

The **co-operative**
asset management

CIS UK Growth Trust

Manager's Report

Annual Report

31st July 2008

Part of The **co-operative** financial services



The Co-operative Asset Management

The fund management activities of Co-operative Financial Services (part of The Co-operative Group) are undertaken by The Co-operative Asset Management. We specialise in UK equities and are one of the UK's leading socially responsible fund managers with a long and successful history of managing our customers' money.

The Co-operative group was voted the UK's most ethical brand in 2007 and 2008 in the GFK NOP Ethics Brands Survey. As a co-operative, we are owned by our members and we have a tradition

of upholding co-operative values which include fairness, honesty and social responsibility. The Co-operative Asset Management offers a distinctive responsible investment approach which fully integrates consideration of financial and ESG (environmental, social and governance) issues throughout the investment process. We manage a range of unit trust portfolios, including the Sustainable Leaders Trust, and have long-standing experience that few others can match.

CIS Unit Managers

CIS Unit Managers Limited is a subsidiary of the Co-operative Insurance Society – one of the UK's largest and most respected insurers with many years' experience of helping people to plan their finances and over £20 billion under management. The CIS Unit Trusts available through the CIS sales force are listed below; each of these is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000.

CIS UK Growth Trust

Launched in September 1989, this is our largest fund. Its objective is to provide above-average capital growth by investing in the shares of good-quality UK companies which have excellent prospects for growth.

CIS UK Income with Growth Trust

Launched in September 1989, the Trust aims to provide an above-average and growing income, together with some capital appreciation, by investing in the shares of good-quality UK companies and in some fixed-interest securities.

CIS Sustainable Leaders Trust

Launched in May 1990 as the CIS Environ Trust, this Trust aims to provide capital growth by investing in the shares of companies which are active in improving the environment, human health and safety.

CIS European Growth Trust

Launched in January 2000, the Trust enables customers to participate in the growth of mature European markets other than the UK.

CIS US Growth Trust

Launched in February 2001, the Trust provides the opportunity to invest directly in the long-term growth potential of the US markets.

CIS Corporate Bond Income Trust

Launched in September 2003, the Trust aims to produce an above-average, regular, income whilst protecting capital as far as possible by investing in a portfolio of fixed-interest securities mostly issued by UK companies.

CIS Unit Managers Limited looks after investments totalling around £2.5 billion on behalf of around 275,000 investors.

CIS Unit Managers

Trustee Status

The Trustee is State Street Trustees Limited, which holds the title to the Trust's investments on behalf of unitholders. The CIS UK Growth Trust is a "wider-range" investment under the Trustee Investments Act 1961. It is an authorised unit trust scheme under Chapter III of the Financial Services and Markets Act 2000 and is categorised as a UCITS Scheme under the Financial Services Authority New Collective Investment Schemes Sourcebook. Copies of the Trust Deed may be inspected at the offices of the Manager: CIS Building, Miller Street, Manchester.

Manager

CIS Unit Managers Limited
P.O. Box 105
Manchester M4 8BB
Authorised and regulated by the Financial Services Authority, and a member of the Investment Management Association.

Directors of the Manager

M.A. Summerfield (Chairman)
T.S. Bunch (resigned 11th April 2008)
M.D. Fairbairn
R.T. Goddard
C.N. Shannon (resigned 20th August 2007)
P. Sharman

Trustee

State Street Trustees Limited
525 Ferry Road
Edinburgh EH5 2AW
Authorised and regulated by the Financial Services Authority.

Registrar

CIS Unit Managers Limited
P.O. Box 105
Manchester M4 8BB

Auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Investment Objective

The CIS UK Growth Trust aims to provide above-average capital growth from a diverse portfolio of UK equities in any economic sector.

Investment Review and Outlook

Fund Manager's Comments

During the twelve months ended 31st July 2008, the price of the units fell by 7.7% compared to a 13.3% fall in the UK FTSE All-Share Index. In the last three years the value of units has increased by 18.4% compared to a rise of 14.9% in the All-Share Index. Over the last three years the Trust is ranked in the first quartile when compared to the peer group (Source: Lipper).

The period under review has been a difficult time for investors as a number of issues have affected the backdrop for world equity markets. The credit crunch, coupled with rapidly rising commodity prices, has resulted in a slowdown in the rate of economic growth in the western world, so much so that there is an increasing probability that both the UK and US may go into recession.

The Trust performed strongly relative to its peer group during the period, reflecting the correct positioning of the portfolio. The strategy remains to seek companies that are undervalued and beneficiaries of positive long-term themes. This resulted in the portfolio being positioned towards sectors with either resilient domestic earnings such as utilities, or beneficiaries of strong growth

from emerging markets such as natural resources companies. The Trust has largely avoided financial stocks during the period, as the credit crunch resulted in significant asset write downs and balance sheet refinancing. Notable stocks that the Trust has avoided include Royal Bank of Scotland and HBOS, both performed poorly and as they constitute significant parts of the FTSE All-Share Index and went some way to explaining the performance of the Trust.

Our preferred holdings in the bank sector have been Standard Chartered and HSBC, both have large exposure to the strength of emerging markets and performed far better than domestic banks. BG Group, the international oil and gas group which is a major holding in the Trust, performed strongly after announcing a significant oil discovery off the coast of Brazil. The company is well positioned to perform going forward due to its ability to deliver industry-leading oil production growth in a global backdrop of ever increasing long-term demand from Asian countries.

We are conscious that unitholders have chosen the CIS UK Growth Unit Trust ahead of a range of competing products and we actively manage your

Investment Review and Outlook

assets in a focused portfolio seeking to deliver superior investment performance. Our investment process seeks to identify companies which are attractively valued and beneficiaries of long-term positive themes. Examples of themes which are reflected in the current portfolio include the growth of the ageing population in the western world, the rapid rate of industrialisation in Asia and the shortage of global power generation capacity.

Economic review

The main economic change during the past 12 months has been the impact of the global financial crisis on prospective growth. Nowhere has this been more evident than in the US economy. After experiencing a long period of above-trend growth, it is now expected that growth in 2008 will fall below 1% and may not recover much in 2009. At the forefront of this slowdown is the fall in consumer expenditure. Essentially, the US savings rate, in recent years, has increasingly been driven down to 0%. Consumer expenditure has been funded from debt and residential equity withdrawal. As US house prices fall and credit availability becomes more restricted, it is widely expected that US consumer expenditure will fall. The US authorities have responded aggressively with the Federal Reserve cutting rates from 5.25% to 2.0% and the Government announcing a \$150bn fiscal stimulus package. Nevertheless, it is felt that until house prices find a natural level and banking confidence returns, the US economy will continue to exhibit sub-trend growth.

The UK economy has experienced similar trends to those of the US. The impact of the credit crisis and the historically high levels of consumer debt has led to a downgrade in economic growth forecasts such that UK GDP growth for 2008 is now expected to be approximately half that of 2007. The Monetary Policy Committee has responded by reducing rates from 5.75% to 5.0%. Nevertheless, the Bank of England remains concerned by ongoing inflationary fears and policy has not been reduced by as much as the US monetary authorities. As with the US, the UK economy is now expected to face a period of sub-par economic performance.

Elsewhere in the world conditions have been more favourable. The European economies have performed well, but are now showing signs of slowing in line with other western economies. The European Central Bank has remained extremely vigilant regarding a rising inflationary threat and, in contrast to the US and UK, has recently increased interest rates to 4.25%. Other world markets, particularly in Russia, Latin America and Asia, have been the key engines behind world economic growth. The main driver continues to be that of the Chinese economy. Chinese GDP has now been growing over 10% annually for some time. With the US a key export market and now slowing down, there have been some concerns regarding the sustainability of Chinese growth. Inevitably there will be some impact and commentators have reduced growth forecasts to 9% for 2008. Nevertheless, the Chinese economy is well supported by a strong fiscal position and extensive foreign direct investment.

Investment Review and Outlook

Outlook

The downturn in the global economy is gathering pace. In the US, UK and some European countries the likelihood of recession is rising sharply as consumers suffer pressure on real incomes and wealth. Monetary authorities are raising rates in developing countries to counter rising inflation and growth is starting to slow. Inflation remains a

concern, although there has been some moderation in oil and food prices recently. We believe that wage growth will be contained and inflation should peak in the final quarter of this year. This should allow monetary authorities in the UK, and possibly Europe, to reduce rates and support economic growth. This should support the equity market and provide scope for recovery into 2009.

Statement of Manager's Responsibilities in Relation to the Report and Financial Statements of the Trust

Financial statements for the year ended 31st July 2008, and this Manager's Report, have been prepared in accordance with the rules of the Collective Investment Schemes Sourcebook, published by the Financial Services Authority ("the COLL rules"). These require the Manager to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the Trust and of its income/expenditure for the period. In preparing the financial statements the Manager 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 Authorised Funds
- follow generally-accepted accounting principles and applicable accounting standards
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, Prospectus and the FSA's rules. The Manager has general responsibility for taking such steps as are reasonably open to him to prevent and detect fraud and other irregularities.

Statement of The Trustee's Responsibilities in Relation to the Financial Statements of the Trust

The Trustee is under a duty to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook relating to Reports, it is also the duty of the Trustee to

enquire into the conduct of the Manager in the management of the Scheme in each accounting period and to report thereon to unitholders in a report which shall contain the matters prescribed by the rules. A copy of the Trustee's report is included in this Report.

Independent Auditor's Report to the Unitholders of CIS UK Growth Trust ('the Trust')

We have audited the financial statements of the Trust for the year ended 31st July 2008 which comprise the Statement of Total Return, the Statement of Change in Unitholders' Net Assets, the Balance Sheet together with the related notes, the Portfolio Statement, the Summary of Material Portfolio Changes and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's unitholders, as a body, in accordance 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 Trust's unitholders 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 Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Manager (CIS Unit Managers Limited) and Auditors

As described in the Statement of Manager's Responsibilities on page 7, the Manager is responsible for preparing the Annual Report and the financial statements in accordance with applicable law, UK financial services rules and regulations and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the

Independent Auditor's Report to the Unitholders of CIS UK Growth Trust ('the Trust') (cont'd)

Financial Services Authority. In addition, we report to you whether the information given in the Manager's Report is consistent with the financial statements. We also report to you if, in our opinion, proper accounting records for the Trust have not been kept or if the financial statements are not in agreement with those records. We also state whether we have received all the information and explanations necessary for the purposes of our audit.

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

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 Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Trust as at 31st July 2008 and of the net income and the net losses on the property of the Trust for the year then ended;
- the financial statements have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the Financial Services Authority; and
- the information given in the Manager's Report is consistent with the financial statements.

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

KPMG LLP
Chartered Accountants
1 The Embankment, Neville Street, Leeds
23rd September 2008.

Trustee's Report

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that the Manager has, in all material respects, managed the Scheme during the period in accordance with the investment and borrowing powers and restrictions applicable to the Scheme, and otherwise in accordance with

the provisions of the Trust Deed and the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook.

State Street Trustees Limited,
Trustee of CIS UK Growth Trust,
525 Ferry Road, Edinburgh
23rd September 2008.

Performance Record

Unit prices

The Fund units are Income Units only. They were first offered to the public at £1 each.

	Highest buying price	Lowest selling price	Distribution (pence per unit)
1st Jan 2003 to 31st Dec 2003	266.5p	189.7p	5.2944
1st Jan 2004 to 31st Dec 2004	290.5p	241.9p	4.5417
1st Jan 2005 to 31st Dec 2005	344.2p	273.9p	5.0486
1st Jan 2006 to 31st Dec 2006	397.6p	317.8p	5.6818
1st Jan 2007 to 31st Dec 2007	421.0p	346.0p	4.8696
1st Jan 2008 to 31st July 2008	416.4p	320.1p	5.8486

Price information

	Selling price (pence per unit)	Buying price (pence per unit)	Estimated net yield
29th July 2005	301.2	317.0	1.61%
31st July 2006	344.9	363.0	1.32%
31st July 2007	373.8	393.5	1.21%
31st July 2008	340.6	358.5	1.40%

Trust details

	Total net asset value	Total units in issue	Net asset value per unit
31st July 2005	£1,473,060,326	493,726,000	298.4p
31st July 2006	£1,541,685,796	451,148,000	341.7p
31st July 2007	£1,515,158,866	408,009,000	371.4p
31st July 2008	£1,248,206,244	370,320,000	337.1p

Remember that past performance is not always a guide to future performance and that the value of units, and the income derived from them, can vary.

The net asset value per unit does not include the income which has been distributed at the end of the financial year and therefore will not match the unit price at the end of the year.

Total Expense Ratio (TER)

31st July 2007	1.53%
31st July 2008	1.54%

The TER is the ratio of the scheme's total operating costs to its average net assets, during the financial year.

Statement of Total Return

for the year ended 31st July 2008

	Notes	2008		2007	
		£	£	£	£
Net (losses)/gains	2		(127,614,421)		133,720,713
Other gains	3		822		108
Income	4	44,848,746		46,681,615	
Expenses	5	(22,001,493)		(24,496,110)	
Finance costs: Interest	7	(1,524)		–	
Net income before taxation		22,845,729		22,185,505	
Taxation	6	(34,145)		(19,658)	
Net income after taxation for the year			22,811,584		22,165,847
Total return for the year			(104,802,015)		155,886,668
Finance costs: Distributions	7		(22,812,415)		(21,052,640)
Net (decrease)/increase in unitholders' funds from investment activities			(127,614,430)		134,834,028

Statement of Change in Unitholders' Net Assets

for the year ended 31st July 2008

	2008		2007	
	£	£	£	£
Net assets at the start of the year		1,515,158,866		1,541,685,796
<i>Movement due to sales and repurchase of units</i>				
Amounts received on creation of units	–		–	
Amounts paid on cancellation of units	(139,347,238)		(161,365,867)	
		(139,347,238)		(161,365,867)
Net (decrease)/increase in unitholders' funds from investment activities (see above)		(127,614,430)		134,834,028
Unclaimed distributions		9,046		4,909
Net assets at the end of the year		1,248,206,244		1,515,158,866

Portfolio Statement

as at 31st July 2008

	Holding or nominal value of positions at 31st July 2008	Market Value £	Percentage of total net assets %
Oil & Gas Producers - (14.11%, July 2007: 14.45%)			
Tullow Oil	1,050,000	8,174,250	0.66
BP	9,873,000	51,586,425	4.13
BG Group	5,560,130	63,663,489	5.10
Royal Dutch Shell "B" Shs	2,548,429	45,820,753	3.67
Cairn Energy	250,000	6,850,000	0.55
		176,094,917	14.11
Oil Equipment, Services & Distribution - (2.04%, July 2007: Not Held)			
Amec	3,000,000	25,410,000	2.04
		25,410,000	2.04
Chemicals - (1.78%, July 2007: 0.94%)			
Johnson Matthey	1,326,225	22,254,056	1.78
		22,254,056	1.78
Mining - (10.33%, July 2007: 7.27%)			
BHP Billiton	1,671,000	28,791,330	2.31
Rio Tinto	430,000	23,404,900	1.87
Xstrata	896,666	33,293,209	2.67
Anglo American	1,465,100	43,440,215	3.48
		128,929,654	10.33
Construction & Materials - (1.31%, July 2007: 1.54%)			
Balfour Beatty	3,450,000	13,662,000	1.10
Galliford Try	5,540,000	2,645,350	0.21
		16,307,350	1.31
Aerospace & Defence - (3.62%, July 2007: 3.52%)			
BAE Systems	3,772,137	17,097,211	1.37
Meggitt	3,350,000	6,700,000	0.54
Cobham	10,550,000	21,416,500	1.71
		45,213,711	3.62

Portfolio Statement

as at 31st July 2008

	Holding or nominal value of positions at 31st July 2008	Market Value £	Percentage of total net assets %
General Industrials - (3.67%, July 2007: 0.43%)			
Smiths Group	4,343,592	45,824,896	3.67
		45,824,896	3.67
Industrial Engineering - (0.78%, July 2007: 0.85%)			
IMI	2,184,570	9,754,105	0.78
		9,754,105	0.78
Support Services - (6.63%, July 2007: 5.17%)			
Atkins (W.S.)	876,250	7,618,994	0.61
Aggreko	3,290,000	22,964,200	1.84
Mitie Group	3,120,000	6,848,400	0.55
Serco Group	3,230,000	13,307,600	1.07
SIG	1,599,030	7,107,688	0.57
Spice	2,997,000	15,284,700	1.22
Bunzl	1,508,888	9,588,983	0.77
		82,720,565	6.63
Beverages - (1.97%, July 2007: 1.89%)			
Diageo	1,319,800	11,607,641	0.93
Sabmiller	1,205,000	12,917,600	1.04
		24,525,241	1.97
Food Producers - (1.14%, July 2007: 1.84%)			
Unilever	1,022,213	14,178,094	1.14
		14,178,094	1.14
Household Goods - (2.73%, July 2007: 4.06%)			
Bellway	730,000	3,487,575	0.28
Reckitt Benckiser Group	1,110,000	30,591,600	2.45
		34,079,175	2.73

Portfolio Statement

as at 31st July 2008

	Holding or nominal value of positions at 31st July 2008	Market Value £	Percentage of total net assets %
Tobacco - (6.02%, July 2007: 6.23%)			
British American Tobacco	2,440,000	45,091,200	3.61
Imperial Tobacco Group	1,600,622	29,995,656	2.41
		75,086,856	6.02
Health Care Equipment & Services - (1.94%, July 2007: 2.30%)			
Smith & Nephew	4,453,421	24,271,145	1.94
		24,271,145	1.94
Pharmaceuticals & Biotechnology - (3.68%, July 2007: 3.23%)			
GlaxoSmithKline	2,525,520	29,788,508	2.38
AstraZeneca	650,000	16,185,000	1.30
		45,973,508	3.68
Food & Drug Retailing - (2.01%, July 2007: 3.64%)			
Tesco	6,892,000	25,142,016	2.01
		25,142,016	2.01
Travel & Leisure - (4.62%, July 2007: 2.00%)			
Arriva	1,940,000	13,618,800	1.09
Compass Group	10,350,000	37,751,625	3.03
William Hill	2,000,000	6,280,000	0.50
		57,650,425	4.62
Mobile Telecommunications - (3.20%, July 2007: 4.78%)			
Vodafone Group	29,868,286	39,933,898	3.20
		39,933,898	3.20

Portfolio Statement

as at 31st July 2008

	Holding or nominal value of positions at 31st July 2008	Market Value £	Percentage of total net assets %
Electricity - (9.48%, July 2007: 7.26%)			
International Power	12,331,707	50,929,950	4.08
Scottish & Southern Energy	4,825,000	67,453,500	5.40
		<u>118,383,450</u>	<u>9.48</u>
Gas, Water & Multiutilities - (2.81%, July 2007: 1.86%)			
National Grid	1,800,000	12,105,000	0.97
Severn Trent	1,710,000	22,931,100	1.84
		<u>35,036,100</u>	<u>2.81</u>
Banks - (10.25%, July 2007: 10.37%)			
Standard Chartered	2,630,000	41,212,100	3.30
HSBC Holdings	6,961,685	58,408,537	4.68
Barclays	8,310,000	28,357,875	2.27
		<u>127,978,512</u>	<u>10.25</u>
Life Insurance - (1.78%, July 2007: 2.75%)			
Prudential	4,056,996	22,232,338	1.78
		<u>22,232,338</u>	<u>1.78</u>
Real Estate Investment Trusts - (1.47%, July 2007: 2.11%)			
Shaftesbury	4,576,000	18,361,200	1.47
		<u>18,361,200</u>	<u>1.47</u>
Financial Services - (1.83%, July 2007: 3.03%)			
Aberdeen Asset Management	5,500,000	7,782,500	0.62
ICAP	3,000,000	15,060,000	1.21
		<u>22,842,500</u>	<u>1.83</u>

Portfolio Statement

as at 31st July 2008

	Holding or nominal value of positions at 31st July 2008	Market Value £	Percentage of total net assets %
Portfolio of investments		1,238,183,712	99.20
Net current assets		<u>10,022,532</u>	<u>0.80</u>
Net assets		<u>1,248,206,244</u>	<u>100.00</u>
All holdings are ordinary shares unless otherwise stated.			
Sectors held in July 2007, not held in July 2008			
Media - 3.73%			
Equity Investment Instruments - 3.06%			
Software & Computer Services - 0.96%			

Balance Sheet

as at 31st July 2008

	Notes	2008		2007	
		£	£	£	£
Assets					
Portfolio of investments			1,238,183,712		1,504,144,315
Debtors	8	5,555,579		6,196,011	
Cash and bank balances	9	<u>23,927,431</u>		<u>26,112,441</u>	
Total current assets			<u>29,483,010</u>		<u>32,308,452</u>
Total assets			1,267,666,722		1,536,452,767
Liabilities					
Creditors	10	(4,652,862)		(8,973,661)	
Distribution payable	7	<u>(14,807,616)</u>		<u>(12,320,240)</u>	
Total current liabilities			(19,460,478)		(21,293,901)
Net assets attributable to unitholders			<u>1,248,206,244</u>		<u>1,515,158,866</u>
M.A. Summerfield (Chairman)				P. Sharman (Director)	
23rd September 2008					

Summary of Material Portfolio Changes

for the year ended 31st July 2008

Significant Purchases	Cost £000	Significant Sales	Proceeds £000
Smiths Group	46,307	Royal Dutch Shell	31,732
Compass Group	36,684	WPP Group	30,936
International Power	31,145	BP	27,168
Amec	26,430	Vodafone Group	27,128
Barclays	22,559	Aberforth Smaller Companies Investment Trust	26,684
Aggreko	18,288	Royal Bank Of Scotland Group	21,054
HSBC Holdings	18,237	HBOS	20,557
Serco Group	14,743	Drax Group	18,405
AstraZeneca	14,466	British American Tobacco	18,040
National Grid	14,454	AstraZeneca	14,944
HBOS	14,076	Tesco	13,456
Severn Trent	11,682	Yell Group	13,270
Kelda Group	10,281	Centrica	12,464
Atkins (W.S.)	10,017	Sage Group	12,362
Johnson Matthey	7,786	Persimmon	11,925
Cairn Energy	7,368	Kelda Group	11,897
Tullow Oil	7,136	Morrison Supermarket	11,468
Arriva	6,890	Imperial Tobacco Group	10,729
Imperial Tobacco Group	4,872	BG Group	10,348
Wolseley	4,528	JP Morgan Mid Capital Investment Trust	9,632
Total cost of purchases, including the above, for the period (see note 14)	333,862	Total proceeds from sales, including the above, for the period (see note 14)	472,208

Notes to the Financial Statements

for the year ended 31st July 2008

1 Accounting Policies

(a) The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Managers Association in December 2005.

(b) Dividends on equities are recognised when the security is quoted ex-dividend. Interest on deposits and fixed-interest securities is accounted for on an accruals basis. Other income is accounted for on a receipt basis.

(c) In addition to the initial charge of 5% contained in the spread, CIS Unit Managers Limited makes an annual management charge of 1.5% of the value of the Trust, which is deducted before income is distributed.

(d) The ordinary element of stocks received in lieu of cash dividends is recognised as income of the Fund. It forms part of the distribution in accordance with the regulations. Previously such items were recorded in income but not distributed.

(e) Special dividends will ordinarily be treated as capital unless there is sufficient evidence that they are income in nature.

(f) The Trust is not more than 60% invested in qualifying investments (as defined by Section 468L I.C.T.A. 1988) and where applicable will pay a dividend distribution to unitholders half-yearly.

(g) The investments of the Trust have been valued at bid price at noon on 31st July 2008, the last valuation point in the accounting year.

(h) Assets and liabilities in currencies other than sterling are translated into sterling at the rates of exchange ruling at 31st July 2008. Income and expenditure transactions are translated at the rates of exchange ruling at the date of transaction.

(i) In accordance with FRS 16 "Current Tax", dividend income and taxation are stated net of any associated tax credits.

(j) In accordance with FRS 19 "Deferred Tax", deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

2 Net (losses)/gains on investments

The net (losses)/gains on investments during the year comprise:

	2008	2007
	£	£
Non-derivative securities	(127,614,421)	133,720,713
Net (losses)/gains on investments	(127,614,421)	133,720,713

Notes to the Financial Statements

for the year ended 31st July 2008

3 Other gains

	2008	2007
	£	£
Currency gains	822	108
Total other gains	822	108

4 Income

	2008	2007
	£	£
UK dividends	43,376,053	44,400,402
Property income dividend	480,480	–
Overseas dividends	226,903	127,570
Bank interest	765,310	1,031,433
Scrip dividends	–	1,112,987
Underwriting commission	–	9,223
Total income	44,848,746	46,681,615

5 Expenses

	2008	2007
	£	£
Payable to the Manager, associates of the Manager and their agents:		
Manager's annual charge	21,626,836	24,073,319
Payable to the Trustee, associates of the Trustee and their agents:		
Trustee's fee	314,751	341,488
Safe custody charges	51,970	71,483
Activity charges	1,520	2,370
	368,241	415,341
Other expenses		
Audit fee	6,416	5,875
Solicitors' Fees	–	1,175
Financial Services Authority Fee	–	400
	6,416	7,450
Total expenses	22,001,493	24,496,110

The Solicitors' and Financial Services Authority Fees were costs incurred on the conversion to the Collective Investment Scheme Sourcebook (COLL).

Notes to the Financial Statements

for the year ended 31st July 2008

6 Taxation

a) Analysis of charge for the year

	2008	2007
	£	£
Corporation tax	–	–
Overseas tax	34,145	19,658
Total current tax	34,145	19,658
Deferred tax	–	–
Total taxation	34,145	19,658

Corporation tax has been provided at a rate of 20% (2007: 20%)

b) Factors affecting the current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a unit trust company (20%). The differences are explained below:

	2008	2007
	£	£
Net income before tax	22,845,729	22,185,505
Corporation tax @ 20%	4,569,146	4,437,101
<i>Effects of:</i>		
Income not subject to taxation	(8,675,211)	(8,880,081)
Non-taxable scrip dividends	–	(222,597)
Increase in excess management expenses	4,106,065	4,665,577
Irrecoverable overseas tax	34,145	19,568
Current tax charge for the year (note 6a)	34,145	19,568

At the year end, there is a potential deferred tax asset of £33,846,870 (2007: £31,682,602) in relation to surplus management expenses and £76,141 (2007: £41,174) relating to excess unutilised foreign tax available for double taxation relief. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the year or the prior years.

Notes to the Financial Statements

as at 31st July 2008

7 Finance costs

	2008	2007
	£	£
Amount transferred to capital in calculating the distribution:		
Script Dividends	–	1,112,987
Distributions		
The distributions take account of income received on the creation of units and income deducted on the cancellation of units and comprise:		
Interim Distribution	7,164,440	7,940,256
Final Distribution	14,807,616	12,320,240
	21,972,056	20,260,496
Add: Income deducted on cancellation of units	840,359	792,144
Net distribution for the year	22,812,415	21,052,640
Interest	1,524	–
Total finance costs	22,813,939	21,052,640

Details of the distribution per unit are set out in the table on page 27

8 Debtors

	2008	2007
	£	£
Sales awaiting settlement	–	2,601,365
Accrued income	5,415,772	3,480,077
Overseas tax recoverable	66,981	24,688
Bank interest	72,826	89,881
	5,555,579	6,196,011

9 Cash and bank balances

	2008	2007
	£	£
Cash and bank balances	23,927,431	26,112,441

Notes to the Financial Statements

as at 31st July 2008

10 Creditors

	2008	2007
	£	£
Purchases awaiting settlement	3,035,978	6,848,928
Manager's periodic charge	1,585,941	2,090,493
Other accrued expenses	30,943	34,240
	<u>4,652,862</u>	<u>8,973,661</u>

11 Capital Commitments

At 31st July 2008 there were no outstanding capital commitments (July 2007: Nil) in respect of nil or partly paid securities held by the Trust.

12 Related Parties

The Manager and Trustee are related to the Fund as defined by Financial Reporting Standard 8 'Related Party Disclosures' and are named on page 4.

Fees received by the Manager and the Trustee are disclosed in Note 5 of the accounts. By virtue of the regulations governing authorised unit trusts, the Manager is party to all the transactions in respect of units of the Fund, which are summarised in the Statement of Change in Unitholders' Net Assets.

Any amounts due to or from the Manager and the Trustee at the end of the accounting year are disclosed in notes 8 (Debtors) and 10 (Creditors).

13 Derivatives and other Financial Instruments

In pursuing the Fund's aims set out on page 5, the Fund holds a number of financial instruments which include:

- Equity shares held in accordance with the Fund's investment objectives and policies

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

The main risks arising from the Fund's financial instruments are market price and credit liquidity risks.

The Manager reviews each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

Market Price Risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The asset allocation of the portfolio is reviewed in order to manage the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with an overall asset allocation parameter and seeks to ensure that the Fund invests in a diversified fashion, to reduce the risk of exposure to a significant event affecting a single security, or industry, subject to the obligation under the Fund's objective to invest in securities which share certain characteristics.

Notes to the Financial Statements

as at 31st July 2008

Foreign Currency Risk

The income of the Fund's investments can be significantly affected by currency translation movements, as a portion of the Fund's income is

denominated in currencies other than Sterling, which is the Fund's base currency. The Fund does not hedge on foreign exchange rates.

The Fund's currency exposure is analysed as follows:

	2008	2007
	£	£
Sterling	1,247,883,744	1,514,945,314
US Dollars	322,500	213,552
	<u>1,248,206,244</u>	<u>1,515,158,866</u>

The profile of the currency is as follows:

Currency	Investments	Other Net Asset	Total
	2008 (£)	2008 (£)	2008 (£)
Sterling	1,238,183,712	9,700,032	1,247,883,744
US Dollars	–	322,500	322,500
Total	<u>1,238,183,712</u>	<u>10,022,532</u>	<u>1,248,206,244</u>
Currency	Investments	Other Net Asset	Total
	2007 (£)	2007 (£)	2007 (£)
Sterling	1,504,144,315	10,800,999	1,514,945,314
US Dollars	–	213,552	213,552
Total	<u>1,504,144,315</u>	<u>11,014,551</u>	<u>1,515,158,866</u>

Liquidity Risk

The Fund's assets comprise mainly readily available realisable securities, which can be sold to meet funding requirements if and when necessary. The main liability of the Fund is the redemption of any units that investors wish to sell.

Notes to the Financial Statements

as at 31st July 2008

14 Portfolio Transaction Costs

The cost of transactions during the year were:

Analysis of total purchase costs	2008		2007	
	£	£	£	£
Purchases in year before transaction costs		331,703,290		518,205,937
Stamp Duty	1,660,897		2,498,706	
Commissions	497,555		748,547	
PTM Levy	93		152	
Total purchase costs		2,158,545		3,247,405
Gross purchases total		<u>333,861,835</u>		<u>521,453,342</u>

Analysis of total sale costs	2008		2007	
	£	£	£	£
Gross sales before transaction costs		472,915,898		656,155,863
Commissions	(707,775)		(932,088)	
PTM Levy	(109)		(135)	
Total sale costs		(707,884)		(932,223)
Total sales net of transaction costs		<u>472,208,014</u>		<u>655,223,640</u>

Stamp Duty is paid at 0.5% on all UK share purchases, PTM levy is paid at £1 for each UK share purchase or sale where the cost or proceeds is £10,000 or higher.

Distribution Table

Interim Distribution

for the period ended 31st January 2008

Group 1 - Units purchased prior to 1st August 2007

Group 2 - Units purchased on or after 1st August 2007

	Net Income 2008 pence per unit	Equalisation 2008 pence per unit	Distribution payable 2008 pence per unit	Distribution payable 2007 pence per unit
Income units				
Group 1	1.8500	–	1.8500	1.8500
Group 2	0.4047	1.4453	1.8500	1.8500

Final Distribution

for the period ended 31st July 2008

Group 1 - Units purchased prior to 1st February 2008

Group 2 - Units purchased on or after 1st February 2008

	Net Income 2008 pence per unit	Equalisation 2008 pence per unit	Distribution payable 2008 pence per unit	Distribution payable 2007 pence per unit
Income units				
Group 1	3.9986	–	3.9986	3.0196
Group 2	1.7023	2.2963	3.9986	3.0196

Prices

The price of the CIS UK Growth Trust is calculated using the dual pricing method, which means that two dealing prices are quoted. The buying price is the price at which you can buy the units, and the selling price is the price at which you can sell the units back to the Manager.

The difference between the buying and selling prices, currently 5%, is known as the spread. This includes the initial management charge to cover the expense of selling the units and administration.

Full details of how the Trust is priced are contained in the Prospectus.

Prospectus

Copies of the most recent Prospectus may be obtained, free of charge, from
CIS Unit Managers Limited,
PO Box 105,
Manchester M4 8BB.

Grown up savings – we've teamed up with The Children's Mutual to offer the UK's first ethical stakeholder Child Trust Fund account, so you can now invest in your child's future in the widest possible sense.

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