



# **Annual Report and Financial Statements for MGTS Future Money Real Value Fund**

For the year ended 31 July 2013

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## **Directors of the ACD**

T J Ricketts  
T H Ricketts  
A J M Quay  
J E J Clay  
M D Jealous  
A S Weston  
G M W Oakley (non-exec)

## **Depositary**

BNY Mellon Trust & Depositary (UK) Ltd  
The Bank of New York Mellon Centre  
160 Queen Victoria Street  
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## **Administrator and Registrar**

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## **Auditors**

Shipleys LLP  
Chartered Accountants & Statutory Auditors  
10 Orange Street  
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## **Investment Advisers**

Close Private Asset Management Ltd  
10 Exchange Square  
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# Investment Adviser's Report

For the year ended 31 July 2013

## Investment Objective

To invest in units / shares in collective investment schemes covering UK and international markets as well as commercial property. The Fund may also invest in equities, fixed interest securities and money market instruments.

The Fund is intended to provide long term capital growth through an actively managed, diversified portfolio of investments with the objective of retaining the real value of the investment despite the effects of inflation.

## Investment Review

MGTS Future Money Real Value Acc 8.95%

MGTS Future Money Real Value R Acc 9.34%

*(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)*

## Benchmark

Composite Benchmark 9.38%

15% - GBP 3 month LIBOR

40% - FTSE Government Secs All Stocks TR

30% - FTSE All Share Index TR

15% - FTSE World Ex UK

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

Equities gained over the period, with the Eurozone bolstered by European Central Bank President Mario Draghi's pledge to do 'whatever it takes' to preserve the Euro. Encouraging US macroeconomic data and a continuation of ultra-accommodative monetary policy from central banks supported risk appetite. Bond yields rose towards the end of the period after the Federal Reserve indicated that it could taper its quantitative easing programme if economic data showed continued improvement.

Five years from the anniversary of the 2008 financial crisis, we may finally have seen the worst of the economic turbulence and be coming out the other side. For the first time, we see signs of a global synchronised economic recovery, albeit stronger in some countries and tentative in others, but nonetheless an improvement in growth across the world's most significant economies. As a result, developed market equities have been one of the best performing asset classes over the period.

These gains have been supported by a perceived reduction in event risk as the crises of prior years seem to have been controlled or are at least better understood. While debt levels remain high, the world seems to be past the worst effects of austerity. The liquidity environment also remains benign and central banks have made it clear that they will not tighten liquidity or raise interest rates until recoveries are more firmly entrenched: probably not until late 2015.

The emerging economies, by contrast, have seen growth rates slow, leading to funding issues and current accounts imbalances, causing their currencies to decline.

Fixed income has also had a difficult time. As growth in the developed world has improved, and with concerns about less quantitative easing in the US, the yields on longer-dated sovereign bonds have been volatile and produced the first negative return for bond investors since the bond market collapse of 1994.

## Activity

Given our more optimistic outlook for global growth we have looked to further reduce duration within the portfolio's fixed income holdings. As a result we have sold the holding of JPM Sterling Corporate Bond as well as the direct holdings and used the proceeds to add to M&G Optimal Income, Invesco Tactical and initiate a holding in SWIP Absolute Return Bond.

## **Investment Adviser's Report (continued)**

During the period we have looked to use volatility in markets to tactically add to equities on weak days and as such we have initiated a holding in Old Mutual UK Alpha and added to Newton Global Higher Income.

### **Outlook**

The improvements we have seen this year are not ground-breaking but they are significant. We have completed a liquidity rally and a valuation rally but we must now return to a world where earnings matter. We need to see solid macroeconomic improvements translate into better corporate earnings and profitability. Improvements in earnings guidance in Q3 and Q4 could be the catalyst for further – and more fundamental – market gains.

Close Private Asset Management Ltd  
*Investment Adviser*  
31 October 2013

The investment adviser has been changed from Close Private Asset Management Ltd and Margetts Fund Management Ltd will take over the role from 01 August 2013.

## **Certification of Accounts by Directors of the ACD**

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.

<b>T J Ricketts</b>	<b>M D Jealous</b>
<i>Margetts Fund Management Ltd</i>	
08 November 2013	

## **Authorised Status**

The MGTS Future Money Real Value Fund is a sub-fund of the MGTS Future Money ICVC with investment powers equivalent to those of a UCITS Scheme. The umbrella company is MGTS Future Money ICVC which is an open-ended investment company with variable capital incorporated in England and Wales under regulation number IC706 and authorised by the Financial Conduct Authority with effect from 23 September 2008.

It is a Non-UCITS Retail Fund (NURS) as classified under the FCA's Collective Investment Schemes Sourcebook. Shareholders are not liable for the debts of the fund.

## Significant purchases and sales

*For the year ended 31 July 2013*

<b>Total purchases for the year</b>	<b>£6,204,200</b>
<b>Purchases</b>	<b>Cost (£)</b>
INVESCO PERPETUAL TACTICAL BOND Z GROSS INC	£1,770,669
SWIP ABSOLUTE RETURN BOND B GROSS INC	£1,520,600
BLACKROCK EUROPEAN ABSOLUTE ALPHA D ACC	£623,875
OLD MUTUAL UK ALPHA U1 ACC	£491,365
TREASURY 2.5% INDEX-LINKED STOCK 2020 UK GILT	£478,624

<b>Total sales for the year</b>	<b>£6,054,122</b>
<b>Sales</b>	<b>Proceeds (£)</b>
LEGG MASON GLOBAL MULTI STRATEGY BOND B INC	1,213,310
JPM STERLING CORPORATE BOND C GROSS INC	1,082,300
AXA FRAMLINGTON UK SELECT OPPORTUNITIES ACC	594,800
FIDELITY STRATEGIC BOND GROSS INC	553,486
TESCO PLC 5.5% 13-12-2019	408,133

## Portfolio statement

As at 31 July 2013

Holding	Portfolio of Investments	Value (£)	Total Net Assets	
			31.07.13 %	31.07.12 %
	<b>UK</b>			
45,000	AXA Framlington UK Select Opps Acc	1,217,250	4.92	
850,000	CF Miton UK Multi Cap Income Inst B Inc	1,186,430	4.79	
647,158	Invesco Perpetual Income Inc Z Inc	1,579,067	6.38	
500,000	Old Mutual UK Alpha U1 Acc	538,500	2.18	
2,500,000	Threadneedle UK Equity Alpha Inc Inst Inc	1,602,250	6.47	
	<b>Total UK</b>	<b>6,123,497</b>	<b>24.74</b>	<b>23.62</b>
	<b>Europe</b>			
525,000	Blackrock European Absolute Alpha D Acc	635,775	2.57	
	<b>Total Europe</b>	<b>635,775</b>	<b>2.57</b>	<b>-</b>
	<b>Bonds &amp; Gilts</b>			
1,186,810	Fidelity Strategic Bond Gross Inc	1,382,635	5.58	
866,000	Invesco Perpetual Tactical Bond Z Gross Inc	1,783,181	7.20	
963,000	M&G Optimal Income I Acc	1,736,000	7.01	
150,000	Pimco Total Return Bond Inst Hedged Inc	1,455,000	5.88	
1,450,000	SWIP Absolute Return Bond B Gross Inc	1,522,500	6.15	
125,000	* Treasury 2.5% Index-linked Stock 2020	466,763	1.89	
	<b>Total Bonds &amp; Gilts</b>	<b>8,346,079</b>	<b>33.71</b>	<b>29.84</b>
	<b>Global Bonds</b>			
1,000,000	Standard Global Index Linked Bond Inst Inc	1,363,000	5.50	
	<b>Total Global Bonds</b>	<b>1,363,000</b>	<b>5.50</b>	<b>11.96</b>
	<b>Global</b>			
850,000	Newton Global Higher Income Inst Inc	956,675	3.86	
90,000	River And Mercantile Global High Inc B Inc	263,322	1.06	
7,488	Veritas Global Equity Income GBP D	1,242,238	5.02	
	<b>Total Global</b>	<b>2,462,235</b>	<b>9.94</b>	<b>10.75</b>
	<b>Asia Pacific</b>			
1,500	Schroder ISF Asian Total Return GBP C Dis	333,025	1.34	
	<b>Total Asia Pacific</b>	<b>333,025</b>	<b>1.34</b>	<b>1.73</b>
	<b>Property</b>			
300,000	F&C UK Property SC2 Inc	300,000	1.21	
350,000	John Laing Infrastructure	417,200	1.69	
	<b>Total Property</b>	<b>717,200</b>	<b>2.90</b>	<b>3.08</b>
	<b>Alternatives</b>			
2,250,000	Standard Life Inv Global Absolute Return Strategy Inst Acc	1,688,400	6.82	
	<b>Total Alternatives</b>	<b>1,688,400</b>	<b>6.82</b>	<b>7.14</b>

## Portfolio statement (continued)

Holding	Portfolio of Investments	Value (£)	Total Net Assets	
			31.07.13 %	31.07.12 %
	<b>Money Markets</b>			
500,000	Blackrock Institutional Sterling Liquidity Dist	500,000	2.02	
1,000,000	Invesco Sterling Liquidity Select Class Fund	1,000,000	4.04	
	<b>Total Money Markets</b>	<b>1,500,000</b>	<b>6.06</b>	<b>6.70</b>
	<b>Portfolio of Investments</b>	<b>23,169,211</b>	<b>93.58</b>	<b>94.84</b>
	<b>Net Current Assets</b>	<b>1,588,983</b>	<b>6.42</b>	<b>5.16</b>
	<b>Net Assets</b>	<b>24,758,194</b>	<b>100</b>	<b>100</b>

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

\* - Investments are not authorised Collective Investment Schemes.



## Statement of ACD's Responsibilities

The ACD 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 Authorised Corporate Director to ensure that the financial statements for each accounting period give a true and fair view of the financial affairs of the Scheme and of the net income / expenses and of the net gains / losses on the property of the Scheme for that year.

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

In so far as the ACD is aware:

- There is no relevant audit information of which the Scheme's auditors are unaware and
- The ACD 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 Depositary's Responsibilities

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

It is the duty of the Depositary to take reasonable care to ensure that the company is managed in accordance with the Financial Conduct Authority's COLL Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001 / 1228) (the OEIC Regulations) and the company's Instrument of Incorporation, in relating to the pricing of and dealing in, shares in the company, the application of income of the company, and the investment and borrowing power of the company.

## Report of the Depositary

In our opinion during the period under review, we confirm that in all material respects the company has carried out the issue, sale, redemption, cancellation and calculation of the price of the company's shares and the application of the company's income in accordance with the rules in the COLL sourcebook and, where applicable, the OEIC regulations and the Instrument of Incorporation of the company, and has observed the investment and borrowing powers and restrictions applicable to the company.

BNY Mellon Trust & Depositary (UK) Ltd  
*Depositary of the MGTs Future Money Real Value Fund*  
8 November 2013

## **Independent auditors' report to the shareholders of MGTS Future Money Real Value fund**

We have audited the financial statements of MGTS Future Money Real Value fund for the year ended 31 July 2013, which comprise the statement of total return, the balance sheet, the statement of change in net assets attributable to shareholders, together with the related notes and the distribution table. The financial reporting framework that has been applied in their preparations is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Fund's shareholders as a body, in accordance with Rule 4.5.12 of the Collective Investment Scheme Sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the ACD and auditors**

As explained more fully in the ACD's Responsibilities Statement set out on page 8, the ACD 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual 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 Fund's affairs as at 31 July 2013 and of the net income and the net gains on the property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Prospectus, 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.

### **Opinion on other matters prescribed by the collective investment scheme sourcebook**

- The information given in the ACD's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- we have received all the information and explanations we require for our audit.

## **Independent auditors' report to the shareholders of MGTS Future Money Real Value fund (continued)**

### **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**  
8 November 2013

## Net Asset Value per Share and Comparative Tables

### Price and Income History

#### Accumulation

Calendar Year	Highest Price (p)	Lowest Price (p)	Net Income (p per share)
2009	109.54	94.91	0.2509
2010	118.05	109.17	1.4222
2011	120.99	112.69	1.2384
2012	127.36	117.90	1.2248
2013*	137.13	127.10	1.4601

#### R Accumulation †

Calendar Year	Highest Price (p)	Lowest Price (p)	Net Income (p per share)
2012	127.36	126.55	-
2013*	137.46	127.10	1.9225

#### R Income ^

Calendar Year	Highest Price (p)	Lowest Price (p)	Net Income (p per share)
2013*	135.45	130.48	-

\* To 31 July 2013

### Net Asset Value

Date	Share Class	Net Asset Value (£)	Units in Issue	NAV (p per unit)
31.07.2011	Acc	21,446,574	17,939,856	119.55
31.07.2012	Acc	22,392,269	18,097,087	123.73
31.07.2013	Acc	23,543,755	17,460,182	134.84
31.07.2013	R Acc †	1,213,412	895,560	135.49
31.07.2013	R Inc ^	1,027	758	135.48

† The R Acc share class was launched on 03 December 2012.

^ The R Inc share class was launched on 25 June 2013.

### Risk Warning

An investment in an open-ended investment company (OEIC) should be regarded as a medium to long term investment. Investors should be aware that the price of shares 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 Share

Date	Share Class	Price (Pence)	Yield (%)
01.08.2013	Accumulation	134.91	1.08
01.08.2013	R Accumulation	135.39	2.15
01.08.2013	R Income	135.42	2.15

### Fund Performance

The performance of the fund is shown in the Investment Adviser's Report.

## Net Asset Value per Share and Comparative Tables (continued)

Ongoing charges figure	31.07.13	31.07.12
	%	%
ACD's Annual Management Charge	1.50	1.50
Other expenses	0.15	0.16
<b>Total Expense Ratio</b>	<b>1.65</b>	<b>1.66</b>
Synthetic TER	0.77	0.76
<b>Complete OCF</b>	<b>2.42</b>	<b>2.42</b>
<b>Ongoing charges - R Class †</b>		
ACD's Annual Management Charge	0.75	-
Other expenses	0.15	-
<b>Total Expense Ratio</b>	<b>0.90</b>	<b>-</b>
Synthetic TER	0.77	-
<b>Complete OCF</b>	<b>1.67</b>	<b>-</b>

## Financial statements

### Statement of total return

For the year ended 31 July 2013

	Notes		31.07.13		31.07.12
Income		£	£	£	£
Net capital gains	4		1,713,125		563,768
Revenue	6	641,021		593,889	
Expenses	7	(375,083)		(357,703)	
Finance costs: Interest	9	(8)		(206)	
Net revenue before taxation		265,930		235,980	
Taxation	8	(7,298)		(15,164)	
Net revenue after taxation			258,632		220,816
<b>Total return before distributions</b>			<b>1,971,757</b>		<b>784,584</b>
Finance costs: Distribution	9		(258,611)		(220,822)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>1,713,146</b>		<b>563,762</b>

### Statement of change in net assets attributable to shareholders

For the year ended 31 July 2013

		£	£	£	£
<b>Opening net assets attributable to shareholders</b>			22,392,267		21,446,574
Amounts receivable on issue of shares		3,245,548		2,125,108	
Amounts payable on cancellation of shares		(2,860,495)		(1,955,631)	
			385,053		169,477
Stamp duty reserve tax	1(f)		(4,425)		(9,199)
Change in net assets attributable to shareholders from investment activities			1,713,146		563,762
Retained distribution on accumulation shares			272,153		221,653
<b>Closing net assets attributable to shareholders</b>			<b>24,758,194</b>		<b>22,392,267</b>

## Balance sheet

As at 31 July 2013

	Notes		31.07.13		31.07.12
		£	£	£	£
<b>Assets</b>					
Investment assets			23,169,212		21,236,568
Debtors	10	1,139,117		913,233	
Bank balances		876,278		1,811,305	
<b>Total other assets</b>			<b>2,015,395</b>		<b>2,724,538</b>
<b>Total assets</b>			<b>25,184,607</b>		<b>23,961,106</b>
<b>Liabilities</b>					
Creditors	11	426,413		1,568,839	
<b>Total other liabilities</b>			<b>426,413</b>		<b>1,568,839</b>
<b>Net assets attributable to shareholders</b>			<b>24,758,194</b>		<b>22,392,267</b>

# Notes to the financial statements

As at 31 July 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 ACD's periodic charge is deducted from Income. 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 shareholder 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 shares is deducted from capital.

## 2 Distribution policy

Income arising from investments accumulates during each accounting period. Surplus income is allocated to shareholders in accordance with the COLL regulations. In order to conduct a controlled dividend flow to shareholders, interim distributions will be made at the ACD'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 ACD'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 shares 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 ACD'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.

<b>4 Net capital gains</b>	<b>31.07.13</b>	<b>31.07.12</b>
	<b>£</b>	<b>£</b>
Net gains on derivatives	-	2,682
Net gains on non-derivative securities	1,713,125	561,088
<b>Net capital gains on investments</b>	<b>1,713,125</b>	<b>563,770</b>
<b>5 Purchases, sales and transaction costs</b>		
Purchases excluding transaction costs	10,159,174	8,608,882
Commissions	216	234
Trustee transaction charges *	310	510
<b>Purchases including transaction costs</b>	<b>10,159,700</b>	<b>8,609,626</b>
Sales excluding transaction costs	10,009,489	8,353,734
Commissions	(177)	(954)
Trustee transaction charges *	(605)	(555)
<b>Sales including transaction costs</b>	<b>10,008,707</b>	<b>8,352,225</b>
<b>Transaction handling charges</b>	<b>915</b>	<b>1,065</b>
* These have been deducted in determining net capital gains		
<b>6 Revenue</b>		
UK franked dividends	229,439	160,030
UK unfranked dividends	40,125	108,168
Bond interest	122,523	286,011
Gross bond interest	123,075	-
Overseas franked income	-	8,102
Overseas gross unfranked income	103,280	-
Rebate of annual management charges / renewal commission	22,579	31,497
Bank interest	-	81
<b>Total revenue</b>	<b>641,021</b>	<b>593,889</b>
<b>7 Expenses</b>		
<i>Payable to the ACD, associates of the ACD and agents of either:</i>		
ACD's periodic charge	340,792	323,022
<i>Payable to the Depositary associates of the Depositary and agents of either:</i>		
Depositary's fee	13,593	12,921
Safe custody	3,770	3,620
	<b>17,363</b>	<b>16,541</b>
<i>Other expenses:</i>		
FSA fee	167	545
Audit fee	7,215	6,712
Registration fees	1,177	643
Printing costs	578	68
Price publication fee	-	853
Transfer agency fee	6,783	6,394
Distribution costs	1,008	2,925
<b>Total expenses</b>	<b>375,083</b>	<b>357,703</b>

## 8 Taxation

a) Analysis of the tax charge for the year:

	31.07.13 £	31.07.12 £
UK Corporation tax	8,338	14,992
Irrecoverable income tax	-	1,594
Current tax charge (note 8b)	8,338	16,586
Deferred tax (note 8c)	(1,040)	(1,422)
<b>Total tax charge</b>	<b>7,298</b>	<b>15,164</b>

b) Factors affecting the tax charge for the year:

Net income before taxation	265,930	235,980
Corporation tax at 20%	53,186	47,196
<i>Effects of:</i>		
UK dividends	(45,888)	(33,626)
Movement in income accruals	1,040	1,422
Utilisation of excess management expenses	-	-
Corporation tax charge	8,338	14,992
Irrecoverable income tax	-	-
<b>Current tax charge for the year (note 8a)</b>	<b>8,338</b>	<b>14,992</b>

c) Provision for deferred taxation

Provision at start of year	-	1,422
Deferred tax charge in year	(1,040)	(1,422)
<b>Provision at end of year</b>	<b>(1,040)</b>	<b>-</b>

## 9 Finance costs

### Distributions

Final	272,153	221,653
	272,153	221,653
Amounts deducted on cancellation of shares	16,914	9,842
Amounts received on issue of shares	(30,456)	(10,673)
Finance costs: Distributions	258,611	220,822
Finance costs: Interest	8	206
<b>Total finance costs</b>	<b>258,619</b>	<b>221,028</b>

Represented by:

Net revenue after taxation	258,632	220,816
Balance of revenue brought forward	9	15
Balance of revenue carried forward	(30)	(9)
<b>Finance costs: Distributions</b>	<b>258,611</b>	<b>220,822</b>

<b>10 Debtors</b>	<b>31.07.13</b>	<b>31.07.12</b>
	<b>£</b>	<b>£</b>
Amounts receivable for issue of shares	153,610	28,823
Amounts receivable for investment securities sold	863,066	798,975
<i>Accrued income:</i>		
UK franked dividends	8,670	6,940
Bond interest	3,082	23,627
Gross Bond Interest	26,340	5,199
	<b>38,092</b>	<b>35,766</b>
Prepayments	394	-
Other receivables	9,015	7,258
Taxation recoverable	74,940	42,411
<b>Total debtors</b>	<b>1,139,117</b>	<b>913,233</b>
<b>11 Creditors</b>		
Amounts payable for cancellation of shares	10,113	53,487
Amounts payable for investment securities purchased	351,926	1,462,440
<i>Accrued expenses:</i>		
<i>Amounts payable to the ACD, associates and agents:</i>		
ACD's periodic charge	30,201	27,363
<i>Amounts payable to the Depositary, associates and agents:</i>		
Depositary's fees	1,236	1,094
Transaction charges	135	40
Safe custody fee	384	275
	<b>1,755</b>	<b>1,409</b>
Other expenses	9,953	8,974
<i>Taxation payable:</i>		
Corporation tax	22,465	15,166
<b>Total creditors</b>	<b>426,413</b>	<b>1,568,839</b>

## 12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date [31.07.12 : £Nil].

## 13 Related party transactions

The ACD's fee payable to Margetts Fund Management Ltd (the ACD) 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 ACD through the issue and cancellation of shares is disclosed in the Statement of change in net assets attributable to shareholders and amounts outstanding in notes 10 & 11.

Depositary 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 £876,278 [31.07.12 : £1,811,305]. Net interest paid was £8 [31.07.12 : £125].

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 07 November 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:

	31.07.13 £	31.07.12 £
Floating rate assets (pounds sterling):	1,343,041	1,811,305
Assets on which interest is not paid (pounds sterling):	23,841,566	21,494,601
Assets on which interest is paid (pounds sterling):	-	655,200
Liabilities on which interest is not paid (pounds sterling):	(426,413)	(1,568,839)
<b>Net Assets</b>	<b>24,758,194</b>	<b>22,392,267</b>

### Benchmark rates for index-linked stocks

GBP	31.07.13 %
UK Treasury 2.5% Index Linked 2020	2.5

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

Fixed rate financial assets have a weighted average yield of Nil % [31.07.12 : 5.48%] and a weighted average period for which income is fixed of Nil years [31.07.12 : 18.44 years].

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 31 July 2013 - rates are in pence per share

*Final*

Group 1 – shares purchased prior to 01 February 2013

Group 2 – shares purchased on or after 01 February 2013

*Accumulation shares*

Units	Net Income	Equalisation	Allocating 30.09.13	Allocated 30.09.12
Group 1	1.4601	-	1.4601	1.2248
Group 2	0.3500	1.1101	1.4601	1.2248

*R Accumulation shares*

Units	Net Income	Equalisation	Allocating 30.09.13	Allocated 30.09.12
Group 1	1.9225	-	1.9225	n/a
Group 2	0.4925	1.4300	1.9225	n/a

Equalisation only applies to shares purchased during the distribution period (group 2 shares). It represents the accrued income included in the purchase price of the shares. 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 shares for capital gains tax purposes.

## **General Information**

### **Valuation Point**

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

### **Buying and Selling of Shares**

The ACD will accept orders to buy or sell shares 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 shares may be made either in writing to: Margetts Fund Management Ltd, PO Box 12081, Brentwood CM14 9ND 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 mid prices of shares are published on the Margetts website at [www.margettsfundmanagement.com](http://www.margettsfundmanagement.com).

### **Other Information**

The Instrument of Incorporation, Prospectus, Key Investor Information Document, Supplementary Information Document and the latest annual and interim reports may be inspected at the offices of the ACD, with a copy available, free of charge, on written request.

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

The Head Office of the Company is at 1 Sovereign Court, Graham Street, Birmingham B1 3JR and is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

The base currency of the Company is pounds (£) sterling.

The maximum share capital of the Company is currently £10,000,000,000 and the minimum is £1000. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company's current net asset value.

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.

Shareholders who have any complaints about the operation of the fund should contact the ACD or the Depositary in the first instance. In the event that a shareholder 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.

### **Data Protection Act**

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

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