



Annual Report and Financial Statements for Margetts Providence Strategy Fund

For the year ended 30 June 2013

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A J M Quay
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Fund Manager's Report

For the year ended 30 June 2013

Investment Objective

To provide a balance of long term capital growth and increasing income by investment in any economic sector in any geographic area in regulated collective investment schemes investing in a wide range of assets including equities, fixed interest and cash type instruments.

The Fund is designed with a cautious investment strategy and a risk rating of 2 to 3 on a scale of 1 to 10 (with 10 being highest risk). The Fund typically invests in equity income and fixed interest funds with a bias towards the UK market and is intended to comply with the requirements of the Investment Management Association (IMA) Mixed Investment 20-60% Shares sector.

Investment Review

Providence Strategy Acc 14.37%

Providence Strategy R Acc 14.84%

(As the R share class was launched on 03 Dec 12, the annual performance has been calculated in line with IMA methodology by using the track record of the existing retail share class)

Benchmarks

IMA OE Mixed Investment 20-60% Share 10.06%

Composite Benchmark 6.43%

50% - FTSE 350 Higher Yield TR

50% - FTSE A British Govt All Stock TR

Source: Morningstar Direct. Performance is bid to bid with income reinvested.

The Margetts Providence fund has performed strongly throughout this period providing returns considerably ahead of the IMA benchmark and the average of the FTSE 350 High Yield and FTSE Government All Stocks indices.

Equity markets have increased considerably in value during this period supported by generally improving sentiment. This began in the summer of 2012 as the Eurozone crisis began to recede following comments by Mario Draghi (President of the ECB) that he would do whatever it took to save the Euro.

In the end, Mario Draghi did not need to commit a single Euro as the effect of his promise alone was enough to restore market confidence. This is a good example of a trend seen in global stock markets since the onset of the credit crisis in 2008 as announcements from politicians and officials have had a significant and often immediate effect on sentiment moving asset prices rapidly in either direction.

The Eurozone crisis had undermined global stock markets since 2009 due to persistent concerns that the Eurozone could break up as a result of defaulting members. As these concerns began to recede, the effect was positive for all major stock markets and the upward momentum continued as economic data generally supported the view that a global recovery is in place.

The recovery in Eurozone sentiment was only briefly interrupted in March 2013 as Cyprus came close to a default and required a bail-out. This event provided a timely reminder of the political risk which exists as creditor EU members attempted to snatch money from ordinary bank accounts as part of the rescue package offered. Whilst politically popular at home this action would have undermined the 100,000 Euro protection for ordinary savers in the EU and potentially led to bank runs on other weak banks elsewhere in the EU with the potential to spark a further crisis.

Agreements in the US in January 2013 to avert serious spending cuts and tax increases created a further boost to stock markets. Japan also committed to an aggressive quantitative easing programme in April with a target of \$70bn per month which combined with the existing US programme of \$85bn per month creates a combined stimulus of \$155bn per month.

In the UK, interest rates have remained at historically low levels and the Bank of England have provided forward guidance suggesting that interest rates will remain at these low levels for the duration of 2014. This guidance is based on rates not being increased until unemployment drops below 7%, from a current level of circa 7.7%, or inflation rising too quickly.

Fund Manager's Report (continued)

Despite the high level of stimulus applied to the global economy during this period government bond values have generally tracked sideways and then fell sharply from 22 May. The key concern for fixed interest investment is that yields are considerably below inflation expectations and values had already been pushed up by fear which gripped investment markets during the credit crisis prior to this reporting period. The overvaluation is demonstrated by short term yields on German bunds which became negative effectively meaning that investors were willing to pay the German government for the security of their bunds rather than receive any interest.

The trigger for bond valuations falling on 22 May was an announcement from Ben Bernanke (the Chairman of the Federal Reserve) suggesting that the Federal Reserve would begin to reduce the bond purchasing programme later in the year. The bond purchasing programme is referred to as 'Quantitative Easing (QE)' and is the process by which money is printed and used to buy government debt.

The withdrawal of the stimulus triggered falls in both equity and bond markets. Whilst equity markets only saw a small part of recent gains eroded, government bonds recorded an overall loss during this reporting period.

These events underline the current vulnerability in global markets as the reason for the Federal Reserve suggesting a reduction in the QE programme is evidence that an economic recovery is underway. This would ordinarily be considered as a positive development however markets have become 'hooked' on stimulus packages and concern built quickly when there was a suggestion that the stimulus would be reduced. The Federal Reserve needs to maintain market confidence whilst also reining in the stimulus early enough to avoid a potential inflationary boom which could result from printing money for an extended period.

It is our view that the Federal Reserve is likely to be over-accommodative in the long run meaning that the stimulus will be applied too much rather than too little as economic growth accompanied by higher inflation is preferable to killing the recovery before it has become established. The likelihood of the perfect amount of stimulus being applied is practically zero as economic data is not accurate enough in the short term to make the delicate adjustments which would be required.

In summary, we believe that inflation expectations will gradually increase over the medium and longer term and this will be beneficial for equity markets due to the natural hedge these assets provide against inflation. Fixed interest markets are likely to continue to struggle as yields are too low with further downward pressure as inflation rises and stimulus is gradually withdrawn. We expect that volatility will remain high and whilst comments from politicians and officials will continue to drive markets, the effect will gradually reduce as the performance of individual companies become more important.

Margetts Fund Management Ltd
Manager
30 August 2013

Certification of Accounts by Directors of the Manager

This report is signed in accordance with the requirements of the Collective Investment Schemes Sourcebook (COLL) as issued and amended by the Financial Conduct Authority.

T J Ricketts

M D Jealous

Margetts Fund Management Ltd

16 October 2013

Authorised Status

The fund is an authorised unit trust scheme established on 10 February 1995.

It is a Non UCITS Retail Fund (NURS) authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is Pounds Sterling.

Significant purchases and sales

For the year ended 30 June 2013

Total purchases for the year	£35,111,106
Purchases	Cost (£)
SMITH & WILLIAMSON SHORT-DATED CORP BOND B	7,150,000
BLACKROCK CORPORATE BOND D ACC	5,985,000
NEWTON ASIAN INCOME INSTL W NET ACC	5,608,761
IFDS BROWN SHIPLEY STERLING BOND I ACC	2,400,000
M&G UK INFLATION LINKED CORPORATE BOND I ACC	2,290,000
GOLDMAN SACHS STERLING LIQUID RESERVES ADMIN DIST	2,000,000
INVESCO STERLING LIQUIDITY SELECT CLASS FUND	1,830,000
STANDARD GLOBAL INDEX LINKED BOND INST INC	1,690,000
 Total sales for the year	 £23,557,392
Sales	Proceeds (£)
NEWTON ASIAN INCOME INSTITUTIONAL ACCUMULATION	6,273,761
JUPITER NORTH AMERICAN INCOME ACC	5,610,000
M&G CORPORATE BOND I ACC	5,326,401
INVESCO PERPETUAL CORPORATE BOND GROSS INC	4,837,230

Portfolio statement

As at 30 June 2013

Holding	Portfolio of Investments	Total Net Assets		
		Value (£)	30.06.13 %	30.06.12 %
	United Kingdom			
4,001,781	Artemis Income Institutional Income	7,949,138	6.50	
6,479,070	Aviva UK Equity Income SC 2	7,978,327	6.52	
4,997,508	Cazenove UK Equity Income X Inc	7,819,600	6.39	
5,942,419	MGTS Ardevora UK Income A Inst Acc	7,824,384	6.40	
1,294,522	Royal London Equity Inc B	7,742,538	6.33	
9,205,060	Threadneedle UK Equity Income C2	7,732,251	6.32	
	Total United Kingdom	47,046,238	38.46	36.65
	Bonds			
2,334,138	Blackrock Corporate Bond D Acc	5,914,706	4.83	
5,886,629	IFDS Brown Shipley Sterling Bond I Acc	6,918,555	5.66	
6,678,842	M&G UK Inflation Linked Corporate Bond I Acc	7,494,997	6.13	
6,819,642	Smith & Williamson Short-Dated Corp Bnd B	6,923,983	5.66	
4,167,101	Standard Global Index Linked Bond Inst Inc	5,675,592	4.64	
	Total Bonds	32,927,833	26.92	23.79
	Europe (excl. UK)			
9,592,053	Standard Life European Eq Inc Inst Acc	8,470,742	6.92	
	Total Europe (excl. UK)	8,470,742	6.92	6.00
	Asia Pacific (excl. Japan)			
7,206,975	Newton Asian Income Instl W Net Acc	8,156,855	6.67	
	Total Asia Pacific (excl. Japan)	8,156,855	6.67	8.48
	USA			
3,742,122	Jupiter North American Income Acc	3,263,505	2.67	
	Total USA	3,263,505	2.67	7.44
	Money Markets			
8,340,000	Goldman Sachs Sterling Liquid Reserves Admin Dist	8,340,000	6.82	
8,270,000	Invesco Sterling Liquidity Select Class Fund	8,270,000	6.76	
	Total Money Markets	16,610,000	13.58	13.44
	Portfolio of Investments	116,475,173	95.22	95.80
	Net Current Assets	5,856,047	4.78	4.20
	Net Assets	122,331,220	100	100

The investments have been valued in accordance with note 1(b) and are authorised Collective Investment Schemes.

Statement of Manager's responsibilities

The Manager is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") requires the Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the net revenue / expenses and of the net gains / losses on the property of the Fund for that year.

In preparing the financial statements the Manager is required to:

- select suitable accounting policies, as described in the attached financial statements, and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with the Prospectus, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- comply with the disclosure requirements of the Statement of Recommended Practice for Financial Statements and Authorised Funds;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the scheme will continue in operation.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the COLL Sourcebook. The Manager is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Manager is aware:

- There is no relevant audit information of which the Fund's auditors are unaware and
- The Manager has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Statement of Trustee's responsibilities

The Trustee is responsible for the safekeeping of all of the property of the Fund (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Scheme Sourcebook and the Fund's Trust Deed, in relating to the pricing of and dealing in, units in the Fund, the application of income of the Fund, and the investment and borrowing power of the Fund.

Report of the Trustee

In our opinion during the period under review, we confirm that in all material respects the Fund has carried out the issue, sale, redemption, cancellation and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the rules in the Collective Investment Schemes Sourcebook and, where applicable, the UT regulations and the Trust Deed, and has observed the investment and borrowing powers and restrictions applicable to the Fund.

BNY Mellon Trust & Depositary (UK) Ltd
Trustee of the Margetts Providence Strategy Fund
16 October 2013

Independent Auditor's report to the Unitholders of Margetts Providence Strategy Fund

We have audited the financial statements of Margetts Providence Strategy Fund ('the Trust') for the year ended 30 June 2013, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes, and the Distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

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 Conduct 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 managers and auditors

As explained more fully in the Manager's Responsibilities Statement, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Manager's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 30 June 2013 and of the net income and the net capital gains on the property of the Trust for the year then ended;
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds; the rules of the Collective Investment Schemes Sourcebook issued by the Financial Conduct Authority and United Kingdom Generally Accepted Accounting Practice;

Independent Auditors' report to the Unitholders of Margetts Providence Strategy Fund (continued)

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

The information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

We have received all the information and explanations we require for our audit.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, where we are required to report, if in our opinion:

- adequate accounting records have not been kept: or
- the financial statements are not in agreement with the accounting records and returns.

JOSEPH KINTON
Senior Statutory Auditor
For and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditors
16 October 2013

Net Asset Value per Unit and Comparative Tables

Price and Income History

Income Units

Calendar Year	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income (p per unit)
2009	145.10	110.41	5.5622
2010	152.08	129.60	4.7482
2011	153.47	136.77	4.3468
2012	156.05	135.01	4.7980
2013*	170.45	145.74	4.3028

Accumulation Units

Calendar Year	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income (p per unit)
2009	247.95	185.02	9.1831
2010	269.18	229.53	8.1834
2011	278.15	249.53	7.7515
2012	294.85	250.49	8.8314
2013*	326.55	279.38	8.1845

R Income Units †

Calendar Year	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income (p per unit)
2012	148.64	146.52	-
2013*	162.88	145.78	2.2805

R Accumulation Units †

Calendar Year	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income (p per unit)
2012	280.86	276.84	-
2013*	312.05	279.46	4.3516

* As at 30 June 2013

Net Asset Value

Date	Class of Unit	Net Asset Value (£)	Units in Issue	NAV (p per unit)
30.06.2010	Income	5,557,371	4,238,917	131.10
	Accumulation	61,983,128	26,710,533	232.05
30.06.2011	Income	7,827,093	5,490,305	142.56
	Accumulation	82,533,398	31,734,340	260.08
30.06.2012	Income	9,484,178	6,889,833	137.66
	Accumulation	85,576,868	32,906,048	260.07
30.06.2013	Income	11,829,015	7,732,807	152.98
	Accumulation	102,843,297	34,577,512	297.43
	R Income †	1,184,900	771,398	153.61
	R Accumulation †	6,474,006	2,167,722	298.66

† The R share classes were launched on 03 December 2012.

Risk Warning

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuations in exchange rates, which can be favourable or unfavourable.

Prices per Unit

Date	Class of Unit	Buying Price (p)	Selling Price (p)	Yield (%)
01.07.13	Income	160.80	152.96	2.75
	Accumulation	312.68	297.43	2.75
	R Income	153.79	153.59	2.91
	R Accumulation	299.03	298.66	2.91

Fund Performance

The performance of the fund is shown in the Fund Manager's Report.

Net Asset Value per Unit and Comparative Tables (continued)

Ongoing charges figure	30.06.13	30.06.12
	%	%
Annual Management Charge	1.475	1.475
Other expenses	0.11	0.11
Total Expense Ratio	1.59	1.59
Synthetic TER	0.64	0.72
Complete OCF	2.23	2.31
Ongoing charges figure - R Class †		
Annual Management Charge *	0.75	-
Other expenses	0.11	-
Total Expense Ratio	0.86	-
Synthetic TER	0.64	-
Complete OCF	1.50	-

† The R share classes were launched on 03 December 2012.

* From the 01 August 2013, the R share class AMC will be reduced to 0.725%

Financial statements

Statement of total return

For the year ended 30 June 2013

	Notes	30.06.13	30.06.12
		£	£
Income			
Net capital gains/(losses)	4	12,531,746	(1,694,232)
Revenue	6	3,251,207	3,219,772
Expenses	7	(1,713,808)	(1,422,717)
Finance costs: Interest	9	(140)	(1,230)
Net revenue before taxation		1,537,259	1,795,825
Taxation	8	(417)	(2,718)
Net revenue after taxation		1,536,842	1,793,107
Total return before distributions		14,068,588	98,875
Finance costs: Distributions	9	(3,130,516)	(3,121,434)
Change in net assets attributable to unitholders from investment activities		10,938,072	(3,022,559)

Statement of change in net assets attributable to unitholders

For the year ended 30 June 2013

		£	£
Opening net assets attributable to unitholders		95,061,046	90,360,491
Amounts receivable on issue of units	23,411,262		12,840,619
Amounts payable on cancellation of units	(9,946,684)		(7,921,266)
		13,464,578	4,919,353
Stamp duty reserve tax	1(f)	(51,833)	(60,779)
Change in net assets attributable to unitholders from investment activities		10,938,072	(3,022,559)
Retained distribution on accumulation units		2,919,354	2,864,540
Closing net assets attributable to unitholders		122,331,217	95,061,046

Balance sheet

As at 30 June 2013

	Notes		30.06.13		30.06.12
Assets		£	£	£	£
Investment assets			116,475,170		91,067,193
Debtors	10	1,025,497		251,739	
Cash and bank balances		5,258,320		5,406,322	
Total other assets			6,283,817		5,658,061
Total assets			122,758,987		96,725,254
Liabilities					
Creditors	11	234,288		153,211	
Distribution payable on income units		193,482		160,388	
Bank overdrafts		-		1,350,609	
Total other liabilities			427,770		1,664,208
Net assets attributable to unitholders			122,331,217		95,061,046

Notes to the financial statements

As at 30 June 2013

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the revised Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Management Association in October 2010. No changes to the Net Asset Value of the fund have arisen from the adoption of the SORP.

b) Basis of valuation of investments

The investments are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the accounting period.

c) Foreign exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing middle exchange rates ruling on that date.

d) Revenue

All income allocations and distributions declared by the managers of the underlying funds up to the accounting date are included in Income, net of attributable tax credits. The net allocations which are retained in Income are included in the fund's own income allocation. Bank and other interest receivable is accrued up to the accounting date. Equalisation on distributions received is deducted from the cost of the investment and not included in the fund's income available for distribution.

e) Expenses

The Manager's periodic charge is deducted from Capital. All of the other expenses are charged against Income except for costs associated with the purchase and sale of investments which are charged against Capital.

f) Taxation

- (i) The fund is treated as a corporate unitholder with respect to its underlying holdings and its income is subject to streaming into franked and unfranked.
- (ii) Corporation tax is provided at 20% on income, other than the franked portion of distributions from collective investment schemes, after deduction of expenses.
- (iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.
- (iv) Stamp duty reserve tax suffered on surrender of units is deducted from capital.

2 Distribution policy

Income arising from investments accumulates during each accounting period. Surplus income is allocated to unitholders in accordance with the COLL regulations. In order to conduct a controlled dividend flow to unitholders, interim distributions will be made at the Manager's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed in accordance with the COLL regulations.

3 Risk management policies

In pursuing the investment objective, a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors, that arise directly from operations. Derivatives, such as futures or forward foreign exchange contracts, may be utilised for efficient portfolio management purposes.

Political and economic events in the major economies of the world, such as the United States, Japan and the European Union, will influence stock and securities markets worldwide.

The main risks from the fund's holding of financial instruments with the Manager's policy for managing these risks are set out below:

- i. **Credit Risk** – The fund may find that collective investment schemes in which it invests fail to settle their debts or deliver the investments purchased on a timely basis.
- ii. **Interest Rate Risk** – Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager.
- iii. **Foreign Currency Risk** – Although the net assets of the fund are denominated in sterling, a proportion of the fund's investments in collective investment schemes have currency exposure with the effect that the balance sheet and total return can be affected by currency movements.
- iv. **Liquidity Risk** – The main liability of the fund is the cancellation of any units that investors want to sell. Securities may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

Smaller companies by their nature, tend to have relatively modest traded share capital, and the market in such shares can, at times, prove illiquid. Shifts in investor sentiment, or the announcement of new price-sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The dearth of accurate and meaningful information and insufficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with the low dealing volumes, can restrict the Manager's ability to execute substantial deals.

- v. **Market Price Risk** – Market Price Risk is the risk that the value of the fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. The Market Price Risk arises primarily from uncertainty about the future prices of financial instruments that the fund holds.

Market Price Risk represents the potential loss the fund may suffer through holding market positions in the face of price movements. This risk is generally regarded as consisting of two elements – Stock Specific Risk and Market Risk. The fund's exposure to Stock Specific Risk is reduced for equities and bonds through the holding of a diversified portfolio in accordance with the investment and borrowing powers set out in the Trust Deed.

- vi. **Counterparty Risk** – Transactions in securities entered into by the fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction.
- vii. **Fair Value of Financial Assets and Financial Liabilities** – There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

4 Net capital gains/(losses)	30.06.13	30.06.12
	£	£
Net gains/(losses) on non-derivative securities	12,531,746	(1,694,232)
Net capital gains/(losses)	12,531,746	(1,694,232)
5 Purchases, sales and transaction charges		
Purchases excluding transaction costs	35,111,106	21,082,473
Trustee transaction charges *	270	200
Purchases including transaction costs	35,111,376	21,082,673
Sales excluding transaction costs	23,557,392	16,344,019
Trustee transaction charges *	170	(50)
Sales net of transaction costs	23,557,562	16,343,969
Transaction handling charges	440	250
* These have been deducted in determining net capital gains/(losses)		
6 Revenue		
UK franked dividends	2,253,680	2,256,625
UK unfranked dividends	2,086	13,588
Unfranked bond interest	859,832	829,878
Rebate of annual management charges	135,609	119,377
Bank interest	-	304
Total revenue	3,251,207	3,219,772
7 Expenses		
<i>Payable to the Manager, associates of the Manager and agents of either:</i>		
Manager's periodic charge	1,593,634	1,328,357
<i>Payable to the Trustee associates of the Trustee and agents of either:</i>		
Trustee's fee	57,100	49,238
Safe custody	11,410	9,524
	68,510	58,762
<i>Other expenses:</i>		
FSA fee	270	337
Audit fee	7,220	6,706
Registration fees	42,203	30,615
Legal fees	1,971	-
Sundry charges	-	(2,060)
Total expenses	1,713,808	1,422,717

8 Taxation

	30.06.13 £	30.06.12 £
a) Analysis of the tax charge for the year:		
UK Corporation tax	-	-
Irrecoverable income tax	417	2,718
Current tax charge (note 8b)	417	2,718
Deferred tax (note 8c)	-	-
Total tax charge	417	2,718
b) Factors affecting the tax charge for the year:		
Net revenue before taxation	1,537,259	1,795,825
Corporation tax at 20%	307,452	359,165
<i>Effects of:</i>		
UK dividends	(450,736)	(451,325)
Utilisation of excess management expenses	143,284	92,160
Corporation tax charge	-	-
Irrecoverable income tax	417	2,718
Current tax charge for the year (note 8a)	417	2,718

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current or prior accounting year.

d) Factors that may affect future tax changes

The fund has unutilised management expenses of £1,647,035 (prior year £930,615). The fund does not expect to be able to utilise this in the foreseeable future.

9 Finance costs

	30.06.13 £	30.06.12 £
Distributions		
Interim	1,469,119	1,580,965
Final	1,792,695	1,583,550
	3,261,814	3,164,515
Amounts deducted on cancellation of units	71,095	70,628
Amounts received on issue of units	(202,393)	(113,709)
Finance costs: Distribution	3,130,516	3,121,434
Finance costs: Interest	140	1,230
Total finance costs	3,130,656	3,122,664
Represented by:		
Net revenue after taxation	1,536,842	1,793,107
<i>Expenses charged to capital</i>		
Manager's periodic charge	1,593,634	1,328,357
Balance of revenue brought forward	60	20
Balance of revenue carried forward	(20)	(50)
Finance costs: Distribution	3,130,516	3,121,434

10 Debtors	30.06.13	30.06.12
	£	£
Amounts receivable for issue of units	545,159	28,682
<i>Accrued revenue:</i>		
UK franked dividends	184,455	79,244
Bond interest	1,492	3,029
	185,947	82,273
Other receivables	38,440	19,325
Taxation recoverable	255,951	121,459
Total debtors	1,025,497	251,739

11 Creditors

	£	£
Amounts payable for cancellation of units	67,374	19,508
<i>Accrued expenses:</i>		
<i>Amounts payable to the Manager, associates and agents:</i>		
Manager's periodic charge	134,360	113,413
<i>Amounts payable to the Trustee, associates and agents:</i>		
Trustee's fees	4,753	4,183
Transaction charges	120	30
Safe custody fee	3,131	1,609
	8,004	5,822
Other expenses	24,550	14,468
Total creditors	234,288	153,211

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date [30.06.12 : £Nil].

13 Related party transactions

Management fees payable to Margetts Fund Management Ltd (the Manager) is disclosed in Note 7 and amounts prepaid and outstanding at the year-end in notes 10 & 11.

The aggregate monies received and paid by the Manager through the issue and cancellation of units is disclosed in the Statement of Change in Unitholders' Net Assets and amounts outstanding in notes 10 & 11.

Trustee and other fees payable to BNY Mellon Trust and Depositary (UK) Limited are also disclosed in note 7 and amounts prepaid and outstanding at the year-end in notes 10 & 11.

The net cash balances on deposit with The Bank of New York Mellon (an associated company of BNY Mellon Trust and Depositary (UK) Limited) at the balance sheet date were £5,258,320 [30.06.12 : £4,055,713]. Net interest paid was £140 [30.06.12 : £926].

All other amounts paid to, or received from, the related parties, together with the outstanding balances are disclosed in the financial statements.

14 Post balance sheet events

As at 09 October 2013, there were no material post balance sheet events which have a bearing on the understanding of the financial statements.

15 Risk disclosures – interest risk

Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager. The table below shows the Interest Rate Risk profile at the balance sheet date:

	30.06.13 £	30.06.12 £
Floating rate assets (pounds sterling):	5,258,320	5,406,322
Floating rate liabilities (pounds sterling):	-	(1,350,609)
Assets on which interest is not paid (pounds sterling):	117,500,667	91,318,932
Liabilities on which interest is not paid (pounds sterling):	(427,770)	(313,599)
Net Assets	122,331,217	95,061,046

The floating rate financial assets and liabilities comprise bank balances, which earn or pay interest at rates linked to the UK base rate.

There are no material amounts of non-interest bearing financial assets and liabilities, other than collective investment schemes, which do not have maturity dates.

Distribution table

For the year ended 30 June 2013 – in pence per unit

Interim

Group 1 – units purchased prior to 01 July 2012

Group 2 – units purchased on or after 01 July 2012

Income Units

Units	Net Income	Equalisation	Paid 28.02.13	Paid 28.02.12
Group 1	2.0282	-	2.0282	2.4701
Group 2	0.7056	1.3226	2.0282	2.4701

Accumulation Units

Units	Net Income	Equalisation	Allocated 28.02.13	Allocated 28.02.12
Group 1	3.8323	-	3.8323	4.5065
Group 2	2.1056	1.7267	3.8323	4.5065

Final

Group 1 – units purchased prior to 01 January 2013

Group 2 – units purchased on or after 01 January 2013

Income Units

Units	Net Income	Equalisation	Payable 31.08.13	Paid 31.08.12
Group 1	2.2746	-	2.2746	2.3279
Group 2	1.0937	1.1809	2.2746	2.3279

Accumulation Units

Units	Net Income	Equalisation	Allocating 31.08.13	Allocated 31.08.12
Group 1	4.3522	-	4.3522	4.3249
Group 2	3.1771	1.1751	4.3522	4.3249

R Income Units

Units	Net Income	Equalisation	Payable 31.08.13	Paid 31.08.12
Group 1	2.2805	-	2.2805	-
Group 2	0.6646	1.6159	2.2805	-

R Accumulation Units

Units	Net Income	Equalisation	Allocating 31.08.13	Allocated 31.08.12
Group 1	4.3516	-	4.3516	-
Group 2	1.7366	2.6150	4.3516	-

Equalisation only applies to units purchased during the distribution period (group 2 units). It represents the accrued income included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the units for capital gains tax purposes.

General information

Valuation Point

The Valuation Point of the fund is 8.30am on each business day. Valuations may be made at other times with the Trustee's approval.

Buying and Selling of Units

The Manager will accept orders to buy or sell units on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell units may be made either in writing to: Margetts Fund Management Ltd, PO Box 23705, Edinburgh EH7 5NJ or by telephone on 0845 607 6808. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Prices

The most recent bid prices of units are published on the Margetts website at www.margettsfundmanagement.com. The associated cancellation price is available on request from the Manager.

Other Information

The Trust Deed, Prospectus, Key Features Document and the latest annual and interim reports may be inspected at the offices of the Manager, with a copy available, free of charge, on written request.

The register of unitholders can be inspected by unitholders during normal business hours at the offices of the Administrator.

Unitholders who have any complaints about the operation of the fund should contact the Manager or the Trustee in the first instance. In the event that a unitholder finds the response unsatisfactory, they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

The prospectus has been updated to state that The Bank of New York Mellon's charges for transfer agency services are now subject to annual inflationary increases, capped at 3% per annum.

The prospectus has been amended to include the minimum initial and subsequent investment amount of £100 for regular savers.

Data Protection Act

Unitholders' names will be added to a mailing list which may be used by the Manager, its associates or third parties, to inform investors of other products by sending details of such products. Unitholders who do not want to receive such details should write to the Manager, requesting their removal from any such mailing list.