
	623	388

11. RELATED PARTIES

Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 4. Amounts due at the year end are included within accrued expenses on the balance sheet where applicable.

12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2009: £nil).

13. FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, the main risks arising from the sub-fund's 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 sub-fund holds positions in structured plans. The purpose of the plans are to provide a certain level of capital protection albeit with a limited potential return, dependent on the movement of underlying market indices. The use of structured plans is intended to reduce the volatility of the overall portfolio although in extreme market conditions this may not be the case. The portfolio statement on page 19, shows that 8.70% (2009: 2.92%) of the sub-fund's portfolio consists of investments in structured plans.

The Investment Adviser and Sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against risk.

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 28th February 2010

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	1,186	-	1,186	6.59
Sterling	15,478	1,327	16,805	93.41
Total	16,664	1,327	17,991	100.00

Currency exposure as at 28th February 2009

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	654	-	654	5.91
Sterling	10,228	183	10,411	94.09
Total	10,882	183	11,065	100.00

Other than cash and bank balances and bank overdrafts there was no material direct foreign currency exposure within the sub-fund at the balance sheet date. However, there was significant foreign currency exposure within the sub-fund's holdings of collective investment schemes since their assets are denominated in currencies other than sterling, with the effect that their balance sheet and total returns can be affected by exchange rate fluctuations.

PENNINE PATHFINDER FUND

Interest Rate Risk

The sub-fund does not have any 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. At the year end 5.55% (2009: 46.77%) of the Portfolio of Investments was held in bond funds.

The only interest-bearing financial assets of the sub-fund are bank balances, on which interest 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 due 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 and sub-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 where applicable.

Derivatives and forward transactions

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

The Investment Adviser does not use derivative instruments to hedge the investment portfolio against risk.

14. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	28/02/10 £'000	28/02/09 £'000
Purchases in year before transaction costs	12,427	17,676
Commissions	2	5
Taxes	-	2
Total purchase costs	2	7
Gross purchases total	12,429	17,683
Analysis of total sale costs:		
Gross sales before transaction costs	9,683	4,452
Commissions	(3)	(2)
Taxes	-	-
Total sale costs	(3)	(2)
Total sales net of transaction costs	9,680	4,450

15. SHARE CLASSES

The sub-fund currently has two types of share, Income and Accumulation. 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 17. The distribution per share class is given in the distribution tables below.

DISTRIBUTION TABLES

For the period from 1st March 2009 to 31st August 2009

Interim dividend distribution in pence per share

Income Shares

	Net Income	Equalisation	Distribution Paid	
			31/10/09	31/10/08
Group 1	0.0607	-	0.0607	0.5658
Group 2	-	0.0607	0.0607	0.5658

Accumulation Shares

	Net Income	Equalisation	Amount Accumulated	
			31/10/09	31/10/08
Group 1	0.0612	-	0.0612	0.5658
Group 2	-	0.0612	0.0612	0.5658

For the period from 1st September 2009 to 28th February 2010

Final dividend distribution in pence per share

Income Shares

	Net Income	Equalisation	Distribution Payable/Paid	
			30/06/10	30/06/09
Group 1	-	-	-	0.0401
Group 2	-	-	-	0.0401

Accumulation Shares

	Net Income	Equalisation	Amount Accumulated	
			30/06/10	30/06/09
Group 1	-	-	-	0.0416
Group 2	-	-	-	0.0416

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