

ANNUAL REPORT

**Queens Road Value Fund
Queens Road Small Cap Value Fund**

Each a series of the
Bragg Capital Trust

May 31, 2008

Dear Fellow Shareholders:

For the fiscal year ending May 31, 2008, the Queens Road Value Fund returned -6.34% and the Queens Road Small Cap Value Fund returned -7.15% (see each fund's section below for more detailed performance information). We are always disappointed with negative returns, but we know when we invest in equities we must occasionally accept them. We are pleased that both funds outperformed their benchmarks. The risk premium which had been noticeably absent from investors' decisions over the past several years seems to have found its way back into the market, which we believe has been a significant driver in our relative outperformance over the last twelve months. Although of course past performance does not guarantee future results, we believe our value-oriented investment philosophy should continue to provide attractive risk-adjusted performance over the long term.

Economic news over the last twelve months has been dominated by surging oil prices and an unprecedented decline in the U.S. housing market. The decline in housing prices, brought on by years of lax lending standards and the moral hazards fostered by securitization, has yet to let up. The Federal Reserve's attempts to intervene through interest rate cuts and innovative moves to provide banks liquidity have proven ineffective, except for promoting inflation as an undesirable side effect. The housing bill currently going through Congress is designed to alleviate some of this pressure. The complexities of the 694-page bill are enormous but the main thrust of it provides \$300 billion in FHA mortgage guarantees for many of the most strapped homeowners, a \$7500 tax credit to many first-time buyers and an increase in the authority, oversight, access to capital and liquidity for Fannie Mae and Freddie Mac. Our belief is that it is poorly designed and will result in unintended consequences that may ultimately do more harm than good. We hope we are wrong.

Tighter credit and increased fuel costs are taking a toll on consumer spending, which represents about two-thirds of the United States GDP and is a substantial factor in overall corporate profit growth. The recent tax rebates which were designed to spur spending did help, but will probably need to be repeated to produce a significant effect. On a positive note, employment remains relatively low, which will be crucial in keeping economic growth on track.

In spite of the headwinds of a slowing economy, the drop in the stock market has created some very attractive investment opportunities. We are seeing investments available at valuations we have not seen in several years. As we make these investments, overall negative sentiment may push their values down further. If so, we will buy more. Although we are currently paying for some of the poor decisions lenders, home buyers, and policy makers made over the last ten years, the foundation of the economy remains strong and when the market turns it will probably rebound sharply, as it typically does when emerging from bear markets. We look forward to participating in the next bull market.

As always, thank you for your support.

Sincerely,

Steve Scruggs, CFA

President, Portfolio Manager

Benton Bragg, CFA

Chairman

Queens Road Value Fund

Managers Commentary May 31, 2008

The Queens Road Value Fund was down -6.43% for the fiscal year ending 5/31/2008. We beat both our primary benchmark, the S&P500/Citi Value Index, which was down -12.02% and the S&P 500, which was down -6.70%.

Some of our best performing investments were Apache, Covidien, and McDonalds. Exceptionally poor performance from AIG, Maxim Integrated Products and Consecro detracted from our overall performance.

The chart below shows the fund's performance for the fiscal year ended 5/31/2008, along with the returns for the S&P500/Citi Value Index and the Standard and Poor's 500 Index. We try to outperform the index through security selection, investing only in those companies we believe are trading at attractive valuations and have the best prospects for long-term performance.

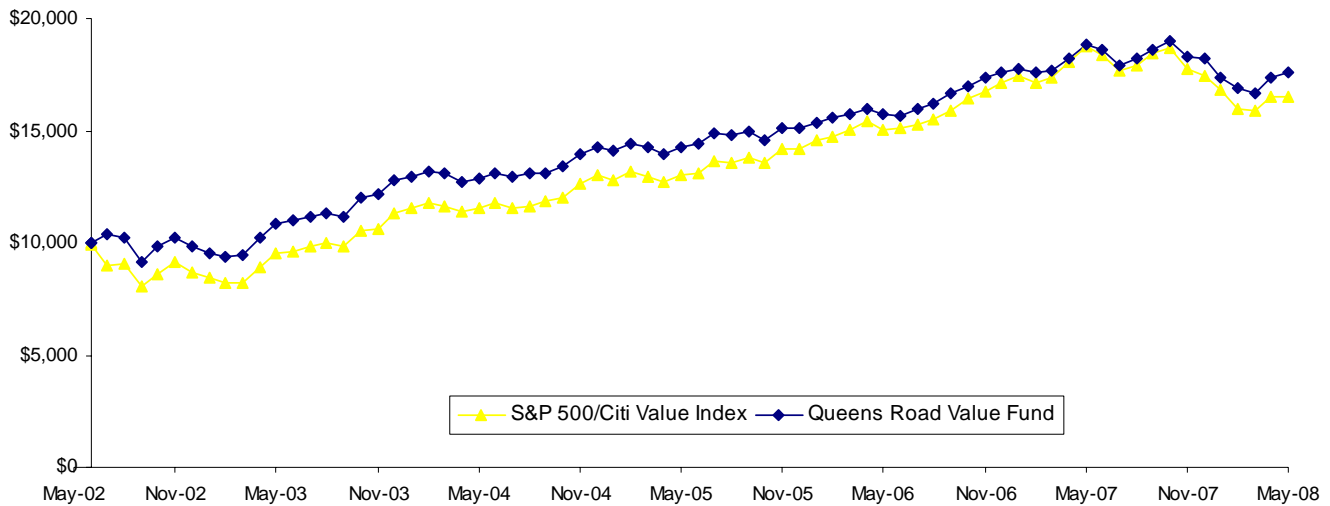
	<u>QRVLX</u>	<u>S&P 500/Citi Value</u>	<u>S&P 500</u>
June 2007	-0.90%	-2.05%	-1.66%
July 2007	-3.76%	-3.93%	-3.10%
August 2007	1.39%	1.35%	1.50%
September 2007	2.36%	3.10%	3.74%
October 2007	2.00%	1.05%	1.59%
November 2007	-3.63%	-4.86%	-4.18%
December 2007	-0.43%	-1.58%	-0.69%
January 2008	-4.92%	-3.49%	-6.00%
February 2008	-2.62%	-5.21%	-3.25%
March 2008	-1.17%	-0.47%	-0.43%
April 2008	4.12%	3.73%	4.87%
May 2008	1.48%	0.12%	1.30%
One Year	-6.34%	-12.02%	-6.70%

Queens Road Value Fund

Performance Illustration May 31, 2008

Cumulative Performance Comparison \$10,000 Investment Since Inception*

	<u>May 31, 2008</u>
S&P 500/Citi Value Index	\$16,513
Queens Road Value Fund	\$17,619



Average Annual Total Return
For the Periods Ended May 31, 2008

	Queens Road Value Fund	S&P 500/Citi Value Index
1 Year	-6.34%	-12.02%
Since Inception	9.89%	8.71%

Annual Operating Expense 0.96%*

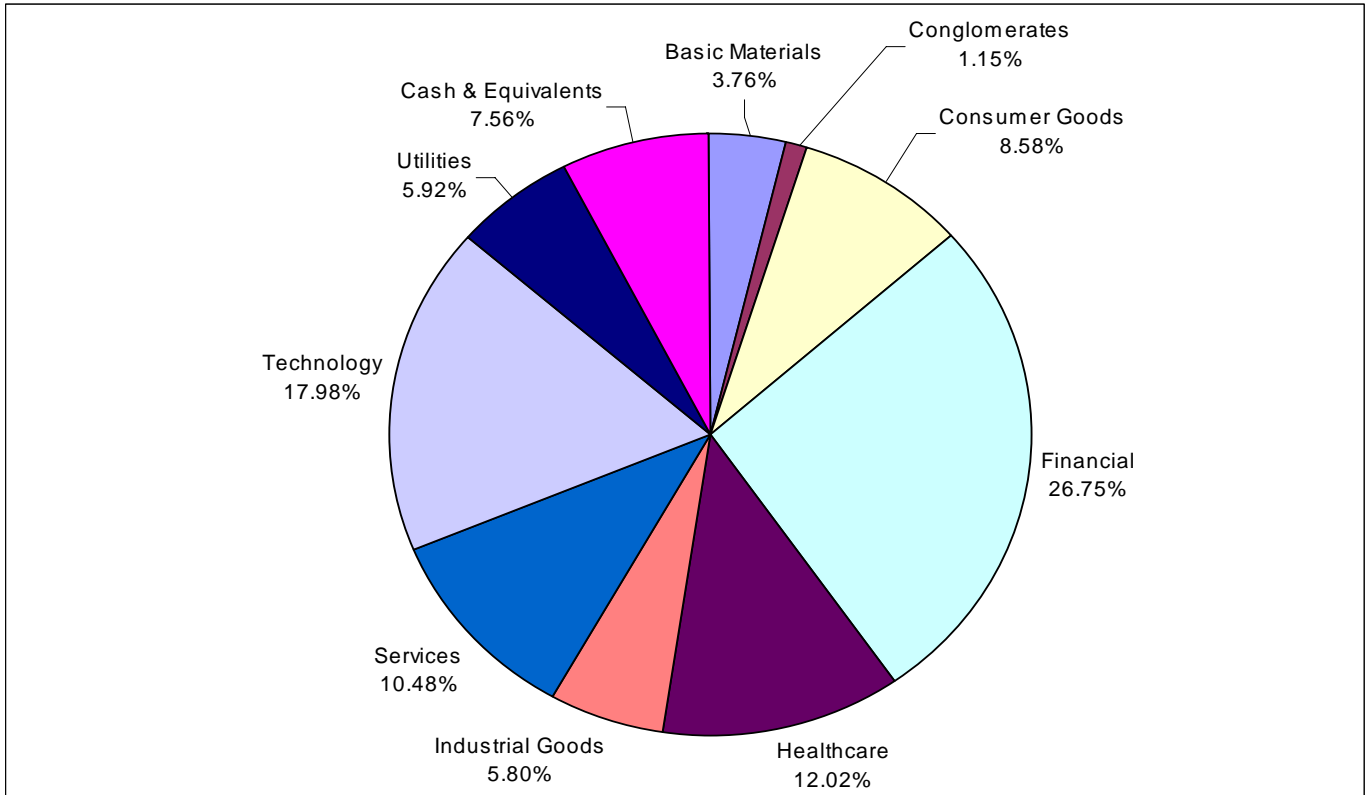
*As disclosed in the Fund's Prospectus.

**Past performance is not predictive of future performance. The value of shares will fluctuate and will be worth more or less than their original cost at the time of redemption.*

Queens Road Value Fund

Graphical Illustration May 31, 2008

The following chart gives a visual breakdown of the Fund by the industry sectors the underlying securities represent as a percentage of the portfolio of investments.



Queens Road Value Fund

Schedule of Investments

May 31, 2008

<u>Shares</u>		<u>Value</u>
COMMON STOCKS - 92.28%		
Advertising - 0.21%		
500	Omnicom Group, Inc.	\$ 24,505
Aerospace & Defense - 1.92%		
1,525	Alliant Techsystems, Inc. *	165,554
160	Boeing Company	13,243
600	United Technologies Corp.	<u>42,624</u>
		221,421
Alternative Carriers - 2.13%		
15,500	Time Warner, Inc.	246,140
Apparel & Accessories - 1.10%		
800	Liz Claiborne, Inc.	13,968
1,500	V.F. Corp.	<u>113,550</u>
		127,518
Beverages - 1.19%		
1,830	Brown Forman Corp. Class-B	137,579
Broadcasting & Cable TV - 2.82%		
10,490	CBS Corp. Class B	226,374
2,800	Dish Network Corp. Class-A	<u>98,308</u>
		324,682
Computer Storage & Peripherals - 3.45%		
10,000	EMC Corporation *	174,400
4,600	Lexmark International Group *	169,556
2,500	Seagate Technology	<u>53,550</u>
		397,506
Data Processing Services - 0.53%		
2,495	Electronic Data Systems Corp.	61,103
Electric & Other Services Combined - 0.94%		
2,100	Integrus Energy Group, Inc.	107,835

Electric Utilities - 4.98%		
10,900	Duke Energy Corp.	201,432
700	Exelon Corp.	61,600
3,000	Northeast Utilities	78,330
1,700	Progress Energy, Inc.	72,692
4,400	Southern Co.	<u>159,280</u>
		573,334
Environmental Services - 0.64%		
2,250	Waste Connections, Inc. *	73,868
Fertilizers & Agricultural Chemicals - 0.44%		
1,800	The Scotts Miracle-Gro Co. Class-A	50,760
Finance Services - 1.61%		
4,000	American Express Co.	185,400
Financials-Asset Management & Custody Banks - 4.23%		
2,900	Bank of America Corp.	98,629
4,100	Legg Mason, Inc.	220,621
2,900	T. Rowe Price Associates, Inc.	<u>167,968</u>
		487,218
General Merchandise Stores - 0.62%		
1,950	Dollar Tree Stores, Inc. *	71,955
Health Care Distributors & Services - 2.08%		
4,300	Wellpoint Health Networks, Inc. *	240,026
Health Care Equipment - 0.66%		
1,500	Medtronic, Inc.	76,005
Health Care Facilities - 2.03%		
6,500	Community Health Systems *	234,195
Household Products - 1.44%		
2,900	Clorox Co.	165,677
Housewares & Specialties - 2.04%		
3,380	Fortune Brands, Inc.	234,842
Industrial Conglomerates - 3.33%		
1,162	Covidien Ltd.	58,205
1,162	Tyco Electronics Ltd.	46,619
6,162	Tyco International Ltd.	<u>278,461</u>
		383,285

Industrial Instruments For Measurement, Display And Control - 0.78%		
1,150	Danaher Corp.	89,907
Industrial Machinery - 1.15%		
3,000	Ingersoll-Rand Co. Ltd.	132,120
Insurance Brokers - 2.23%		
1,300	Brown & Brown, Inc.	25,311
2,300	Hartford Financial Services Group, Inc.	163,461
2,500	Marsh & McLennan Companies, Inc.	<u>68,075</u>
		256,847
Integrated Oil & Gas - 1.31%		
1,700	Exxon Mobil Corp.	150,892
Integrated Telecommunication Services - 5.76%		
5,100	AT&T, Inc.	203,490
4,600	Century Telephone Enterprises, Inc.	162,886
22,333	Windstream Corp.	<u>297,922</u>
		664,298
Internet Software & Services - 3.05%		
6,000	Intel Corp.	139,080
7,500	Microsoft Corp.	<u>212,400</u>
		351,480
Investment Banking & Brokerage - 0.38%		
1,000	Merrill Lynch & Company, Inc.	43,920
Leisure Products - 0.85%		
2,700	Hasbro, Inc.	97,848
Life & Health Insurance - 9.10%		
14,710	Aegon NV	224,181
4,000	Aflac, Inc.	268,520
9,500	Conseco, Inc. *	110,865
3,035	Metlife Inc.	182,191
2,000	Prudential Financial, Inc.	149,400
1,800	Torchmark Corp.	<u>114,138</u>
		1,049,295
Movies & Entertainment - 0.85%		
4,500	News Corp. Class-A	80,775
490	Viacom, Inc. Class B *	<u>17,552</u>
		98,327
Multi-Sector Holdings - 2.45%		
5,200	Leucadia National Corp.	282,360
Multi-Line Insurance - 0.94%		

3,000	American International Group, Inc.	108,000
National Commercial Banks - 1.31%		
3,500	JP Morgan Chase & Company	150,500
Oil & Gas Exploration & Production - 1.40%		
1,200	Apache Corp.	160,872
Oil & Gas Refining & Marketing - 0.28%		
1,200	Spectra Energy Corp	32,424
Packaged Foods - 0.47%		
1,670	Unilever NV	54,709
Personal Products - 1.46%		
6,375	Alberto-Culver Co. Class B	168,491
Pharmaceuticals - 6.72%		
6,000	Glaxosmithkline, PLC - ADR	267,180
3,050	Johnson & Johnson	203,557
2,820	Merck & Co., Inc.	109,867
10,000	Pfizer, Inc.	<u>193,600</u>
		774,204
Property & Casualty Insurance - 3.93%		
11,900	Progressive Corp.	238,714
4,300	Travelers Companies, Inc.	<u>214,183</u>
		452,897
Publishing & Printing - 1.46%		
420	Gannett Co., Inc.	12,100
3,300	John Wiley & Sons, Inc. Class-A	<u>155,925</u>
		168,025
Regional Banks - 0.86%		
1,700	BOK Financial Corp.	98,991
Radio & TV Broadcasting & Communications Equipment - 0.18%		
560	Echostar Corp. Class-A *	20,911
Reinsurance - 1.86%		
4,100	Renaissance Re Holdings Ltd.	213,856
Restaurants - 1.71%		
3,325	McDonalds Corp.	197,239
Semiconductors - 0.77%		
4,000	Maxim Integrated Products, Inc.	88,400

Specialty Stores - 0.09%		
1,375	Sally Beauty Holdings, Inc. *	10,368
Steel Pipe & Tubes - 0.33%		
500	Allegheny Technologies, Inc.	37,500
Systems Software - 0.57%		
3,000	Symantec Corp. *	65,190
Trading Companies & Distributors - 0.55%		
700	W.W. Grainger, Inc.	63,882
Wireless Telecommunication Services - 0.82%		
1,586	America Movil S.A.B. de C.V. Series-L ADR	94,795
State Commercial Banks - 0.27%		
1,650	Fifth Third Bancorp	<u>30,855</u>
TOTAL FOR COMMON STOCKS (Cost \$9,960,708) - 92.28%		<u>\$ 10,634,257</u>
SHORT TERM INVESTMENTS - 7.55%		
870,122	AIM Short Term Investment Company Prime Portfolio 2.62% ** (Cost \$870,122)	<u>870,122</u>
TOTAL INVESTMENTS (Cost \$10,830,830) - 99.83%		11,504,379
OTHER ASSETS LESS LIABILITIES - 0.17%		<u>19,502</u>
NET ASSETS - 100.00%		<u>\$ 11,523,881</u>

* Non-income producing securities during the period.

ADR - American Depository Receipt

** Variable rate security; the coupon rate shown represents the yield at May 31, 2008.

The accompanying notes are an integral part of these financial statements.

**Queens Road Value
Fund**
Statement of Assets and Liabilities
May 31, 2008

Assets:

Investments, at Value (Cost \$10,830,830) \$ 11,504,379

Receivables:

Dividends and Interest 28,494

Total Assets 11,532,873

Liabilities:

Accrued Management Fees 8,992

Total Liabilities 8,992

Net Assets \$11,523,881

Net Assets Consist of:

Paid In Capital 10,932,677

Accumulated Undistributed Net Investment Income 74,849

Accumulated Undistributed Realized (Loss) on Investments (157,194)

Unrealized Appreciation in Value of Investments 673,549

Net Assets, for 761,713 Shares Outstanding (Unlimited number
of shares authorized without par value) \$11,523,881

Net Asset Value Per Share (\$11,523,881/761,713) \$ 15.13

The accompanying notes are an integral part of these financial statements.

Queens Road Value Fund

Statement of Operations For the year ended May 31, 2008

Investment Income:

Dividends (net of foreign withholding taxes of \$536)	\$ 200,920
Interest	<u>78,608</u>
Total Investment Income	279,528

Expenses:

Advisory Fees (Note 3)	<u>98,259</u>
Total Expenses	<u>98,259</u>

Net Investment Income 181,269

Realized and Unrealized Loss on Investments:

Realized Loss on Investments	(7,521)
Net Change in Unrealized Depreciation on Investments	<u>(782,193)</u>
Net Realized and Unrealized Loss on Investments	<u>(789,714)</u>

Net Decrease in Net Assets Resulting from Operations \$ (608,445)

The accompanying notes are an integral part of these financial statements.

Queens Road Value Fund

Statements of Changes in Net Assets

	Years Ended	
	<u>5/31/2008</u>	<u>5/31/2007</u>
Increase (Decrease) in Net Assets From Operations:		
Net Investment Income	\$ 181,269	\$ 153,843
Net Realized Gain (Loss) on Investments	(7,521)	32,220
Unrealized Appreciation (Depreciation) on Investments	<u>(782,193)</u>	<u>1,161,293</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	(608,445)	1,347,356
Distributions to Shareholders From:		
Net Investment Income	(174,900)	(103,682)
Realized Gains	<u>(141,843)</u>	<u>(47,519)</u>
Net Change in Net Assets from Distributions	(316,743)	(151,201)
Capital Share Transactions:		
Proceeds from Sale of Shares	3,025,830	3,854,300
Shares Issued on Reinvestment of Dividends	137,805	60,840
Cost of Shares Redeemed	<u>(444,730)</u>	<u>(326,882)</u>
Net Increase in Net Assets from Shareholder Activity	2,718,905	3,588,258
Net Assets:		
Net Increase in Net Assets	1,793,717	4,784,413
Beginning of Period	<u>9,730,164</u>	<u>4,945,751</u>
End of Period (Including Accumulated Undistributed Net Investment		
Income of \$74,849 and \$68,480, Respectively)	<u>\$ 11,523,881</u>	<u>\$ 9,730,164</u>
Share Transactions:		
Shares Sold	196,504	252,457
Shares Issued on Reinvestment of Dividends	8,783	3,893
Shares Redeemed	<u>(28,057)</u>	<u>(21,007)</u>
Net Increase in Shares	177,230	235,343
Outstanding at Beginning of Period	<u>584,483</u>	<u>349,140</u>
Outstanding at End of Period	<u><u>761,713</u></u>	<u><u>584,483</u></u>

Queens Road Value Fund

Financial Highlights

Selected data for a share outstanding throughout the period.

	For the Years Ended				
	<u>5/31/2008</u>	<u>5/31/2007</u>	<u>5/31/2006</u>	<u>5/31/2005</u>	<u>5/31/2004</u>
Net Asset Value, at Beginning of Period	<u>\$16.65</u>	<u>\$14.17</u>	<u>\$13.00</u>	<u>\$12.54</u>	<u>\$10.74</u>
Income From Investment Operations:					
Net Investment Income *	0.27	0.33	0.15	0.16	0.26
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(1.30)</u>	<u>2.46</u>	<u>1.15</u>	<u>1.20</u>	<u>1.76</u>
Total from Investment Operations	(1.03)	2.79	1.30	1.36	2.02
Distributions from:					
Net Investment Income	(0.27)	(0.21)	(0.05)	(0.26)	(0.22)
Capital Gains	<u>(0.22)</u>	<u>(0.10)</u>	<u>(0.08)</u>	<u>(0.64)</u>	<u>0.00</u>
	(0.49)	(0.31)	(0.13)	(0.90)	(0.22)
Net Asset Value, at End of Period	<u>\$ 15.13</u>	<u>\$ 16.65</u>	<u>\$14.17</u>	<u>\$13.00</u>	<u>\$12.54</u>
Total Return **	(6.34)%	19.83%	10.03%	10.79% (a)	18.77%
Ratios/Supplemental Data:					
Net Assets at End of Period (Thousands)	\$ 11,524	\$ 9,730	\$ 4,946	\$1,388	\$534
Before Reimbursement					
Ratio of Expenses to Average Net Assets	0.95%	0.95%	0.95%	0.95%	0.95%
Ratio of Net Investment Income to Average Net Assets	1.75%	2.12%	1.05%	0.89%	1.22%
After Reimbursement					
Ratio of Expenses to Average Net Assets	0.95%	0.95%	0.95%	0.57%	0.00%
Ratio of Net Investment Income to Average Net Assets	1.75%	2.12%	1.05%	1.27%	2.17%
Portfolio Turnover	14.05%	8.66%	6.54%	54.53%	36.79%

* Net Investment Income/Loss per share amounts were calculated using the average share method.

** Total return in the above table represents the rate that the investor would have earned or lost on an investment in the fund assuming reinvestment of dividends and is not annualized for periods of less than one year.

(a) Total return before the waiver of related party broker commissions of \$332 is 10.79% (see note 3).

BRAGG CAPITAL TRUST
QUEENS ROAD VALUE FUND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2008

Note 1. Organization

The Queens Road Value Fund (the "Fund"), a managed portfolio of the Bragg Capital Trust, is registered under the Investment Company Act of 1940, as amended, as a non-diversified, open-end management company. The Fund is one of a series of Funds of the Bragg Capital Trust, which also includes the Queens Road Small Cap Value Fund. The Fund's investment objective is to seek growth of capital. It invests primarily in common stocks which are believed by the Advisor to be undervalued and have good prospects for capital appreciation. The Fund's registration statement was declared effective on June 13, 2002 and operations began on that date.

Note 2. Significant Accounting Policies

The following is a summary of accounting policies followed by the Fund in the preparation of its financial statements.

Security Valuation: Securities, which are traded on a national securities exchange or on the NASDAQ over-the-counter market, are valued at the last quoted sales price. If there are no sales reported the Fund's portfolio securities will be valued using the last reported bid price. Short-term obligations having remaining maturities of 60 days or less are valued at amortized cost. Securities for which market quotations are not readily available are valued at fair value as determined in good faith by and under the direction of the Fund's Board of Trustees.

Federal Income Taxes: The Fund's policy is to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no provision for income taxes is required.

Effective October 31, 2007, the Fund adopted Financial Accounting Standards Board ("FASB") Interpretation No.48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, a clarification of FASB Statement No.109, Accounting for Income Taxes. FIN 48 establishes financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. FIN 48 was applied to all open tax years as of the effective date. The adoption of FIN 48 had no impact on the Fund's net assets or results of operations.

As of and during the period ended May 31, 2008 the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to recognized tax benefits as income tax expense on the statement of operations. During the period, the Fund did not incur any interest or penalties. The Fund is not subject to examination by the U.S. federal tax authorities for the tax years before 2004.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Other: The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statement and income tax purposes. Dividend income is recorded on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as information is available to the Fund. Interest income is recorded on an accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities.

Distributions to shareholders: Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income taxes purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expense or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations or net asset value per share of the Fund. There were no reclassifications for the year ended May 31, 2008.

Fair Value Measurements: In September 2006, FASB issued Statement on Financial Accounting Standards (SFAS) No. 157 "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosure about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current

generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of May 31, 2008, the Fund does not believe that the adoption of SFAS No. 157 will impact the amounts reported in the financial statements, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements reported on the statements of changes in net assets for a fiscal period.

Note 3. Investment Advisory Fee and Other Transactions with Affiliates

The Fund retains Bragg Financial Advisors, Inc. (the "Advisor") as its Investment Advisor. Under the terms of the management agreement, the Advisor provides investment management and administrative services for the Fund. For its services as Advisor, the Fund pays a fee, computed daily and payable monthly at the annual rate of 0.95% of the Fund's average daily net asset value. For the year ended May 31, 2008, the Advisor earned \$98,259. From these fees and its own resources the Advisor agreed to pay other operating expenses of the Fund including transfer agent fees, fund accountant fees, registration fees, custodial fees, and other ordinary expenses of the Fund. However, the agreement does not require the Advisor to pay interest, taxes, brokerage commissions, and extraordinary expenses of the Fund. The amount due to the Advisor at May 31, 2008 is \$8,992.

Certain Trustees and officers of the Advisor are "interested persons" (as defined in the Investment Company Act of 1940) of the Trust. Each "non-interested" Trustee is entitled to receive an annual fee of \$1,000 plus expenses for services relating to the Trust which is paid by the Advisor.

Queens Road Securities ("QRS") acts as the principal underwriter in the continuous public offering of the Fund's shares. Certain officers of the Trust are also officers of QRS. QRS did not receive or waive any brokerage fees on executions of purchases and sales of the Fund's portfolio investments during the year ended May 31, 2008.

Note 4. Capital Stock

At May 31, 2008, there were an unlimited number of shares authorized and 761,713 shares outstanding, each with no par value, and paid-in capital amounted to \$10,932,677 for the Fund.

Note 5. Investment Transactions

For the year ended May 31, 2008, the cost of purchases and the proceeds from sales, other than short-term securities, aggregated \$3,953,504 and \$1,212,565 respectively. The aggregate cost of securities for federal income tax purposes at May 31, 2008 was \$10,984,961.

Note 6. Distributions to Shareholders

The tax character of distributions paid during the fiscal year ended May 31, 2008 and fiscal year ended May 31, 2007 were as follows:

Distributions paid from:	May 31, 2008	May 31, 2007
Ordinary Income	\$174,900	\$103,682
Short-Term Capital Gain	9,614	6,105
Long-Term Capital Gain	132,229	41,414
	<u>\$316,743</u>	<u>\$151,201</u>

As of May 31, 2008 the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary income	\$71,584
Undistributed long-term capital gain	202
Unrealized appreciation	519,418
Net Total	\$591,204

At May 31, 2008, the composition of unrealized appreciation (excess of value over tax cost) and depreciation (the excess of tax cost over value) on a tax basis was as follows:

Appreciation	Depreciation	Net Appreciation (Depreciation)
1,352,869	(833,451)	519,418

The difference between book-basis and tax-basis unrealized appreciation (depreciation) resulted from the deferral of Post-October losses, of \$154,131.

Note 7. Control

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under section 2 (a) (9) of the Investment Company Act of 1940. As of May 31, 2008, Pershing, LLC., for the benefit of its customers, owned 99.03% of the Fund.

Queens Road Value Fund

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Shareholders and
Board of Trustees
Queens Road Value Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Queens Road Value Fund (the "Fund"), a series of the Bragg Capital Trust as of May 31, 2008, and the related statement of operations for the year then ended and statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2008, by correspondence with the Fund's custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Queens Road Value Fund, as of May 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and their financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

COHEN FUND AUDIT SERVICES, LTD.
Westlake, Ohio
July 25, 2008

Queens Road Value Fund

Expense Illustration

May 31, 2008

Expense Example

As a shareholder of the Queens Road Value Fund, you incur ongoing costs which typically consist of management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, December 1, 2007 through May 31, 2008.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

	Beginning Account Value <u>December 1, 2007</u>	Ending Account Value <u>May 31, 2008</u>	Expenses Paid During the Period * <u>December 1, 2007 to May 31, 2008</u>
Actual	\$1,000.00	\$962.58	\$4.66
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,020.25	\$4.80

* Expenses are equal to the Fund's annualized expense ratio of 0.95%, multiplied by the average account value over the period, multiplied by 183/366 (to reflect the one-half year period).

Bragg Capital Trust Queens Road Value Fund

Additional Information
May 31, 2008 (Unaudited)

Proxy Voting - A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies during the most recent 12 month period, are available without charge upon request by (1) calling the Fund at (800) 595-3088 and (2) from Fund documents filed with the Securities and Exchange Commission ("SEC") on the SEC's website at www.sec.gov.

Portfolio Holdings - The Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. The Fund's first and third fiscal quarters end on August 31 and February 28. The Form N-Q filing must be made within 60 days of the end of the quarter, and the Fund's first Form N-Q was filed with the SEC on October 8, 2004. The Fund's Forms N-Q are available on the SEC's website at <http://sec.gov>, or they may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (call 1-800-732-0330 for information on the operation of the Public Reference Room). You may also obtain copies by calling the Fund at 1-800-595-3088.

<u>Interested Trustees</u>				<u>Number of Portfolios</u>	<u>Other Directorships</u>
<u>Name (Age)</u>	<u>Position with</u>	<u>Term of Office</u>	<u>Principal Occupations</u>	<u>in Fund Complex</u>	<u>Held By Trustee</u>
	<u>Fund</u>	<u>and Length of</u>	<u>During Past Five Years</u>	<u>Overseen By Trustee</u>	
		<u>Time Served</u>			
Steve Scruggs, 39	Trustee, President Secretary	Unlimited; 5 years	Bragg Financial Advisors, Portfolio Manager/CCO (2000- present) Reliance Insurance, Product Manager(1999-2000)	Two	None
Benton Bragg, 40	Trustee, Chairman Treasurer	Unlimited; 5 years	Bragg Financial Advisors, President, CEO (1996- present)	Two	None
<u>Independent Trustees</u>					
Philip Blount, 53 ²	Trustee	Unlimited; 5 years	Icons, Inc., President (2001- present) Marketing Merchandise Halo, Inc., Vice President (1996-2001) Marketing Merchandise	Two	None
Christopher Brady, 37 ^{1,2}	Trustee	Unlimited; 5 years	Brady Distributing, Vice President (1995-present) Machinery Distribution	Two	None
Harold Smith, 42 ²	Trustee	Unlimited; 5 years	Raftelis Financial, Vice President (1996 – present) Public Finance Consulting	Two	None
Timothy Ignasher, 46 ¹	Trustee	Unlimited; 5 years	Colony Signature Bank, Exec.Vice President & COO (2007 – present) Commercial Loan Officer	Two	None

Steve Scruggs and Benton Bragg are Interested Trustees of the Funds (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940) by reason of their affiliation with the Funds' adviser, Bragg Financial Advisors, Inc. and their affiliation as

registered principals with the Funds' underwriter, Queens Road Securities, LLC. Benton Bragg and Steve Scruggs are brothers-in-law.

(1) Member of the Audit Committee of the Board of Trustees, which makes recommendations regarding the selection of the Funds' independent public accountants and meets with representatives of the accountants to determine the scope of and review the results of each audit.

(2) Member of the Nominating Committee of the Board of Trustees, which identifies qualified candidates and recommends nominees for election as Trustees.

Queens Road Small Cap Value Fund

Managers Commentary May 31, 2008

For the twelve month period ending 5/31/2008 the total return for the Queens Road Small Cap Value Fund was -7.15%. This compares with returns of -15.33% for the Russell 2000 Value Index and -10.53% for the Russell 2000 Index.

Performance was hurt by the poor performance of Oshkosh Corp, Delta Apparel, USEC and Anchor Bancorp. The fund's best performers for the year were energy companies Encore Acquisition, St. Mary Land and Exploration, and Vaalco Energy, and food processor Sadia, S.A. Over the course of the year we held more cash than we would normally, this also helped our relative performance.

Below is our month-by-month performance comparison with both the Russell 2000 Value Index and the Russell 2000 Index.

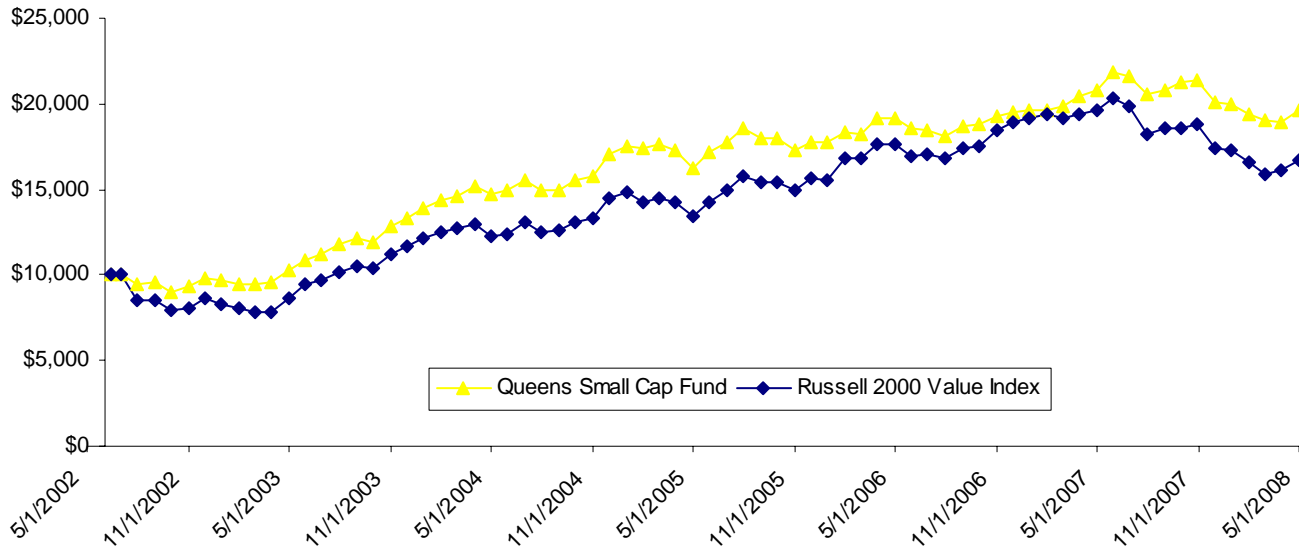
	<u>QRSVX</u>	<u>Russell 2000 Value</u>	<u>Russell 2000</u>
June 2007	-1.23%	-2.33	-1.46%
July 2007	-5.10%	-8.51%	-6.84%
August 2007	1.26%	2.00%	2.27%
September 2007	2.00%	0.45%	1.72%
October 2007	0.64%	1.09%	2.87%
November 2007	-6.06%	-7.49%	-7.18%
December 2007	-0.38%	-0.85%	-0.06%
January 2008	-2.67%	-4.10%	-6.82%
February 2008	-2.07%	-3.97%	-3.71%
March 2008	-0.56%	1.51%	0.42%
April 2008	3.51%	3.16%	4.19%
May 2008	3.81%	3.42%	4.59%
One Year	-7.15%	-15.33%	-10.53%

Queens Road Small Cap Value Fund

Performance Illustration May 31, 2008

Cumulative Performance Comparison \$10,000 Investment Since Inception*

	<u>May 31, 2008</u>
Russell 2000 Value Index	\$17,218
Queens Road Small Cap Value	\$20,336



Average Annual Total Return
For the Periods Ended May 31, 2008

	Queens Road Small Cap Value	Russell 2000 Value Index
1 Year	-7.15%	-15.33%
Since Inception	12.55%	9.53%

Annual Operating Expenses 1.37%*

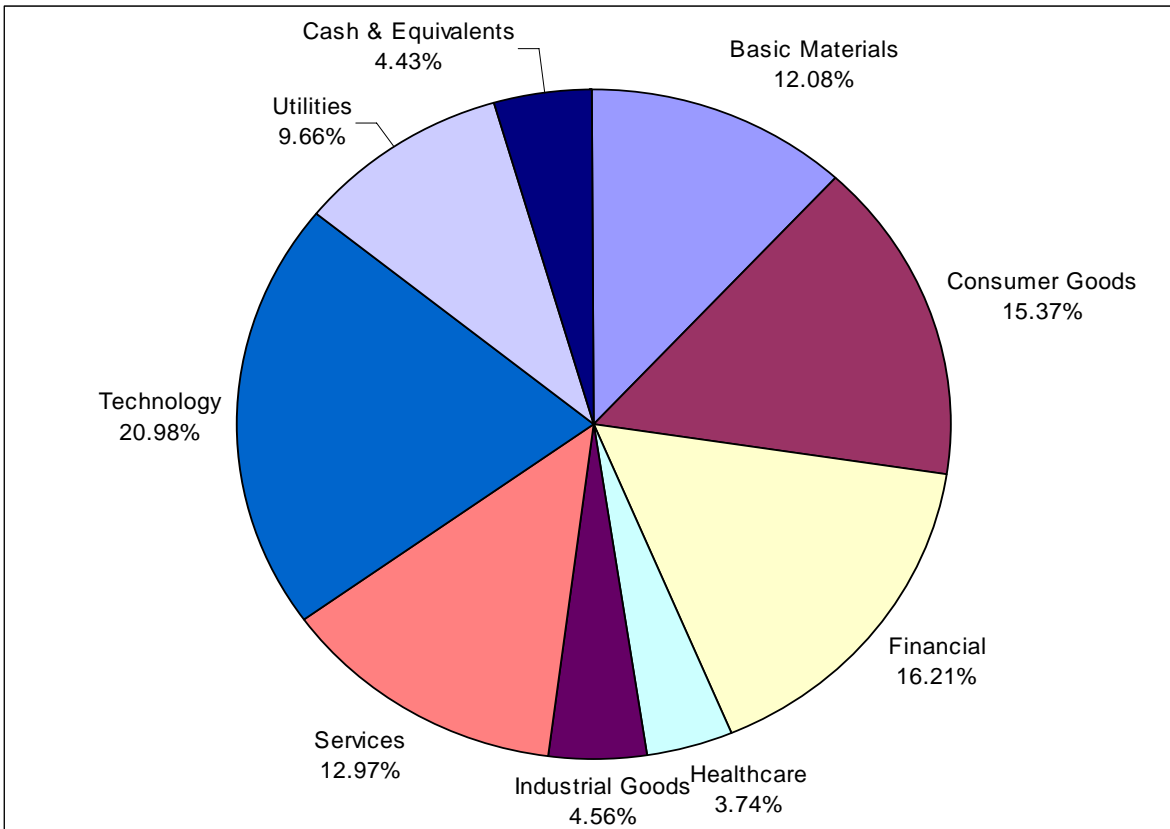
*As disclosed in the Fund's Prospectus.

**Past performance is not predictive of future performance. The value of shares will fluctuate and will be worth more or less than their original cost at the time of redemption.*

Queens Road Small Cap Value Fund

Graphical Illustration May 31, 2007

The following chart gives a visual breakdown of the Fund by the industry sectors the underlying securities represent as a percentage of the portfolio of investments.



Queens Road Small Cap Value Fund

Schedule of Investments

May 31, 2008

<u>Shares</u>		<u>Value</u>
COMMON STOCKS - 95.43%		
Aerospace & Defense - 0.85%		
15,600	Allied Defense Group, Inc. *	\$ 110,760
Agricultural Products-Livestock & Animal Specialties - 2.16%		
11,000	Sadia S.A. (Brazil) ADR	280,390
Aircraft Parts & Auxiliary Equipment - 2.29%		
9,400	Ducommun, Inc. *	297,698
Auto Parts & Equipment - 1.50%		
8,700	Aftermarket Technology Corp. *	194,793
Close End Mutual Fund - 1.11%		
1,200	Capital Southwest Corp.	144,588
Computer Storage & Peripherals - 2.40%		
15,800	Avocent Corp. *	311,734
Construction & Farm Machinery - 1.07%		
3,426	Oshkosh Truck Corp.	138,445
Crude Petroleum & Natural Gas - 2.16%		
38,000	Vaalco Energy, Inc. *	279,680
Diversified Chemicals - 0.35%		
1,400	Cabot Corp.	44,856
Electric & Other Services Combined - 0.34%		
3,700	Florida Public Utilities Co.	44,400
Electric Utilities - 1.50%		
5,650	MGE Energy, Inc.	194,078

Electrical Components & Equipment - 0.03%		
500	Deswell Industries, Inc.	3,745
Electronic Equipment & Instruments - 1.32%		
18,200	PAR Technology Corp. *	171,080
Fire, Marine & Casualty Insurance - 1.80%		
16,066	United America Indemnity Ltd. Class-A *	234,082
Food Retail - 2.47%		
861	Arden Group, Inc. Class-A	100,995
4,674	Village Super Market, Inc. Class-A	<u>218,977</u>
		319,972
Footwear - 2.21%		
17,900	K-Swiss Inc. Class A	286,758
Gas Utilities - 3.87%		
7,300	Piedmont Natural Gas Co., Inc.	197,319
11,300	UGI Corp.	<u>304,874</u>
		502,193
Health Care Distributors & Services - 2.57%		
7,020	Owens & Minor, Inc.	333,310
Health Care Supplies - 2.01%		
2,402	Atrion Corp.	260,617
Industrial Inorganic Chemicals - 1.41%		
10,000	LSB Industries, Inc. *	182,400
Industrial Machinery - 2.62%		
9,400	Hurco Companies, Inc. *	340,562
Information Technology, Electronic Manufacturing Services - 4.09%		
9,100	Park Electrochemical Corp.	268,905
17,891	TTM Technologies, Inc. *	<u>260,493</u>
		529,398
Insurance Brokers - 0.63%		
5,000	American Safety Insurance Holdings Ltd. *	81,500
Life & Health Insurance - 1.41%		
18,000	Phoenix Companies, Inc.	182,340
Mining & Quarrying of Nonmetallic Minerals - 2.01%		
37,500	Usec, Inc. *	261,375

Multi-Line Insurance - 1.85%		
14,700	Horace Mann Educators Corp.	239,463
Natural Gas Distribution - 1.73%		
6,720	New Jersey Resources Corp.	223,843
Networking Equipment - 2.10%		
3,899	Bel Fuse, Inc. Class B	102,115
23,907	Packeteer, Inc. *	<u>169,740</u>
		271,855
Office Services & Supplies - 1.10%		
3,371	United Stationers, Inc. *	142,728
Oil & Gas Exploration & Production - 5.05%		
6,000	Encore Acquisition Co. *	400,740
5,000	Saint Mary Land & Exploration Co.	<u>254,800</u>
		655,540
Packaged Foods - 4.48%		
6,874	Sanderson Farms, Inc.	343,219
7,626	Smithfield Foods, Inc. *	<u>238,618</u>
		581,837
Patent Owners & Lessors - 1.66%		
8,600	Interdigital, Inc. *	214,914
Personal Products - 0.65%		
1,875	CCA Industries, Inc.	16,462
2,700	Inter Parfums, Inc.	<u>67,959</u>
		84,421
Property & Casualty Insurance - 3.00%		
7,350	CNA Surety Corp. *	107,530
5,500	Proassurance Corp. *	<u>281,765</u>
		389,295
Regional Banks - 1.05%		
5,241	First Midwest Bancorp, Inc.	136,790
Reinsurance - 3.06%		
6,000	Endurance Specialty Holdings, Ltd.	201,960
5,500	Platinum Underwriters Holdings, Ltd.	<u>195,085</u>
		397,045
Retail - Radio, TV & Consumer Electronics Stores - 2.26%		
20,000	Radioshack Corp.	293,000
Semi-Conductors & Related Devices - 2.06%		
27,900	Micrel, Inc.	267,840

Services - Business Services - 0.64%			
60,500	Safeguard Scientifics, Inc. *		83,490
Services-Advertising - 3.06%			
25,000	Valassis Communications, Inc. *		397,250
Services-Computer Processing & Data Preparation - 2.83%			
25,000	Axiom Corp.		366,750
Specialty Chemicals - 2.48%			
19,000	American Pacific Corp. *		322,050
Steel - 2.21%			
11,500	Cleco Corp.		287,270
Sugar & Confectionery Products - 1.72%			
15,400	Imperial Sugar Co.		223,300
Surgical & Medical Instruments & Apparatus - 1.73%			
14,494	Angiodynamics, Inc. *		224,512
Thrifts And Mortgage Finance - 0.98%			
7,801	Anchor Bancorp Wisconsin, Inc.		109,448
2,012	Sterling Financial Corp.		<u>17,866</u>
			127,314
Telephone & Telegraph Apparatus - 3.20%			
5,100	Adtran, Inc.		126,939
53,000	Tellabs, Inc. *		<u>288,320</u>
			415,259
Wholesale-Apparel, Piece Goods & Notions - 1.70%			
37,535	Delta Apparel, Inc.		111,479
3,795	Weyco Group, Inc.		<u>109,182</u>
			220,661
State Commercial Banks - 0.65%			
2,776	Penns Wood Bancorp, Inc.		<u>84,668</u>
TOTAL FOR COMMON STOCKS (Cost \$11,382,991) - 95.43%			<u>\$ 12,381,849</u>
SHORT TERM INVESTMENTS - 4.43%			
574,950	AIM Short Term Investments Company Prime Portfolio 2.62% ** (Cost \$574,950)		<u>574,950</u>
TOTAL INVESTMENTS (Cost \$11,957,941) - 99.86%			<u>\$ 12,956,799</u>
OTHER ASSETS LESS LIABILITIES - 0.14%			<u>17,731</u>

NET ASSETS - 100.00%		<u>\$ 12,974,530</u>

* Non-income producing securities during the period.

** Variable rate security; the coupon rate shown represents the yield at May 31, 2008.

ADR - American Depository Receipt

The accompanying notes are an integral part of these financial statements.

Queens Road Small Cap Value Fund

Statement of Assets and Liabilities

May 31, 2008

Assets:

Investments, at Value (Cost \$11,957,941) \$ 12,956,799

Receivables:

Dividends and Interest 8,740

Shareholder Subscription 23,500

Total Assets 12,989,039

Liabilities:

Accrued Management Fees 14,509

Total Liabilities 14,509

Net Assets

\$ 12,974,530

Net Assets Consist of:

Paid In Capital \$ 12,322,520

Accumulated Undistributed Net Investment Income 20,400

Accumulated Undistributed Realized (Loss) on Investments (367,248)

Unrealized Appreciation in Value of Investments 998,858

Net Assets, for 755,921 Shares Outstanding \$ 12,974,530

(Unlimited number of shares authorized without par value)

Net Asset Value Per Share (\$12,974,530/755,921 shares) \$ 17.16

The accompanying notes are an integral part of these financial statements.

Queens Road Small Cap Value Fund

Statement of Operations For the year ended May 31, 2008

Investment Income:

Dividends (net of foreign withholding taxes of \$773)	\$ 140,749
Interest	<u>76,103</u>
Total Investment Income	216,852

Expenses:

Advisory Fees (Note 3)	<u>143,261</u>
Total Expenses	<u>143,261</u>

Net Investment Income 73,591

Realized and Unrealized Loss on Investments:

Realized Loss on Investments	(24,199)
Net Change in Unrealized Depreciation on Investments	<u>(631,526)</u>
Net Realized and Unrealized Loss on Investments	<u>(655,725)</u>

Net Decrease in Net Assets Resulting from Operations \$ (582,134)

The accompanying notes are an integral part of these financial statements.

Queens Road Small Cap Value Fund

Statements of Changes in Net Assets

	For the Years	
	Ended	
	<u>5/31/2008</u>	<u>5/31/2007</u>
Increase (Decrease) in Net Assets From Operations:		
Net Investment Income	\$ 73,591	\$ 48,858
Net Realized Gain (Loss) on Investments	(24,199)	153,421
Unrealized Appreciation (Depreciation) on Investments	<u>(631,526)</u>	<u>1,300,972</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	(582,134)	1,503,251
Distributions to Shareholders From:		
Net Investment Income	(60,174)	(56,414)
Realized Gains	<u>(478,602)</u>	<u>(331,235)</u>
Net Change in Net Assets from Distributions	(538,776)	(387,649)
Capital Share Transactions:		
Proceeds from Sale of Shares	5,276,194	1,946,869
Shares Issued on Reinvestment of Dividends	248,143	169,042
Cost of Shares Redeemed	<u>(1,263,759)</u>	<u>(1,435,045)</u>
Net Increase in Net Assets from Shareholder Activity	4,260,578	680,866
Net Assets:		
Net Increase in Net Assets	3,139,668	1,796,468
Beginning of Period	<u>9,834,862</u>	<u>8,038,394</u>
End of Period (Including Accumulated Undistributed Net Investment Income of \$20,400 and 6,983, Respectively)	<u>\$12,974,530</u>	<u>\$ 9,834,862</u>
Share Transactions:		
Shares Sold	308,822	111,052
Shares Issued on Reinvestment of Dividends	14,674	9,660
Shares Redeemed	<u>(72,595)</u>	<u>(81,087)</u>
Net Increase in Shares	250,901	39,625
Outstanding at Beginning of Period	<u>505,020</u>	<u>465,395</u>
Outstanding at End of Period	<u>755,921</u>	<u>505,020</u>

The accompanying notes are an integral part of these financial statements.

Queens Road Small Cap Value Fund

Financial Highlights

Selected data for a share outstanding throughout the period.

	For the Years Ended				
	<u>5/31/2008</u>	<u>5/31/2007</u>	<u>5/31/2006</u>	<u>5/31/2005</u>	<u>5/31/2004</u>
Net Asset Value, at Beginning of Period	\$ 19.47	\$ 17.27	\$ 15.98	\$ 14.67	\$ 10.80
Income From Investment Operations:					
Net Investment Income *	0.12	0.10	0.07	0.10	0.19
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(1.53)</u>	<u>2.90</u>	<u>1.26</u>	<u>2.04</u>	<u>3.85</u>
Total from Investment Operations	(1.41)	3.00	1.33	2.14	4.04
Distributions from:					
Net Investment Income	(0.10)	(0.11)	(0.03)	(0.09)	(0.17)
Capital Gains	(0.80)	(0.69)	(0.01)	(0.68)	0.00
Return of Capital	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.05)</u>	<u>0.00</u>
Total from Distributions	(0.90)	(0.80)	(0.04)	(0.82)	(0.17)
Net Asset Value, at End of Period	\$ 17.16	\$ 19.47	\$ 17.27	\$ 15.98	\$ 14.67
Total Return **	(7.15)%	17.90%	8.31%	14.38% (a)	37.52%
Ratios/Supplemental Data:					
Net Assets at End of Period (Thousands)	\$ 12,975	\$ 9,835	\$ 8,038	\$ 3,574	\$ 969
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.35%	1.35%	1.35%	1.35%	1.35%
Ratio of Net Investment Income to Average Net Assets	0.69%	0.56%	0.42%	0.14%	0.10%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.35%	1.35%	1.35%	0.87%	0.00%
Ratio of Net Investment Income to Average Net Assets	0.69%	0.56%	0.42%	0.62%	1.45%
Portfolio Turnover	24.60%	64.65%	74.23%	39.74%	82.56%

* Net Investment Income/Loss per share amounts were calculated using the average share method.

** Total return in the above table represents the rate that the investor would have earned or lost on an investment in the fund assuming reinvestment of dividends and is not annualized for periods of less than one year.

(a) Total return before the waiver of related party brokerage commissions of \$392 is 14.38%.

The accompanying notes are an integral part of these financial statements.

BRAGG CAPITAL TRUST
QUEENS ROAD SMALL CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2008

Note 1. Organization

The Queens Road Small Cap Value Fund (the "Fund"), a managed portfolio of the Bragg Capital Trust, (the "Trust"), is registered under the Investment Company Act of 1940, as amended, as a non-diversified, open-end management company. The Fund is one of a series of Funds of the Bragg Capital Trust, which also includes the Queens Road Value Fund. The Fund's investment objective is to seek growth of capital. It invests primarily (under normal market conditions), at least 80% of its total assets in small capitalization (less than \$2 billion market cap at the time of purchase) common stocks which are believed by the Advisor to be undervalued and have good prospects for capital appreciation. The Fund's registration statement was declared effective on June 13, 2002 and operations began on that date.

Note 2. Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Security Valuation: Securities, which are traded on a national securities exchange or on the NASDAQ over-the-counter market, are valued at the last quoted sales price. Investments for which no sale was reported are valued at the last bid price. Short-term obligations having remaining maturities of 60 days or less are valued at amortized cost. Securities for which market quotations are not readily available are valued at fair value as determined in good faith by and under the direction of the Fund's Board of Trustees.

Federal Income Taxes: The Fund's policy is to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no provision for income taxes is required. The Fund intends to distribute its net long-term capital gains and its net short-term capital gains at least once a year.

Effective October 31, 2007, the Fund adopted Financial Accounting Standards Board ("FASB") Interpretation No.48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, a clarification of FASB Statement No.109, Accounting for Income Taxes. FIN 48 establishes financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. FIN 48 was applied to all open tax years as of the effective date. The adoption of FIN 48 had no impact on the Fund's net assets or results of operations.

As of and during the period ended May 31, 2008 the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to recognized tax benefits as income tax expense on the statement of operations. During the period, the Fund did not incur any interest or penalties. The Fund is not subject to examination by the U.S. federal tax authorities for the tax years before 2004.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Other: The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statement and income tax purposes. Dividend income is recorded on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as information is available to the Fund. Interest income is recorded on an accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities.

Distributions to shareholders: Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income taxes purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expense or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations or net asset value per share of the Fund. There were no reclassifications for the year ended May 31, 2008.

Fair Value Measurements: In September 2006, FASB issued Statement on Financial Accounting Standards (SFAS) No. 157 “Fair Value Measurements.” This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosure about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of May 31, 2008, the Fund does not believe that the adoption of SFAS No. 157 will impact the amounts reported in the financial statements, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements reported on the statements of changes in net assets for a fiscal period.

Note 3. Investment Advisory Fee and Other Transactions with Affiliates

The Fund retains Bragg Financial Advisors, Inc. (the “Advisor”) as its Investment Advisor. Under the terms of the management agreement, the Advisor provides investment management and administrative services for the Fund. For its services as Advisor, the Fund pays a fee, computed daily and payable monthly at the annual rate of 1.35% of the Fund’s average daily net asset value. For the year ended May 31, 2008, the Advisor earned \$143,261. From these fees and its own resources the Advisor agreed to pay other operating expenses of the Fund including transfer agent fees, fund accountant fees, registration fees, custodial fees, and other ordinary expenses of the Fund. However the agreement does not require the Advisor to pay interest, taxes, brokerage commissions, and extraordinary expenses of the Fund. The amount owed to the advisor at May 31, 2008 is \$14,509.

Certain Trustees and officers of the Trust are “interested persons” (as defined in the Investment Company Act of 1940) of the Trust. Each “non-interested” Trustee is entitled to receive an annual fee of \$1,000 plus expenses for services relating to the Trust which is paid by the advisor.

Queens Road Securities (“QRS”) acts as the principal underwriter in the continuous public offering of the fund’s shares. Certain officers of the trust are also officers of QRS. QRS did not receive or waive any brokerage fees on execution of purchases and sales of the Fund’s investments during the year ended May 31, 2008.

Note 4. Capital Stock

At May 31, 2008, there were an unlimited number of shares authorized and 755,921 shares outstanding, each with no par value, and paid-in capital amounted to \$12,322,520 for the Fund.

Note 5. Investment Transactions

For the year ended May 31, 2008, the cost of purchases and the proceeds from sales, other than short-term securities aggregated \$6,516,467 and \$2,235,869, respectively. The aggregate cost of securities for federal income tax purposes at May 31, 2008 was \$12,326,026.

Note 6. Distributions to Shareholders

The tax character of distributions paid during the fiscal year ended May 31, 2008 and fiscal year ended May 31, 2007 were as follows:

Distributions paid from:	<u>May 31, 2008</u>	<u>May 31, 2007</u>
Ordinary Income	\$60,174	\$56,414
Short-Term Capital Gain	109,398	72,657
Long-Term Capital Gain	<u>369,204</u>	<u>258,578</u>
	<u>\$538,776</u>	<u>\$387,649</u>

As of May 31, 2008 the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary income	\$18,641
Undistributed long-term capital gain	2,596
Unrealized appreciation	<u>630,773</u>
Net Total	<u>\$652,010</u>

At May 31, 2008, the composition of unrealized appreciation (excess of value over tax cost) and depreciation (the excess of tax cost over value) on a tax basis was as follows:

<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Appreciation (Depreciation)</u>
1,860,886	(1,230,113)	630,773

The difference between book-basis and tax-basis unrealized appreciation (depreciation) resulted from the deferral of Post-October losses, of \$368,085.

Note 7. Control

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under section 2 (a) (9) of the Investment Company Act of 1940. As of May 31, 2008, Pershing, LLC., for the benefit of its customers, owned 83.63% of the Fund.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Shareholders and
Board of Trustees
Queens Road Small Cap Value Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Queens Road Small Cap Value Fund (the "Fund"), a series of the Bragg Capital Trust as of May 31, 2008, and the related statement of operations for the year then ended and statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2008, by correspondence with the Fund's custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Queens Road Small Cap Value Fund, as of May 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and their financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

COHEN FUND AUDIT SERVICES, LTD.
Westlake, Ohio
July 25, 2008

Queens Road Small Cap Value Fund

Expense Illustration

May 31, 2008

Expense Example

As a shareholder of the Queens Road Small Cap Value Fund, you incur ongoing costs which typically consist of management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, December 1, 2007 through May 31, 2008.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

	Beginning Account Value	Ending Account Value	Expenses Paid During the Period*
	<u>December 1, 2007</u>	<u>May 31, 2008</u>	<u>December 1, 2007 to May 31, 2008</u>
Actual	\$1,000.00	\$1,014.51	\$6.80
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,018.25	\$6.81

* Expenses are equal to the Fund's annualized expense ratio of 1.35%, multiplied by the average account value over the period, multiplied by

183/366 (to reflect the one-half year period).

Bragg Capital Trust Queens Road Small Cap Value Fund

Additional Information
May 31, 2008 (Unaudited)

Proxy Voting - A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies during the most recent 12 month period, are available without charge upon request by (1) calling the Fund at (800) 595-3088 and (2) from Fund documents filed with the Securities and Exchange Commission ("SEC") on the SEC's website at www.sec.gov.

Portfolio Holdings - The Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. The Fund's first and third fiscal quarters end on August 31 and February 28. The Form N-Q filing must be made within 60 days of the end of the quarter, and the Fund's first Form N-Q was filed with the SEC on October 8, 2004. The Fund's Forms N-Q are available on the SEC's website at <http://sec.gov>, or they may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (call 1-800-732-0330 for information on the operation of the Public Reference Room). You may also obtain copies by calling the Fund at 1-800-595-3088.

<u>Interested Trustees</u>	<u>Position with Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupations During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen By Trustee</u>	<u>Other Directorships Held By Trustee</u>
Steve Scruggs, 39	Trustee, President Secretary	Unlimited; 5 years	Bragg Financial Advisors, Portfolio Manager/CCO (2000- present) Reliance Insurance, Product Manager(1999-2000)	Two	None
Benton Bragg, 40	Trustee, Chairman Treasurer	Unlimited; 5 years	Bragg Financial Advisors, President, CEO (1996-present)	Two	None
Independent Trustees					
Philip Blount, 53 ²	Trustee	Unlimited; 5 years	Icons, Inc., President (2001-present) Marketing Merchandise Halo, Inc., Vice President (1996-2001) Marketing Merchandise	Two	None
Christopher Brady, 37 ^{1,2}	Trustee	Unlimited; 5 years	Brady Distributing, Vice President (1995-present) Machinery Distribution	Two	None
Harold Smith, 42 ²	Trustee	Unlimited; 5 years	Raftelis Financial, Vice President (1996 – present) Public Finance Consulting	Two	None
Timothy Ignasher, 46 ¹	Trustee	Unlimited; 5 years	Colony Signature Bank, Exec. Vice President & COO (2007 – present) Commercial Loan Officer	Two	None

Steve Scruggs and Benton Bragg are Interested Trustees of the Funds (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940) by reason of their affiliation with the Funds' adviser, Bragg Financial Advisors, Inc. and their affiliation as

registered principals with the Funds' underwriter, Queens Road Securities, LLC. Benton Bragg and Steve Scruggs are brothers-in-law.

(1) Member of the Audit Committee of the Board of Trustees, which makes recommendations regarding the selection of the Funds' independent public accountants and meets with representatives of the accountants to determine the scope of and review the results of each audit.

(2) Member of the Nominating Committee of the Board of Trustees, which identifies qualified candidates and recommends nominees for election as Trustees.

Board of Trustees

**Benton Bragg
Steve Scruggs
Phil Blount
Tim Ignasher
Chris Brady
Harold Smith**

Investment Adviser

**Bragg Financial Advisors, Inc.
100 Queens Road
Charlotte, NC 28204**

**Dividend Paying Agent,
Shareholders' Servicing Agent,
Transfer Agent
Mutual Shareholder Services
8869 Brecksville Rd, Suite C
Brecksville, Ohio 44141**

Custodian

**US Bank, NA
425 Walnut Street
P.O. Box 1118
Cincinnati, OH 45201**

Independent Auditors

**Cohen Fund Audit Services Ltd
826 Westpoint Parkway Suite 1250
Westlake, Ohio 44145**

Shares of the Queens Road Value and Queens Road Small Cap Value Fund are distributed by Queens Road Securities, L.L.C, an affiliate of the Investment Adviser. This report has been prepared for the general information of the shareholders. It is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus. The Funds' prospectus contains more complete information about the objectives, policies, expenses and risks of the Funds. The Funds are not bank deposits, not FDIC insured and may lose value. Please read the prospectus carefully before investing or sending money.

This report contains certain forward looking statements which are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Forward looking statements generally include words such as "believes", "expects", "anticipates" and other words of similar import. Such risks and uncertainties include, among other things, the Risk Factors noted in the Funds' filings with the Securities and Exchange Commission. The Funds undertake no obligation to update any forward looking statement.