Margetts Fund Management Ltd

Annual Report and Financial Statements for MGTS Frontier Adventurous Fund

For the year ended 30 April 2013

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A J M Quy
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G M W Oakley (non-exec)

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Auditors

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Chartered Accountants & Statutory Auditors
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ACD's Report

For the year ended 30 April 2013

Investment Objective

The investment objective of the Fund is to provide long term growth and income through an active investment strategy which will include investments within higher risk / faster growth economies (when considered appropriate) using an actively managed portfolio. Investments will include exposure at any one time to equities, fixed interest investments, money market instruments, cash and property funds (some of which may be unregulated). The Fund will invest globally and is expected to include significant exposure to Asia Pacific, Emerging Market and other higher risk investments from time to time.

The Fund will be managed through tactical asset allocation with possible high frequency portfolio adjustments. The Fund may use derivatives and forward transactions for hedging purposes only.

Investment Review

MGTS Frontier Adventurous Fund R (Institutional)	15.84 %
MGTS Frontier Adventurous Fund (Retail)	15.26 %
Benchmarks	
Composite benchmark	17.73 %
30% IMA Global Emerging Markets	
30% FTSE AW Asia Pacific	
40% FTSE World	

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

The MGTS Frontier Adventurous fund outperformed the benchmark over the year, despite strong performance from developed markets relative to emerging markets, which represent a large proportion of the strategic (long-term) asset allocation.

The start of this period followed a similar pattern to the previous year, with concerns about Europe's future weighing down stock markets in the first few weeks of May. However, unlike 2011 the market recovered quickly and from a higher base.

An emotional speech given by The European Central Bank ("ECB") President, Mario Draghi, whilst in London at the end of July 2012 provided the catalyst for markets to rise significantly and sustainably, when he hinted of long-awaited action to intervene in European markets by monetising debt. In this speech he stated that "within our mandate, the ECB is ready to do whatever it takes to preserve the Euro" adding "believe me, it will be enough".

This unusual statement caused markets to rise and European debt yields to fall as investors speculated that the ECB might start unlimited purchases of Spanish and Italian debt, which was supported when the ECB confirmed its intention to use unlimited resources to support bond markets of 'programme' countries[1].

Using unlimited resources the ECB can force interest rates in these countries to any level it deems appropriate; given the limitless ability to print money in the purchase of bonds speculators have no limits to test. Therefore, this solution, unlike any before it, is the most likely to succeed and is the action that the fund management team had been expecting for some time.

In the second half of the period, focus shifted to the US 'fiscal cliff'. The USA has a statutorily imposed limit on the amount of debt it can have in issue. Once the amount of debt exceeds the limit, debt cannot be issued to pay for any obligations, including interest on US Government debt or payments to run the public sector. The limit has been increased 74 times since 1962 and historically has been a formality voted on by Congress.

[1] 'Programme' countries are members of the Euro that have sought assistance from the IMF and other EU member states.

ACD's Report (continued)

More recently however the debt ceiling has become a political bargaining tool used by Democrats and Republicans to hold the economy to ransom. This reached a crisis point in 2011 and in order to vote to raise the debt ceiling, new legislation was passed called The Budget Control Act 2011, which enforced automatic spending cuts in 2013, which would combine with the end of tax breaks introduced in 2010, creating a 'fiscal cliff' that would have been triggered in January 2013.

This combination of automatic spending cuts and the expiry of tax breaks were predicted to slash the US Government deficit by up to 50%, which could result in significant economic consequences. It was not until mid-December that progress between the political parties could be seen, with Obama outmanoeuvring the Republicans by calling their bluff.

On the 2nd January 2013, Obama signed into law a new act, the American Taxpayer Relief Act of 2012 (ATRA), which eliminated or deferred many of the issues and the anticipated 'fiscal cliff'. The act mainly dealt with the automatic expiry of tax cuts and deferred the automatic budget cuts, known as sequestration, for two months, providing a period of relief for both parties to agree. However, no real progress was made, triggering sequestration and forcing widespread cuts to US Government departments. Although the cuts are automatic the process of implementing the cuts is likely to be slow and therefore the effects will take time to become apparent. In the meantime, Obama continues to attempt a compromise with Republicans, with the Democrats giving spending cuts for some tax increases to help balance the budget within 10 years.

Whether sequestration remains, or the Government agree a deal to include tax rises and budget reductions, the result will still have a drag on the US economy, which is performing well and this is reflected in stock markets which have bounced strongly since the start of the year.

During March 2013 the Eurozone crisis resurfaced with Cyprus requiring a c.€16Bn bailout to avoid bankruptcy. Although the economy represents just 0.2% of Eurozone GDP, policymakers took a new controversial approach to dealing with the problem, which may yet undermine confidence in the banking system.

The EU and IMF agreed a €10Bn bailout on the basis that Cyprus raised the additional €5.8Bn. Officials over a weekend (15th March) agreed that a 6.75% levy would be applied to all Cypriot "insured" bank deposits under €100,000 and a 9.9% levy for "uninsured" deposits above €100,000. The hasty terms of the bailout were rejected by the Cypriot parliament on the Monday (18th March).

This is the first time that depositors have been targeted and the most surprising element of the deal is that "insured" deposits were not immune. Following the rejected deal, the ECB threatened to withdraw emergency liquidity assistance for Cyprus' two largest banks, which would have led to their collapse and ultimately an exit from the Euro, unless the required €5.8Bn could be financed from elsewhere.

Subsequently, the Cypriot Parliament agreed that "insured" deposits would be untouched, but "uninsured" deposits in the two largest banks would be at risk. The country's second biggest bank Laiki would become a bad bank, winding up over time. Deposits of under €100,000 and other strategic accounts will be transferred to the largest bank, Bank of Cyprus.

A proportion of the uninsured deposits, which is currently stated to be up to 40% would be converted into shares in the banks, with further possible losses if required.

All Cypriot banks re-opened on Thursday 28th March 2013 with capital restrictions limiting withdrawals to €300 per day and credit card transactions abroad limited to €5,000 per month.

The events in Cyprus could have wide implications. This is the first time that capital within the Eurozone has been restricted across boundaries, which is against the principles of a monetary union. The danger is that it creates a tiered single currency. A Cypriot Euro is no longer worth the same as a German Euro. In addition, the effect on deposit holders outside of Cyprus may mean that individuals look to hold money outside of their bank accounts to avoid future levies, which could trigger a wider banking crisis.

ACD’s Report (continued)

Our hope is that depositors are resilient in the rest of Europe and do not start to withdraw their funds on a large scale. The Cyprus situation has been expressed as a way of taxing wealthy Russian oligarchs that have abused tax systems, rather than targeting ordinary civilians. We hope that this “spin” works and that Russia does not take any retaliatory action, which so far appears to be the case.

The team believe that the UK Government has played the situation well, being quick to reassure UK depositors of Cypriot branches and making a show of flying Euros to military personal based in Cyprus. Confidence in the UK has been reflected in the yield on UK debt, which has fallen during the course of the March and April indicating that capital has flowed to the UK, which is perceived as a safe haven.

Given the significant recent rises we believe that stock markets in developed economies markets now represent fair value, having previously been undervalued. Much of the growth in markets has been a recovery of losses accumulated in the financial crisis and we believe that there is potential that markets will be driven higher than fundamentally merited by loose monetary policy, which may create a future bubble if not managed correctly. The era of Quantitative Easing (QE) is untested and therefore we remain vigilant to the side effects.

A serious issue for investors is the lack of investment options available. Gold, a historically safe investment has moved from c. $300 per ounce to $1900 per ounce between 2000 and 2011, before falling to c. $1350 per ounce in May 2013. The fall from its peak is c. 30%, which is higher than most low risk investors would be comfortable with, whilst the current level is still far higher than its historic price leaving significant potential to fall further.

As already mentioned, bond yields in the UK have fallen following events in Cyprus, returning close to previous lows. The yield on a 10 year UK Government bond is c. 1.8%. Inflation is currently 2.9% and predicted to remain close to this level, with a target of 2.5%. Therefore, investors are willing to erode the real value of their investment in this asset class, which is abnormal. Government bond markets are heavily distorted by central banks buying debt as part of their QE programme, which is starting to be questioned in terms of its future use. The Bank of England now owns c. 35% of all UK issued Government debt. The low interest rates available on bonds are likely to drive longer-term investors to seek better yields and returns in equities.

In the first half of the period, the manager decreased weightings in Europe and Emerging Markets as investor sentiment deteriorated. Following falls Europe was increased again and in the second half of the period Emerging Markets weightings have been increased after a significant period of relative underperformance. The manager has generally rotated the portfolio away from higher beta, commodity linked holdings into income-generating assets with stronger, more transparent earnings. Although this may cause some relative underperformance if markets continue to rally, we believe that the strategy will allow the fund to participate in most of the rises, but provide greater protection against market volatility.

JPM New Europe, Investec Asia Pacific and BlackRock US Opportinities were sold due to their higher beta profiles. UBS Emerging Markets Equity Income, Schroder Asian Income and the Fundsmith Equity fund were purchased due to their focus on strong earnings and income in line with our themes.

During the period the GLG Japan CoreAlpha fund was sold due to high levels of volatility and significant underperformance. Japan’s aggressive QE policy has led to significant rises in Japanese stocks following the sale, which has been unfortunate. However, the Japanese Yen has devalued, eroding some of the gains for UK investors and other markets have continued to provide strong returns.

The manager increased the allocation to Emerging Markets, which we believe will also benefit from looser monetary policy globally and which are trading at a discount, despite higher growth rates. We are concerned that the rises in Japan are being driven by speculation and an addiction to QE, rather than by fundamental improvements in the economy. We continue to monitor the events in Japan and consider the investment strategy.

ACD's Report (continued)

Over the next period the manager will remain vigilant to rising stock markets and the reduction of QE, which may trigger rising yields and market volatility. However, the strategy is likely to continue to favour equities in Emerging Markets, which the manager believes offer better relative value.

Margetts Fund Management Ltd
ACD
31 July 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.

T J Ricketts **M D Jealous**
Margetts Fund Management Ltd
31 July 2013

Authorised Status

The MGTS Frontier Adventurous Fund is a sub-fund of the MGTS Frontier ICVC with investment powers equivalent to those of a Non-UCITS Scheme. The umbrella company is MGTS Frontier ICVC which is an open-ended investment company with variable capital incorporated in England and Wales under registration number IC575 and authorised by the Financial Conduct Authority on 17 August 2007.

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

Significant purchases and sales

For the year ended 30 April 2013

Total purchases for the year **£6,458,097**

Purchases	Cost (£)
UBS EMERGING MARKETS EQUITY INCOME B ACC	825,000
AXA FRAMLINGTON AMERICAN GROWTH INST ACC	747,000
FUNDSMITH EQUITY I ACC	736,097
FUNDSMITH EQUITY T ACC	735,000
SCHRODER ASIAN INCOME Z ACC	670,000
BLACKROCK CONTINENTAL EUROPEAN INC D ACC	661,000
PFS SOMERSET EMERG MKTS DIV GROWTH FUND A NET ACC	650,000

Total sales for the year **£5,223,313**

Sales	Proceeds (£)
FUNDSMITH EQUITY T ACC	736,097
OLD MUTUAL UK SELECT SMALLER COMPANIES ACC	684,380
BLACKROCK US OPPORTUNITIES ACC	684,082
JPM EMERGING MARKETS B ACC	626,492
JPM NEW EUROPE B ACC	555,814
INVESTEC ASIA EX JAPAN I ACC NET	536,210

Portfolio statement

As at 30 April 2013

Holding	Portfolio of Investments	Value (£)	Total Net Assets 30.04.13 %	Total Net Assets 30.04.12 %
	Total UK	**-**	**-**	**4.82**
	Europe (excl. UK)			
706,223	Blackrock Continental European Inc D Acc	861,593	7.23	
278,976	Blackrock European Dynamic D Acc	891,889	7.49	
	Total Europe (excl. UK)	**1,753,482**	**14.72**	**15.70**
	Total Japan	**-**	**-**	**10.58**
	Asia Pacific (excl. Japan)			
386,129	Aberdeen Asia Pacific C Acc	839,291	7.04	
237,800	Fidelity Inst South East Asia Acc	834,443	7.00	
204,057	First State Asia Pacific Leaders Inst B	931,606	7.82	
1,333,001	Schroder Asian Income Z Acc	873,116	7.33	
75,883	Schroder Institutional Pacific Acc	838,510	7.04	
	Total Asia Pacific (excl. Japan)	**4,316,966**	**36.23**	**25.44**
	North America			
416,198	AXA Framlington American Growth I Acc	518,999	4.36	
3,718	Vanguard US Equity Index GBP Acc	756,731	6.35	
	Total North America	**1,275,730**	**10.71**	**15.96**
	Emerging Markets			
147,681	Aberdeen Emerging Markets I Acc	941,260	7.90	
173,419	First State Global Emerging Markets Leaders B	781,483	6.56	
506,941	PFS Somerset Emerging Markets Dividend Growth A Acc	660,088	5.54	
1,582,217	UBS Emerging Markets Equity Income B Acc	893,636	7.50	
	Total Emerging Markets	**3,276,467**	**27.50**	**21.79**
	Global			
581,319	Fundsmith Equity I Acc	901,743	7.57	
	Total Global	**901,743**	**7.57**	**-**
	Portfolio of Investments	**11,524,388**	**96.73**	**94.29**
	Net Current Assets	**390,042**	**3.27**	**5.71**
	Net Assets	**11,914,430**	**100**	**100**

The investments have been valued in accordance with note 1(b) and are 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 Frontier Adventurous Fund
24 July 2013

Independent auditors' report to the shareholders of MGTS Frontier Adventurous fund

We have audited the financial statements of MGTS Frontier Adventurous fund for the period-ended 30 April 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 4, 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 30 April 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 Frontier Adventurous 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
31 July 2013

Net Asset Value per Share and Comparative Tables

Price and Income History

Accumulation Shares

Calendar Year	Highest Price (Pence)	Lowest Price (Pence)	Net Income (Pence per share)
2011	101.73	81.01	-
2012	98.53	87.13	-
2013*	111.28	98.19	-

R Accumulation Shares

Calendar Year	Highest Price (Pence)	Lowest Price (Pence)	Net Income (Pence per share)
2011	101.91	81.20	-
2012	97.84	86.79	-
2013*	110.39	97.50	-

* To 30 April 2013

Net Asset Value

Date	Share Class	Net Asset Value (£)	Shares in Issue	Net Asset Value (Pence per share)
30.04.12	Accumulation	2,634,920	2,832,838	93.01
30.04.12	R Accumulation	6,322,640	6,772,522	93.36
30.04.13	Accumulation	3,393,061	3,164,931	107.21
30.04.13	R Accumulation	8,521,369	7,879,408	108.15

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 (%)
01.05.2013	Accumulation	107.28	-
01.05.2013	R Accumulation	108.22	-

Fund Performance

The performance of the fund is shown in the ACD’s Report.

Net Asset Value per Share and Comparative Tables (continued)

Ongoing charges figure	30.04.13	30.04.12
	%	%
ACD's Annual Management Charge	1.85	1.85
Other expenses	0.12	0.55
Total Expense Ratio	**1.97**	**2.40**
Synthetic TER	0.89	0.95
Complete OCF	**2.86**	**3.35**

Ongoing charges - R Class		
ACD's Annual Management Charge	1.35	1.35
Other expenses	0.12	0.55
Total Expense Ratio	**1.47**	**1.90**
Synthetic TER	0.89	0.95
Complete OCF	**2.36**	**2.85**

Financial statements

Statement of total return

For the year ended 30 April 2013

	Notes		30.04.13		30.04.12
Income		**£**	**£**	**£**	**£**
Net capital gains/(losses)	4		1,736,443		(7,591)
Revenue	6	110,774		42,678	
Expenses	7	(172,562)		(133,454)	
Finance costs: Interest	9	(97)		(105)	
Net expense before taxation		(61,885)		(90,881)	
Taxation	8	-		-	
Net expense after taxation			(61,885)		(90,881)
Total return before distributions			**1,674,558**		**(98,472)**
Finance costs: Distribution	9		-		-
Change in net assets attributable to shareholders from investment activities			**1,674,558**		**(98,472)**

Statement of change in net assets attributable to shareholders

For the year ended 30 April 2013

		£	**£**	**£**	**£**
Opening net assets attributable to shareholders			8,957,560		-
Amounts receivable on issue of shares		2,713,582		10,748,980	
Amounts payable on cancellation of shares		(1,426,347)		(1,688,824)	
			1,287,235		9,060,156
Stamp duty reserve tax	1(f)		(4,923)		(4,124)
Change in net assets attributable to shareholders from investment activities			1,674,558		(98,472)
Closing net assets attributable to shareholders			**11,914,430**		**8,957,560**

Balance sheet

As at 30 April 2013

	Notes		30.04.13		30.04.12
Assets		**£**	**£**	**£**	**£**
Investment assets			11,524,387		8,445,870
Debtors	10	13,646		61,277	
Bank balances		422,161		626,110	
Total other assets			**435,807**		**687,387**
Total assets			**11,960,194**		**9,133,257**
Liabilities					
Creditors	11	45,764		29,166	
Bank overdrafts		-		146,531	
Total other liabilities			**45,764**		**175,697**
Net assets attributable to shareholders			**11,914,430**		**8,957,560**

Notes to the financial statements

As at 30 April 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.

4 Net capital gains/(losses)

	30.04.13	30.04.12
	£	£
Net gains on non-derivative securities	1,736,443	(7,591)
Net capital gains/(losses) on investments	**1,736,443**	**(7,591)**

5 Purchases, sales and transaction costs

	30.04.13	30.04.12
Purchases excluding transaction costs	6,458,097	8,975,500
Trustee transaction charges *	400	1,300
Purchases including transaction costs	**6,458,497**	**8,976,800**
Sales excluding transaction costs	5,223,313	560,090
Trustee transaction charges *	(160)	(10)
Sales including transaction costs	**5,223,153**	**560,080**
Transaction handling charges	**560**	**1,310**

* These have been deducted in determining net capital gains/(losses)

6 Revenue

	30.04.13	30.04.12
UK franked dividends	106,730	36,740
UK unfranked dividends	2	-
Rebate of annual management charges / renewal commission	4,042	5,938
Total revenue	**110,774**	**42,678**

7 Expenses

	30.04.13	30.04.12
Payable to the ACD, associates of the ACD and agents of either:		
ACD's periodic charge	158,882	98,043
Payable to the Depositary associates of the Depositary and agents of either:		
Depositary's fee	6,491	6,506
Safe custody	3,038	876
	9,529	7,382
Other expenses:		
FSA fee	304	429
Audit fee	6,900	6,300
Registration fees	1,503	1,595
Sundry charges	-	10,003
Printing costs	348	1,597
Price publication fee	(1,059)	3,256
Distribution costs	(3,845)	4,849
Total expenses	**172,562**	**133,454**

8 Taxation

	30.04.13	30.04.12
	£	£
a) Analysis of the tax charge for the year:		
UK Corporation tax	-	-
Irrecoverable income tax	-	-
Current tax charge (note 8b)	-	-
Deferred tax (note 8c)	-	-
Total tax charge	**-**	**-**
b) Factors affecting the tax charge for the year:		
Net expense before taxation	(61,885)	(90,881)
Corporation tax at 20%	(12,377)	(18,177)
Effects of:		
UK dividends	(21,346)	(7,348)
Movement in income accruals	-	
Utilisation of excess management expenses	33,723	25,525
Corporation tax charge	-	-
Irrecoverable income tax	-	-
Current tax charge for the year (note 8a)	**-**	**-**

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 £296,240 (prior year £127,625). The fund does not expect to be able to utilise this in the forseeable future.

9 Finance costs

	30.04.13	30.04.12
	£	£
Distributions		
Finance costs: Distributions	-	-
Finance costs: Interest	97	105
Total finance costs	**97**	**105**

10 Debtors

	30.04.13	30.04.12
	£	£
Amounts receivable for issue of shares	11,993	58,772
Other receivables	1,653	2,505
Total debtors	**13,646**	**61,277**

11 Creditors

	30.04.13	30.04.12
Amounts payable for cancellation of shares	22,670	5,339
Accrued expenses:		
Amounts payable to the ACD, associates and agents:		
ACD's periodic charge	14,005	10,539
Amounts payable to the Depositary, associates and agents:		
Depositary's fees	564	477
Transaction charges	40	40
Safe custody fee	274	87
	878	604
Other expenses	8,211	12,684
Total creditors	**45,764**	**29,166**

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date [30.04.12 : £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 period-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 period-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 £422,161 [30.04.12 : £479,579]. Net interest paid was £97 [30.04.12 : £105].

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 30 July 2013, the Retail Net Asset Value per share, on a mid basis, has changed by -2.17% since the period end.

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:

	30.04.13	30.04.12
	£	£
Floating rate assets (pounds sterling):	422,161	626,110
Floating rate liabilities (pounds sterling):	-	(146,531)
Assets on which interest is not paid (pounds sterling):	11,538,033	8,507,147
Liabilities on which interest is not paid (pounds sterling):	(45,764)	(29,166)
Net Assets	**11,914,430**	**8,957,560**

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.

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 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 mid prices of shares are published on the Margetts website at www.margettsfundmanagement.com.

Other Information
The Instrument of Incorporation, Prospectus, Simplified Prospectus 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 £100. 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.

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.