Annual Report and Financial Statements for Margetts Greystone Cautious Managed Fund

For the year ended 30 September 2013

HEAD OFFICE
1 SOVEREIGN COURT
GRAHAM STREET
BIRMINGHAM
B1 3JR

TELEPHONE: 0121 236 2380
FACSIMILE: 0121 236 2330

MARGETTS FUND MANAGEMENT LTD

www.margetts.com
VAT No. (GB) 795 0415 16
Registered in England No. 4158249

Authorised and Regulated by
the Financial Conduct Authority

DEALING
PO BOX 12081
BRENTWOOD
CM14 9ND

TELEPHONE: 0845 607 6808
FACSIMILE: 0131 525 9900

ACD

Margetts Fund Management Limited
1 Sovereign Court
Graham Street
Birmingham
B1 3JR

Tel: 0121 236 2380
Fax: 0121 236 2330

(Authorised and regulated by the Financial Conduct Authority)

Directors of the ACD

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

Depositary

BNY Mellon Trust & Depositary (UK) Ltd
The Bank of New York Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

(Authorised and regulated by the Financial Conduct Authority)

Administrator and Registrar

The Bank of New York Mellon (International) Limited
PO Box 23705
Edinburgh
EH7 5NJ

Tel: 0845 607 6808
Fax: 0131 525 9900

(Authorised and regulated by the Financial Conduct Authority)

Auditors

Shipleys LLP
Chartered Accountants & Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

Investment Advisers

Greystone Wealth Management Limited
Foundation House
Scott Drive
Altrincham
Cheshire
WA15 8AB

(An authorised representative of Margetts Fund Management Limited)

Contents

Investment Adviser’s Report

For the year ended 30 September 2013

Investment Objective and Policy

To achieve positive returns by utilising a diversified portfolio of transferable securities, fixed interest securities, money market instruments, deposits, currencies, regulated and possibly unregulated collective investment schemes to the extent allowed by the FCA Rules and selected from a global marketplace. The Fund will have an overall cautious attitude to risk and meet this definition based on the IMA (Investment Management Association) Cautious Managed definition.

The company will have a flexible but overall cautious investment strategy in terms of investment type and geographical or economic sectors, meaning that the Investment Adviser has the discretion to arrange the portfolio of the company towards investment types and/or sectors considered likely to achieve the cautious objective, including cash deposits.

Investment Review

Margetts Greystone Cautious Managed Fund:	9.46%
Margetts Greystone Cautious Managed Fund R:	10.05%

(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

LIBOR GBP – 3 Month:	0.53%
IMA Mixed Investment 20-60% shares:	8.22%

(*Source: Thomson Reuters Lipper Hindsight*. *Performance is bid to bid with income reinvested.*)

Economic and Market Commentary

“Positive sentiment amid uncertain market conditions”

The meltdown of Lehman Brothers Bank almost exactly 5 years ago plunged the world into the deepest slump since the Great Depression, one which it is still struggling to overcome.

The global economy was in decline well before that fateful day in September 2008 but it took a devastating turn for the worse when the mighty US Investment Bank became the biggest failure in corporate history.

International trade crashed 30% (source; Financial Times, 28th February 2009) as the Great Panic morphed into the Great Recession. Financial markets capitulated, the banking system froze and demand for goods dried up around the world. Fears of a deleveraging, deflationary depression to rival the Great Depression of 1929-1933 were rife and it seemed there would be no escape from the misery that would follow.

But major central banks led by the Federal Reserve Bank of America came to the rescue by buying assets on a scale never seen before. Central bank balance sheets now total between 20% and 40% of Gross Domestic Product.

These actions helped to avoid disaster. The Federal Reserve added fuel to a housing recovery and boosted other asset prices while the Bank of England's actions helped to restore liquidity and reduce interest rates thereby easing the burden of consumer and sovereign debt. The European Central Bank has eased worries about a banking collapse and possible Eurozone break up and the Bank of Japan's radical agenda has created hope that Japan might finally escape from the clutches of deflation.

Fast forward five years to the present time and although some fear that all the money printing by Central Banks will eventually end in tears, a look at the UK and Global economy suggests that there is much to be optimistic about.

Investment Adviser's Report (continued)

Confidence amongst British manufacturers is at an 18 year high on the back of booming factory orders from both home and abroad. Fiscal deficits and the housing markets in the UK and US suggest a return to a more stable financial position in these sectors and recent purchasing managers' indices in a cross section of developed economies have all turned positive for the first time in many years. Meanwhile Japanese growth---by Japanese standards---is improving in response to a highly stimulatory monetary policy. Growth in the UK is being revised upwards noticeably and there are even encouraging signs of a pulse, albeit weak, in the Eurozone countries.

Overall the developed world seems to be recovering from the financial crisis of five years ago, so much so that the question regarding tapering of quantitative easing is now 'when' and not 'if'? Economies now appear to be sufficiently strong to be gradually weaned off the massive doses of monetary stimulus that were necessary to avoid economic and financial disaster.

This optimism is supported by the performance of equity markets which in the absence of anything to depress them give the impression that their natural tendency is to trend upwards. That is not to say that the risks of volatility have disappeared for good, or that it will be plain sailing from here, but by seeking to better understand a number of short term concerns, investors should be able to navigate the difficult months and years that lie ahead. As we see it, these concerns include the following:

- Tapering (the gradual removal of monetary stimulus) by the US Federal Reserve and the pace of higher bond yields;
- Likely impact of US Fed stimulus withdrawal on emerging market economies;
- Resurfacing of political tensions in the US regarding the negotiation of the debt ceiling;
- US corporate earnings estimates that are too high, leading to an increased likelihood of downgrades;
- Volatility of macro-economic data, leading to the possibility of a growth scare, especially if investors are spooked by a few weaker-than-expected sets of company results or data releases;
- Possible resurfacing of Eurozone tensions;
- Chinese GDP growth consensus being revised down to 7% or below.

Recent history suggests that there is every chance that one or more of these concerns could lead to increased market volatility. More generally the excess supply in the global economy is plain for all to see and the fact remains that the world still has some way to go before it has fully recovered from the financial crisis of 5 years ago.

Central banks may start to remove some of the additional liquidity they have pumped into the financial system in recent years, but they will remain highly supportive of the global economy. The debate over whether interest rates have been kept too low for too long and when they are likely to rise, looks set to continue but our view is that rates simply have to stay low for a number of years while the developed world continues along the deleveraging path. Like a low flying air plane which is more susceptible to bouts of turbulence than when it is flying at cruising speed and optimal altitude, fragile economies need the support provided by ultra-low interest rates to avoid crashing to a halt. Investors will therefore continue to search for yield and income and sources of quality income will demand a premium.

Against this backdrop, as long as bond yields drift up in a gradual and orderly manner as a consequence of improving economic data, equity markets should continue to make sustainable gains. We believe there is every possibility that markets, particularly in the UK and Europe where valuations are undemanding, will remain surprisingly resilient, even if they are subject to the inevitable occasional bouts of volatility and that market strength will be driven by improving corporate and economic fundamentals.

Global emerging market equities are less straightforward. They have under-performed this year because of growth and tapering concerns but the long term story for emerging markets remains, in our view, intact because this is where the best growth potential remains and, compared to the West, emerging market economies are relatively debt-free.

Investment Adviser's Report (continued)

That is not to say that we are ignoring the risks as outlined above and we will remain vigilant in our asset allocation and fund manager selection, searching for funds which have generated long-term, consistent excess returns with stability in the fund management team and with a flexible but disciplined investment style and approach.

As a testament to our disciplined and robust investment process the Greystone Wealth Management Funds and portfolios continue to generate attractive returns and remain 1st and 2nd quartile performers over most time periods (Source: Thompson Reuters Lipper Hindsight. Data compiled to 30.09.2013). Moreover, for those investors seeking real income returns our Cautious Managed Fund has an income yield of circa 4% per annum.

Performance Summary

The fund rose 9.46% over the 12 month review period versus the Investment Management Association (IMA) Mixed Investment 20-60% Shares sector average, 8.22% and the IMA Money Market, 0.35%. Data for the period 01.10.2012 to 01.10.2013. Data compiled from Thomson Reuters Lipper Hindsight.

Since the fund mandate change on 24th July 2009 it has delivered a return of 34.48%, versus the IMA sector average, 36.03% and IMA Money Market, 1.89%. The fund's share price as at 1st October 2013 was; 117.74p. Data compiled from Thomson Reuters Lipper Hindsight.

The fund continues to offer investors a high level of income and the potential for strong capital growth. The natural yield is delivered through high yielding equities and dynamic fixed income strategies.

Fund Review & Outlook

The fund's objective is to deliver income with the potential for capital growth whilst outperforming the sector average and cash over a rolling three year period. We look to achieve this with less than half the volatility of equities.

The Fixed Interest component performed well despite a challenging environment. Performance was delivered through short duration and a defensive positioning within credit and sovereign debt markets. Low levels of risk were maintained through investment grade exposure and negative correlations with equity markets. Weaknesses were due to currency depreciation and widening credit spreads within emerging markets and US high yield bonds. We believe emerging market debt is attractively valued and see the recent correction as a buying opportunity.

UK equities offered solid returns. We reduced our defensive UK equity income and index tracker exposure in favour of high yielding European equities. We see good opportunities for investment in the euro-zone with economic data and sentiment indicators suggesting economies are expanding.

Asian equities de-rated relative to developed markets which affected relative performance. The region remains a favoured geography due to expanding domestic consumption and positive demographics, coupled with strong economic and earnings growth.

Our absolute return multi-asset fund delivered excellent risk adjusted returns, but fixed interest holdings offset some of the gains from equities.

Greystone Wealth Management Limited
Investment Adviser
25 November 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
08 January 2014

Authorised Status

The Margetts Greystone Cautious Managed Fund is an open-ended investment company with variable capital incorporated in England and Wales under registration number IC407 and authorised by the Financial Conduct Authority on 17 October 2005.

The fund is classed as a NURS scheme. Shareholders are not liable for the debts of the fund.

Significant purchases and sales

For the year ended 30 September 2013

Total purchases for the year **£44,006,231**

Purchases	Cost (£)
SARASIN INTERNATIONAL EQUITY INCOME P ACC	6,507,350
NEWTON GLOBAL HIGHER INC INSTL W NET ACC	5,843,944
FIDELITY ENHANCED INCOME W ACC	4,796,429
NEWTON ASIAN INCOME INSTL W NET ACC	4,564,729
STANDARD LIFE EUROPEAN EQ INC INST ACC	4,380,000
CAPITAL INTERNATIONAL GLOBAL HIGH INC OPPS Z GBP	3,440,000
ECCLESIASTICAL HIGHER INCOME B INC	3,095,024
INVESTEC EMERGING MARKETS DEBT I INC NET GBP	2,910,000
PRUSIK ASIAN EQUITY INCOME X USD	2,842,954

Total sales for the year **£42,556,499**

Sales	Proceeds (£)
SARASIN INTERNATIONAL EQUITY INCOME A ACC	6,527,350
NEWTON GLOBAL HIGHER INCOME INST ACC	5,673,944
VANGUARD FTSE UK EQUITY INCOME INDEX GBP ACC	4,750,000
NEWTON ASIAN INCOME INSTITUTIONAL ACCUMULATION	4,184,729
FIDELITY ENHANCED INCOME Y ACC	3,236,429
INVESTEC EMERGING MARKETS DEBT I INC NET GBP	3,224,048
NEWTON ASIAN INCOME INSTL W NET ACC	3,150,000
TROJAN INCOME O ACC	3,070,000
NEWTON GLOBAL HIGHER INC INSTL W NET ACC	2,400,000
SARASIN INTERNATIONAL EQUITY INCOME P ACC	2,390,000

Portfolio statement

As at 30 September 2013

Holding	Portfolio of Investments	Value (£)	Total Net Assets 30.09.13 %	Total Net Assets 30.09.12 %
	UK			
2,336,455	Ecclesiastical Higher Income B Inc	2,962,625	4.14	
4,417,173	Fidelity Enhanced Income W Acc	5,119,503	7.15	
5,831,750	Schroder Income Maximiser Z Acc	3,731,153	5.21	
2,005,716	Trojan Income O Acc	4,366,644	6.10	
14,240	Vanguard FTSE UK Equity Income Index GBP Acc	2,861,010	4.00	
	Total UK	**19,040,935**	**26.60**	**28.47**
	Bonds			
2,547,108	Fidelity Strategic Bond Y Net	2,962,287	4.14	
6,049,708	Jupiter Strategic Bond I Acc	5,099,299	7.12	
2,842,130	M&G Optimal Income I Acc	5,130,044	7.17	
4,047,964	L&G Dynamic Bond Trust I Acc	3,584,473	5.01	
	Total Bonds	**16,776,103**	**23.44**	**31.39**
	Europe (excl. UK)			
4,747,900	Standard Life European Eq Inc Inst Acc	4,376,615	6.11	
	Total Europe (excl. UK)	**4,376,615**	**6.11**	**-**
	Global			
153,173	Capital International Global High Inc Opps Z GBP	3,435,669	4.80	
1,766,061	City Financial Strategic Global Bond Fund D Inc	1,344,149	1.88	
4,491,957	Newton Global Higher Inc Instl W Net Acc	5,040,425	7.04	
3,235,764	Sarasin International Equity Inc P Acc	5,012,198	7.00	
	Total Global	**14,832,441**	**20.72**	**20.17**
	Emerging Markets			
3,034,094	Investec Emerging Markets Debt I Inc Net	2,875,108	4.01	
	Total Emerging Markets	**2,875,108**	**4.01**	**-**
	Far East (excl Japan)			
2,586,694	Newton Asian Income Instl W Net Acc	2,895,286	4.04	
37,159	Prusik Asian Equity Income X USD	2,907,744	4.06	
	Total Far East (excl Japan)	**5,803,030**	**8.10**	**8.19**
	Alternatives			
1,870,960	CF Ruffer Total Return I Acc	7,087,756	9.90	
	Total Alternatives	**7,087,756**	**9.90**	**8.95**
	Portfolio of Investments	**70,791,988**	**98.88**	**97.17**
	Net Current Assets	**802,212**	**1.12**	**2.83**
	Net Assets	**71,594,200**	**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 Margetts Greystone Cautious Managed Fund
10 January 2014

Independent auditors' report to the shareholders of Margetts Greystone Cautious Managed fund

We have audited the financial statements of Margetts Greystone Cautious Managed fund for the year ended 30 September 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 6, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 September 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 Margetts Greystone Cautious Managed 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
10 January 2014

Net Asset Value per Share and Comparative Tables

Price and Income History

Income shares

Calendar Year	Highest Price (Pence)	Lowest Price (Pence)	Net Income (Pence per share)
2009	88.02	81.84	0.6135
2010	93.67	85.56	0.8591
2011	95.25	83.44	3.3923
2012	94.50	87.12	4.1958
2013*	103.36	93.76	3.7679

Accumulation shares

Calendar Year	Highest Price (Pence)	Lowest Price (Pence)	Net Income (Pence per share)
2009	93.92	87.07	0.6603
2010	100.92	91.59	0.9310
2011	103.94	93.46	3.6852
2012	110.25	98.52	4.7483
2013*	123.52	109.84	4.4605

R Income †

Calendar Year	Highest Price (p)	Lowest Price (p)	Net Income (p per share)
2012	94.12	93.17	-
2013*	103.77	93.78	3.6651

R Accumulation †

Calendar Year	Highest Price (p)	Lowest Price (p)	Net Income (p per share)
2012	110.27	109.15	-
2013*	123.90	109.87	4.3334

* To 30 September 2013

Net Asset Value

Date	Share Class	Net Asset Value (£)	Shares in Issue	Net Asset Value (Pence per share)
30.09.11	Income	13,731,948	16,212,474	84.70
	Accumulation	47,370,156	49,951,844	94.83
30.09.12	Income	16,646,118	18,145,398	91.74
	Accumulation	47,831,325	44,506,715	107.47
30.09.13	Income	11,604,014	12,005,571	96.66
	Accumulation	33,317,080	28,325,752	117.63
	R Income †	9,371,524	9,627,907	97.34
	R Accumulation †	17,301,582	14,631,470	118.25

† The RDR share classes were launched on 03 December 2012

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.

Net Asset Value per Share and Comparative Tables (continued)

Prices per Share

Date	Share Class	Price (Pence)	Yield (%)
01.10.2013	Income	96.72	3.79
01.10.2013	Accumulation	117.70	3.79
01.10.2013	R Income	97.40	4.43
01.10.2013	R Accumulation	118.33	4.43

Ongoing charges figure	**30.09.13**	**30.09.12**
	%	**%**
ACD's Annual Management Charge	1.50	1.50
Other expenses	0.11	0.11
Total Expense Ratio	**1.61**	**1.61**
Synthetic TER	0.79	0.76
Complete OCF	**2.40**	**2.37**
Ongoing charges - R Class †		
ACD's Annual Management Charge	0.75	-
Other expenses	0.11	-
Total Expense Ratio	**0.86**	**-**
Synthetic TER	0.79	-
Complete OCF	**1.65**	**-**

† The RDR share classes were launched on 03 December 2012

Financial statements

Statement of total return

For the year ended 30 September 2013

	Notes		30.09.13		30.09.12
Income		**£**	**£**	**£**	**£**
Net capital gains	4		4,363,789		5,995,675
Revenue	6	2,749,224		3,096,574	
Expenses	7	(1,044,271)		(1,024,317)	
Finance costs: Interest	9	(1,565)		(945)	
Net revenue before taxation		1,703,388		2,071,312	
Taxation	8	(27,572)		(57,721)	
Net revenue after taxation			1,675,816		2,013,591
Total return before distributions			**6,039,605**		**8,009,266**
Finance costs: Distribution	9		(2,644,325)		(2,968,235)
Change in net assets attributable to shareholders from investment activities			**3,395,280**		**5,041,031**

Statement of change in net assets attributable to shareholders

For the year ended 30 September 2013

		£	**£**	**£**	**£**
Opening net assets attributable to shareholders			64,477,443		61,102,102
Amounts receivable on issue of shares		28,542,405		7,886,810	
Amounts payable on cancellation of shares		(26,715,849)		(11,649,993)	
			1,826,556		(3,763,183)
Stamp duty reserve tax	1(f)		(27,593)		(46,529)
Change in net assets attributable to shareholders from investment activities			3,395,280		5,041,031
Retained distribution on accumulation shares			1,922,514		2,144,022
Closing net assets attributable to shareholders			**71,594,200**		**64,477,443**

Balance sheet

As at 30 September 2013

	Notes		30.09.13		30.09.12
Assets		**£**	**£**	**£**	**£**
Investment assets			70,791,988		62,653,676
Debtors	10	1,653,997		576,154	
Bank balances		1,588,104		6,691,972	
Total other assets			**3,242,101**		**7,268,126**
Total assets			**74,034,089**		**69,921,802**
Liabilities					
Creditors	11	967,264		332,829	
Distribution payable on income shares		378,212		382,813	
Bank overdrafts		1,094,413		4,728,717	
Total other liabilities			**2,439,889**		**5,444,359**
Net assets attributable to shareholders			**71,594,200**		**64,477,443**

Notes to the financial statements

As at 30 September 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 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 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 Instrument of Incorporation.

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

	30.09.13	30.09.12
	£	£
Net losses on derivatives	(7,046)	-
Net gains on non-derivative securities	4,370,835	5,995,675
Net capital gains on investments	**4,363,789**	**5,995,675**

5 Purchases, sales and transaction costs

Purchases excluding transaction costs	43,998,106	25,796,313
Stamp duty and other charges	8,125	24,876
Trustee transaction charges *	350	160
Purchases including transaction costs	**44,006,581**	**25,821,349**
Sales excluding transaction costs	42,571,926	30,556,126
Stamp duty and other charges	(15,427)	(1,256)
Trustee transaction charges *	(470)	(270)
Sales including transaction costs	**42,556,029**	**30,554,600**
Transaction handling charges	**820**	**430**

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

6 Revenue

UK franked dividends	1,697,064	1,760,891
UK unfranked dividends	159,619	229,799
Unfranked bond interest	830,720	996,041
Rebate of annual management charges / renewal commission	60,446	109,381
Bank interest	1,375	462
Total revenue	**2,749,224**	**3,096,574**

7 Expenses

Payable to the ACD, associates of the ACD and agents of either:		
ACD's periodic charge	968,522	954,624
Payable to the Depositary associates of the Depositary and agents of either:		
Depositary's fee	39,621	35,997
Safe custody	10,617	9,124
	50,238	45,121
Other expenses:		
FSA fee	279	194
Audit fee	7,165	6,760
Registration fees	11,308	10,276
Sundry charges	-	200
Printing costs	2,757	646
Price publication fee	-	890
Distribution costs	4,002	5,606
Total expenses	**1,044,271**	**1,024,317**

8 Taxation

	30.09.13 £	30.09.12 £
a) Analysis of the tax charge for the year:		
UK Corporation tax	1,265	62,085
Irrecoverable income tax	26,307	-
Current tax charge (note 8b)	27,572	62,085
Over provision in prior year		(4,364)
Deferred tax (note 8c)	-	-
Total tax charge	**27,572**	**57,721**
b) Factors affecting the tax charge for the year:		
Net income before taxation	1,703,388	2,071,312
Corporation tax at 20%	340,678	414,263
Effects of:		
UK dividends	(339,413)	(352,178)
Corporation tax charge	1,265	62,085
Irrecoverable income tax	26,307	-
Current tax charge for the year (note 8a)	**27,572**	**62,085**

c) Provision for deferred taxation

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

9 Finance costs

	30.09.13 £	30.09.12 £
Distributions		
Interim	1,375,846	1,451,543
Final	1,279,763	1,457,072
	2,655,609	2,908,615
Amounts deducted on cancellation of shares	301,828	163,160
Amounts received on issue of shares	(313,112)	(103,540)
Finance costs: Distributions	2,644,325	2,968,235
Finance costs: Interest	1,565	945
Total finance costs	**2,645,890**	**2,969,180**
Represented by:		
Net revenue after taxation	1,675,816	2,013,591
Expenses charged to capital		
ACD's periodic charge	968,522	954,624
Balance of revenue brought forward	13	31
Balance of revenue carried forward	(26)	(11)
Finance costs: Distributions	**2,644,325**	**2,968,235**

10 Debtors

	30.09.13	30.09.12
	£	£
Amounts receivable for issue of shares	415,479	26,545
Amounts receivable for investment securities sold	780,000	-
Accrued income:		
Bond interest	-	44,317
	-	44,317
Prepayments	353	238
Other receivables	13,353	5,346
Taxation recoverable	444,812	499,708
Total debtors	**1,653,997**	**576,154**

11 Creditors

	30.09.13	30.09.12
Amounts payable for cancellation of shares	815,485	140,633
Accrued expenses:		
Amounts payable to the ACD, associates and agents:		
ACD's periodic charge	71,252	74,575
Amounts payable to the Depositary, associates and agents:		
Depositary's fees	3,241	2,295
Transaction charges	80	250
Safe custody fee	1,037	2,238
	4,358	4,783
Other expenses	12,820	13,132
Taxation payable:		
Corporation tax	63,349	99,706
Total creditors	**967,264**	**332,829**

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date [30.09.12 : £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 £493,691 [30.09.12 : £1,963,255]. Net interest paid was £190 [30.09.12 : £483].

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 06 January 2014, 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:

	30.09.13	30.09.12
	£	£
Floating rate assets (pounds sterling):	1,588,104	6,691,972
Floating rate liabilities (pounds sterling):	(1,094,413)	(4,728,717)
Assets on which interest is not paid (pounds sterling):	69,538,240	63,229,830
Assets on which interest is not paid (dollars):	2,907,745	-
Liabilities on which interest is not paid (pounds sterling):	(1,345,476)	(715,642)
Net Assets	**71,594,200**	**64,477,443**

ii. Currency risk	**30.09.13**	**30.09.12**
	£	£
GBP	68,686,455	64,477,443
US Dollars	2,907,745	-
Net Assets	**71,594,200**	**64,477,443**

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 September 2013 – in pence per share

Interim
Group 1 – shares purchased prior to 01 October 2012
Group 2 – shares purchased on or after 01 October 2012

Income Shares

Shares	Net Income	Equalisation	Paid 31.05.13	Paid 31.05.12
Group 1	1.9891	-	1.9891	2.0861
Group 2	1.1299	0.8592	1.9891	2.0861

Accumulation Shares

Shares	Net Income	Equalisation	Allocated 31.05.13	Allocated 31.05.12
Group 1	2.3330	-	2.3330	2.3346
Group 2	1.7037	0.6293	2.3330	2.3346

R Income Shares

Shares	Net Income	Equalisation	Paid 31.05.13	Paid 31.05.12
Group 1	1.9549	-	1.9549	n/a
Group 2	0.3565	1.5984	1.9549	n/a

R Accumulation Shares

Shares	Net Income	Equalisation	Allocated 31.05.13	Allocated 31.05.12
Group 1	2.2904	-	2.2904	n/a
Group 2	0.4431	1.8473	2.2904	n/a

Final
Group 1 – shares purchased prior to 01 April 2013
Group 2 – shares purchased on or after 01 April 2013

Income shares

Units	Net Income	Equalisation	Payable 30.11.13	Paid 30.11.12
Group 1	1.7788	-	1.7788	2.1097
Group 2	-	1.7788	1.7788	2.1097

Accumulation shares

Units	Net Income	Equalisation	Allocating 30.11.13	Allocated 30.11.12
Group 1	2.1275	-	2.1275	2.4137
Group 2	2.0254	0.1021	2.1275	2.4137

R Income shares

Units	Net Income	Equalisation	Payable 30.11.13	Paid 30.11.12
Group 1	1.7102	-	1.7102	n/a
Group 2	0.7146	0.9956	1.7102	n/a

R Accumulation shares

Units	Net Income	Equalisation	Allocating 30.11.13	Allocated 30.11.12
Group 1	2.0430	-	2.0430	n/a
Group 2	0.8876	1.1554	2.0430	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.

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 £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.

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.

This page has been intentionally left blank.