



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

SMALLER COMPANIES FUND

A pooled management service for private clients

ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR TO 31ST JANUARY 2013

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** The information provided on the back of this booklet also forms part of the Authorised Fund Manager's Report.*

INTRODUCTION

McInroy & Wood Smaller Companies Fund (the fund) is an authorised unit trust for investors who wish to have their assets personally managed by McInroy & Wood Limited (MW) and for whom a discretionary managed portfolio may not be appropriate. Investors will gain access, through the fund, to a portfolio which it might well be impracticable for them to assemble themselves.

The fund has been established with the aim of providing clients with professional investment management at an economic cost.

Through the fund, investors who have similar objectives are able to pool their resources in order to secure the benefits of scale.

The principal investment objective of the fund is to maximise the total return to unitholders, primarily through investments in smaller companies, with an equal emphasis on the generation of income and on capital growth.

The fund may invest in any geographical areas and any economic sectors.

Further information and application forms may be obtained from McInroy & Wood Limited, Easter Alderston, Haddington, EH41 3SF (Tel. 01620 825867) or through the website www.mcinroy-wood.co.uk

MANAGER'S INVESTMENT REPORT

At 31st January 2013 the total net assets of the fund amounted to £43,922,401 compared with £38,838,510 twelve months before. There was a further net investment inflow into the fund over the twelve months. At 31st January 2013 there were 281 investors (excluding ISA holders), with an average holding worth £144,291.

Markets

The year to 31st January 2013 saw a strong recovery in equity markets. Further stimulatory policy announcements from central banks in America and Europe allayed concerns over the outlook for global growth, and investors became increasingly confident that the risk of an early break-up of the eurozone had been averted.

Reflecting in part this improvement in investor sentiment, the FTSE 100 index in the UK gained 11% over the year. Overseas markets registered even stronger advances. In local currency terms, the USA rose by 14%, Europe by 13%, Japan by 25% and the rest of the Pacific region by 12%. Expressed in sterling the FTSE World Index gained 12%.

In the foreign exchange markets, sterling fell by 3% against the euro but rose by 1% against the US dollar.

Results

At 31st January 2013 the price of Legacy Class units (formerly the only units in existence) stood at £28.511, a rise of 13% over the twelve months. This increase reflected the gains in equity markets enhanced by the positive impact of the fall in sterling on the value of euro-denominated assets. The portfolio also benefited from its emphasis on well financed smaller companies with strong market positions.

The price of the new 'Personal' Class unit created on 1st January this year stood at £28.520.

Dividend Distribution

A dividend distribution of 40.012p (net) per unit is now being paid in respect of Legacy class units. This means that total distributions paid to shareholders in respect of the year past will amount to 59.012p per unit, up 40% from the corresponding figure for 2012.

Increases in the regular dividends paid by many of the holdings in the portfolio boosted distributions for the year. In addition, 'special' dividends from (Anixter International, Sun Hydraulics, Kone and Watsco) amounted to 12.9p of the total distributed. Such dividends are by their nature unpredictable and should not be regarded as recurring components of the portfolio's income.

MANAGER'S INVESTMENT REPORT

The distribution for the next six months is expected to be similar to that for the corresponding period in 2012.

The net dividend distribution in respect of the 'Personal' Class units is 40.023p.

Portfolio Strategy

There was no significant change to the investment strategy over the period. Thus at 31st January 2013 the UK allocation was 36% (34% at 31st January 2012), the USA 25% (29%), Europe 31% (30%), Japan 3% (3%) and Australia 5% (4%).

Investments

A new holding in Valiant Petroleum (UK), an oil exploration and production company, was purchased during the year. The positions in Lamprell, Duvel Moorgat and Capella were sold. Otherwise, net new money was directed towards increasing existing holdings.

Keller (+108%) and Sysmex (+74%) performed notably well over the period; Cape (-44%) and Yamada Denki (-27%) lost ground.

Outlook

Global economic growth remains sluggish, but may be picking up slowly. The latest US housing and manufacturing data surpassed expectations. Although consumer confidence dipped towards the end of the year, investor sentiment was boosted by an interim accommodation over the American 'fiscal cliff'. Perhaps the most critical factor in reinforcing the prospect of continuing recovery has been the Federal Reserve's open-ended commitment to a third round of quantitative easing.

In China, industrial production has rebounded strongly (currently running 10% higher than a year ago) and sharp increases in both exports and imports indicate that the economy may be regaining momentum.

The European Central Bank's backing for the eurozone's peripheral countries and the accommodation with Greece seem to have staved off any immediate threat of a disorderly collapse in the currency union. In the meantime there are some indications of a recovery in manufacturing in the eurozone led by Germany.

Even in the UK, despite a slight fall in GDP in the final quarter of 2012, there has been some encouragement to be drawn from a pick-up in manufacturing activity. An apparent levelling-off in national house prices may also have assisted sentiment. In recent weeks sterling has depreciated against other major currencies which will aid UK exporters but may well increase the risk of inflation.

MANAGER'S INVESTMENT REPORT

Many of the concerns raised in the interim report were deferred but not resolved, and debt ceilings in the US and lingering problems in the eurozone still need to be addressed. For as long as permanent solutions to these problems remain to be negotiated, global equity markets are likely to remain volatile. Any global anxieties will hardly be diminished by the recent actions of North Korea, while Syria and Iran pose a continuing threat to stability in those regions.

The prospects for company profits over the next 12 months appears to be reasonably stable, but equity valuations in some cases are probably approaching a level that discounts most realistic expectations. Further gains would only be justifiable in the short-term if company profits move ahead of current estimates. Many smaller companies continue to grow their businesses more quickly than those in the main equity indices, and long-term investors should continue to benefit from exposure to them. The portfolio meanwhile continues to focus on stocks with solid long-term growth prospects and strong balance sheets.

18th March 2013

CAPITAL RECORD

Highest and lowest bid and offer prices.

Year (to 31st Jan)	High		Low	
	Legacy	Personal★	Legacy	Personal★
2009	£20.545	—	£13.272	—
2010	£27.095	—	£19.581	—
2011	£28.734	—	£23.442	—
2012	£26.597	—	£23.657	—
2013★★	£28.511	£28.520	£27.224	£27.224

★★ Up to 31st January only

INCOME RECORD

Year (31 st January)	Per unit (net)	
	Legacy	Personal★
2009	38.822p	—
2010	31.408p	—
2011	42.133p	—
2012	42.134p	—
2013	59.012p	40.023p

NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
31.01.09	£14,903,828	£13.891	1,072,881
31.01.10	£22,529,474	£19.676	1,145,032
31.01.11	£35,237,290	£25.892	1,360,922
31.01.12	£38,838,510	£24.995	1,553,843
31.01.13 Legacy	£43,583,452	£27.842	1,565,387
31.01.13 Personal★	£338,949	£27.851	12,170

ONGOING CHARGES FIGURE

Date	Annualised	
	Legacy	Personal★
31.01.09	1.633%	—
31.01.10	1.613%	—
31.01.11	1.596%	—
31.01.12	1.605%	—
31.01.13	1.599%	1.099%

PORTFOLIO TURNOVER

Date	Annualised
31.01.09	(3%)
31.01.10	(5%)
31.01.11	12%
31.01.12	3%
31.01.13	(2%)

★ The 'Personal' Class of units was created on 1st January 2013.

PORTFOLIO STATEMENT

as at 31st January 2013

INVESTMENTS	Holding or Nominal Value of positions at 31 st Jan. 2013	Bid Market Value £	Percentage of Value of total net assets	
			31 st Jan. 2013	31 st Jan. 2012
<i>Equities</i>				
UK				
Abcam	88,400	343,876	0.8	
Barr (AG)	276,414	1,485,725	3.4	
Bioquell	186,190	260,666	0.6	
Cape	234,353	517,920	1.2	
Craneware	118,820	463,398	1.1	
Gooch & Housego	155,430	691,664	1.6	
Immunodiagnostic Systems	170,000	510,000	1.2	
Intermediate Capital Group	238,960	844,724	1.9	
Keller Group	118,165	866,149	2.0	
Kentz	208,195	866,716	2.0	
Majestic Wine	195,130	831,254	1.9	
MP Evans	96,510	492,201	1.1	
Rotork	49,400	1,307,618	3.0	
RPS	461,640	1,061,310	2.4	
Spectris	70,140	1,552,900	3.5	
Spirax Sarco	49,308	1,113,375	2.5	
Treant	65,930	255,149	0.6	
Valiant Petroleum	167,740	671,379	1.5	
		<u>14,136,024</u>	<u>32.2</u>	<u>29.7</u>
USA				
Anixter International	26,230	1,112,116	2.5	
Energen	29,380	892,015	2.0	
Landauer	25,060	995,510	2.3	
O'Reilly Automotive	28,000	1,635,261	3.7	
Owens & Minor	40,464	780,499	1.8	
Questar	75,870	1,110,853	2.5	
QEP Resources	28,370	525,039	1.2	
Sun Hydraulics	63,392	1,103,234	2.5	
Tractor Supply	24,200	1,581,950	3.6	
Watsco	18,730	890,499	2.0	
		<u>10,626,976</u>	<u>24.2</u>	<u>28.8</u>
BELGIUM		<u>0</u>	<u>0.0</u>	<u>2.0</u>
FINLAND				
Kone B	21,074	<u>1,096,007</u>	<u>2.5</u>	<u>1.9</u>

PORTFOLIO STATEMENT

as at 31st January 2013

continued

INVESTMENTS	Holding or Nominal Value of positions at 31 st Jan. 2013	Bid Market Value £	Percentage of Value of total net assets	
			31 st Jan. 2013	31 st Jan. 2012
<i>Equities</i>				
FRANCE				
Boiron	30,270	808,513	1.8	
Rubis	25,758	1,175,549	2.7	
Somfy	3,931	514,957	1.2	
Teleperformance	44,910	1,128,805	2.6	
Virbac	14,605	2,058,028	4.6	
		<u>5,685,852</u>	<u>12.9</u>	<u>9.5</u>
GERMANY				
Krones	22,150	864,497	2.0	
Pfeiffer Vacuum	12,976	1,019,551	2.3	
		<u>1,884,048</u>	<u>4.3</u>	<u>4.3</u>
NETHERLANDS				
Boskalis Westminster	39,850	1,150,707	2.6	2.5
SWITZERLAND				
Belimo	930	1,161,936	2.6	
Galenica	2,574	966,744	2.2	
Kühne & Nagel	11,460	848,124	1.9	
Sonova	14,160	1,032,244	2.4	
		<u>4,009,048</u>	<u>9.1</u>	<u>10.0</u>
AUSTRALIA				
ARB Corporation	162,300	1,243,208	2.8	
Medusa Mining	236,100	762,214	1.8	
		<u>2,005,422</u>	<u>4.6</u>	<u>4.0</u>
JAPAN				
Sysmex	35,500	1,064,219	2.5	
Yamada Denki	8,000	193,344	0.4	
		<u>1,257,563</u>	<u>2.9</u>	<u>2.7</u>
TOTAL INVESTMENTS		41,851,647	95.3	95.4
Net other assets		<u>2,070,754</u>	<u>4.7</u>	<u>4.6</u>
TOTAL NET ASSETS		<u>43,922,401</u>	<u>100.0</u>	<u>100.0</u>

Note: Unless otherwise stated, the above securities are admitted to official stock exchange listings or traded on a regulated market.

SUMMARY OF ALL PORTFOLIO CHANGES

for the year ended 31st January 2013

		Cost
Purchases		£
60,000	Abcam	261,922
184,276	Barr (AG) (<i>stock split</i>)	0
98,480	Cape	254,681
72,865	Intermediate Capital Group	202,590
57,840	Medusa Mining	179,762
107,390	RPS	223,963
3,730	Rubis	124,318
12,170	Teleperformance	198,135
25,000	Treant	95,667
167,740	Valiant Petroleum	778,624
	TOTAL	<u>2,319,662</u>

		Proceeds
Sales		£
21,330	Capella	376,706
13,450	Duvel Moorgat	1,001,140
344,980	Lamprell	312,167
3,190	O'Reilly Automotive	204,391
13,700	Tractor Supply	699,154
	TOTAL	<u>2,593,558</u>

GENERAL INFORMATION

Auditors

Unitholders should note that PricewaterhouseCoopers LLP (“PwC”) have been appointed auditors of the fund, in place of Scott-Moncrieff, with effect from November 2012. PwC have recommended a number of updated disclosures, which have been incorporated throughout the Report and Financial Statements.

Authorisation

The Smaller Companies Fund is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is categorised as a UCITS scheme under the rules contained in the Collective Investment Schemes Sourcebook made by the Financial Services Authority.

McInroy & Wood Limited and its subsidiary, McInroy & Wood Portfolios Limited, are authorised and regulated by the Financial Services Authority.

Transactions and Dealings

The average rate of dealing commission, including mark up and mark down, added to the cost of investments purchased and deducted from the proceeds of investments sold, was 0.21% where commission or mark up was involved.

During the period under review AJ Bell Securities, Oddo Securities, RW Baird and UBS dealt in more than 10% of the aggregate value of such transactions in the property of the fund.

Income Tax

All income distributions carry a notional tax credit of 10%. A basic rate taxpayer has no further liability in respect of this income but is unable to reclaim the tax.

Capital Gains Tax

Authorised unit trusts are exempt from corporation tax on realised capital gains.

Applications

The minimum initial investment in the fund is £10,000. Further investments may be made for a minimum of £1,000.

Data Protection

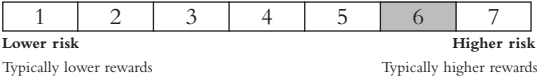
Unitholders’ names will be added to a mailing list which may be used by the Manager, or its associate, to provide investors with information related to their investment, including occasional topical articles. Unitholders who would not like to receive such information can write to the Manager requesting their removal from any such mailing list.

GENERAL INFORMATION

A Word of Caution

You should remember that the price of units and the income from them may go down as well as up. Gains are not necessarily achieved in the short term. Exchange rate fluctuations may also cause the value of an investment to rise and fall.

Synthetic Risk and Reward Indicator (Volatility measure)



This indicator shows how much a fund’s price has risen and fallen in the past and therefore how much its returns have varied: it is a measure of the fund’s volatility. The higher the past volatility, the higher the number on the scale. The lowest number on the scale does not mean that a fund is risk free.

The fund has been classed as 6 because its volatility has been measured as above average.

This indicator is prescribed by EU reporting guidelines and is based on historical data. It should not be used as an indicator of the fund’s future risk profile. The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook as issued and amended by the Financial Services Authority ("the Rules") requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the fund and of its net revenue and the net capital gains on the property of the fund for the year. In preparing the financial statements the Manager is required to:

- Select suitable accounting policies and then apply them consistently.
- Comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the IMA in October 2010.
- Follow generally accepted accounting principles and applicable accounting standards.
- Prepare the accounts on the basis that the fund will continue in operation unless it is inappropriate to do so.
- Keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and the Rules and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The maintenance and integrity of the McInroy & Wood website is the responsibility of the Authorised Fund Manager.

DIRECTORS' STATEMENT

In accordance with the requirements of the rules in the Collective Investment Schemes Sourcebook as issued and amended by the Financial Services Authority, we hereby certify the Report and Financial Statements of the fund on behalf of the Directors of McInroy & Wood Portfolios Limited.

J D S Cumming
Director

J C McAulay
Director

Haddington, 18th March 2013

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

The Trustee is under a duty to take into custody and to hold the property of the scheme in trust for the holders of units. Under the Rules relating to reports it is the duty of the Trustee to enquire into the conduct of the Manager in the management of the scheme in each annual accounting period and report thereon to unitholders in a report which shall contain the matters prescribed by the Rules. A copy of the Trustee's report is included in this report.

TRUSTEE'S REPORT

In our opinion, the Manager has managed the Scheme, in all material respects, during the period covered by this Report in accordance with the investment and borrowing powers and the restrictions applicable to the scheme and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook.

For and on behalf of
BNY Mellon Trust & Depositary
(UK) Limited
London

18th March 2013

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Unitholders of the McInroy & Wood Smaller Companies Fund

We have audited the financial statements of McInroy & Wood Smaller Companies Fund (the "fund") for the year ended 31st January 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of the Authorised Fund Manager and the Auditors

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

This report, including the opinions, has been prepared for and only for the fund's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes Sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Authorised Fund Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements 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.

INDEPENDENT AUDITORS' REPORT

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the fund at 31st January 2013 and of the net revenue and the net capital gains of the scheme property of the fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes Sourcebook and the Trust Deed.

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

18th March 2013

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF TOTAL RETURN

for the year ended 31st January 2013

		Year to 31 st Jan. 2013		Year to 31 st Jan. 2012	
	Notes	£	£	£	£
Income					
Net capital gains/ (losses)	2		5,076,853		(849,955)
Revenue	3	1,061,914		722,985	
Expenses	4	(647,209)		(616,529)	
Net revenue before taxation		414,705		106,456	
Taxation	5	(91,133)		(55,529)	
Net revenue after taxation			<u>323,572</u>		<u>50,927</u>
Total return before distributions			5,400,425		(799,028)
Finance costs: distributions	6		(930,719)		(627,354)
Change in net assets attributable to unitholders from investment activities			<u>4,469,706</u>		<u>(1,426,382)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31st January 2013

		Year to 31 st Jan. 2013		Year to 31 st Jan. 2012	
		£	£	£	£
Opening net assets attributable to unitholders			38,838,510		35,237,290
Amounts receivable on creation of units	3,162,830			6,619,918	
Amounts payable on cancellation of units	(2,546,013)			(1,589,824)	
			616,817		5,030,094
Stamp duty reserve tax			(2,632)		(2,492)
Change in net assets attributable to unitholders from investment activities (see above)			<u>4,469,706</u>		<u>(1,426,382)</u>
Closing net assets attributable to unitholders			<u>43,922,401</u>		<u>38,838,510</u>

BALANCE SHEET

as at 31st January 2013

		31 st Jan. 2013		31 st Jan. 2012	
	<i>Notes</i>	£	£	£	£
ASSETS:					
Investment assets			41,851,647		37,048,691
Debtors	7	42,330		49,827	
Cash & bank balances		<u>2,721,315</u>		<u>2,215,232</u>	
Total other assets			<u>2,763,645</u>		<u>2,265,059</u>
Total assets			<u>44,615,292</u>		<u>39,313,750</u>
LIABILITIES:					
Creditors	8		(61,671)		(53,616)
Distribution payable			<u>(631,220)</u>		<u>(421,624)</u>
Total liabilities			<u>(692,891)</u>		<u>(475,240)</u>
Net assets attributable to unitholders			<u>43,922,401</u>		<u>38,838,510</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st January 2013

1. Accounting policies

- (a) The Financial Statements have been prepared under the historical cost basis, as modified by the re-valuation of investments, and in accordance with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.
- (b) Dividends receivable from equity investments are recognised net of attributable tax credits and are credited to revenue when they are first quoted ex dividend. Interest receivable from debt securities is accounted for on an effective yield basis. All other income is recognised on an accruals basis.
- (c) Special dividends are treated as revenue or capital depending on the facts of each particular case.
- (d) Expenses of the fund are charged against revenue except for Stamp Duty Reserve Tax and costs associated with the purchase and sale of investments which are allocated to the capital of the fund. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.
- (e) Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

Deferred taxation is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred taxation is provided for at the average rate of taxation expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

- (f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of March. An interim distribution based on available revenue is distributed on the last day of September. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution. The distribution is in accordance with the FSA's Collective Investment Schemes Sourcebook.
- (g) Listed investments of the fund have been valued at market value on the balance sheet date. Market value is defined by the SORP as fair value which generally is the bid value of each security.

NOTES TO THE FINANCIAL STATEMENTS

continued

- (h) Foreign currency transactions are translated at the rates ruling on the date of the transaction.
- (i) Stamp Duty Reserve Tax (SDRT) suffered on the surrender of units has been charged against the capital assets of the Trust.

	Year to 31 st Jan. 2013 £	Year to 31 st Jan. 2012 £
2. Net gains/(losses) on investments:		
Non-derivative securities*	<u>5,076,853</u>	<u>(849,955)</u>
<i>* includes realised (losses)/gains on investments sold</i>	<u>304,495</u>	<u>1,101,561</u>

3. Revenue

Dividends on UK investments	346,942	278,713
Dividends on overseas securities	714,967	444,262
Interest on bank deposits	<u>5</u>	<u>10</u>
Total revenue	<u>1,061,914</u>	<u>722,985</u>

4. Expenses

Payable to the manager, associates of the manager and agents of either of them:		
- Manager's periodic charge	599,513	571,289
- Registrar's fee	<u>7,522</u>	<u>11,137</u>
Payable to the trustee, associates of the trustee and agents of either of them:		
- Trustee's fee	14,215	12,744
- Safe custody fees and activity charges	<u>16,057</u>	<u>14,384</u>
Other expenses		
- FSA fee	290	291
- Audit fee	<u>9,612</u>	<u>6,684</u>
Total expenses	<u>647,209</u>	<u>616,529</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Year to 31 st Jan. 2013 £	Year to 31 st Jan. 2012 £
(a) Analysis of tax charge		
Corporation tax	—	—
Overseas withholding tax	<u>91,133</u>	<u>55,529</u>
	<u>91,133</u>	<u>55,529</u>

(b) Factors affecting the tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

	Year to 31 st Jan. 2013 £	Year to 31 st Jan. 2012 £
Net income before taxation	<u>414,705</u>	<u>106,456</u>
Corporation tax at 20%	<u>82,941</u>	<u>21,291</u>

Effects of:

Revenue not subject to corporation tax	(212,382)	(144,595)
Movement in excess management charges	129,441	123,304
Irrecoverable overseas withholding tax	91,133	55,529
Current tax charge for the year	<u>91,133</u>	<u>55,529</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £1,779,545 (2012 - £1,650,104) in respect of unutilised management expenses. The fund may not generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year or prior year.

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Finance costs: Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	Year to 31 st Jan. 2013 £	Year to 31 st Jan. 2012 £
Interim	302,879	222,134
Final	631,220	421,624
	<u>934,099</u>	<u>643,758</u>
Add: Income deducted on cancellation of units	12,183	5,744
Deduct: Income received on creation of units	(15,563)	(22,148)
Net distribution for the period	<u>930,719</u>	<u>627,354</u>
Net revenue after taxation	323,572	50,927
Expenses taken to capital	607,147	576,427
Net distribution for the period	<u>930,719</u>	<u>627,354</u>

Details of the distributions per unit are shown in the Distribution Table on page 27.

7. Debtors

	31 st Jan. 2013 £	31 st Jan. 2012 £
Income receivable:		
Dividends on UK investments	11,830	8,633
Dividends on overseas securities	2,510	6,263
Overseas withholding tax recoverable	27,990	34,931
	<u>42,330</u>	<u>49,827</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

8. Creditors	31 st Jan. 2013 £	31 st Jan. 2012 £
Corporation Tax	–	–
Accrued expenses:		
Manager's periodic charge	49,285	46,312
Registrar's fee	800	898
Trustee's fee	1,154	1,061
Safe custody fee and activity charges	3,400	1,169
Other	7,032	4,176
	<u>61,671</u>	<u>53,616</u>

9. Related Party Transactions

Trustee fees, safe custody and transaction fees paid to BNY Mellon Trust & Depositary (UK) Limited are shown in note 4 and details of units created and cancelled by BNY Mellon Trust & Depositary (UK) Limited are shown in the Statement of Change in Net Assets Attributable to Unitholders.

The Manager and the Trustee actively co-operate to exercise control over the fund and are therefore related parties by virtue of their controlling influence.

Amounts paid during the year or due to the Manager or the Trustee at the balance sheet date are disclosed under Expenses and Creditors in the Notes to the Financial Statements. Bank interest payable by the fund which is paid or payable to the Trustee is disclosed separately within Finance costs in the Notes to the Financial Statements.

Cash and bank balances with the Trustee are disclosed in the Balance Sheet. Bank interest paid or payable to the fund by the Trustee is disclosed in Revenue and Debtors in the Notes to the Financial Statements.

The Manager acts as principal on all transactions of units in the fund. The aggregate monies received through the creation and cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Finance costs in the Notes to the Financial Statements. Amounts due to or from the Manager in respect of unit transactions at the balance sheet date are disclosed under Debtors and Creditors in the Notes to the Financial Statements.

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 2.0%.

continued

10. Unit Classes

The fund currently has two unit classes: Legacy units and Personal units. The annual management charge is based on the average value of the fund, calculated on a weekly basis, and covers the remuneration of the Manager, the Investment Adviser and their overhead expenses and for each unit class is as follows:

Legacy units	1.50%
Personal units	1.00%

The net asset value of each unit class, the net asset value per unit and the number of units in issue in each class are given in the Net Asset Value and Comparative Tables on page 6. The distributions per unit class are given in the Distribution Table on page 27. All classes have the same rights on winding up.

11. Portfolio Risk Analysis

In pursuing its investment objectives, the fund invests in a variety of financial assets. These comprise securities and other investments. There are also cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and debtors for accrued income.

Credit and Cashflow Risk

The fund has little exposure to credit or cashflow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk.

The fund’s assets comprise mainly readily realisable securities. There are no borrowings or unlisted securities of a material nature. The main potential liability of the fund is the redemption of any units that an investor may wish to sell. Assets of the fund may need to be sold if insufficient cash is available to finance such redemptions. The Manager has reviewed the portfolio’s investments and considers them to be sufficiently liquid for these purposes.

Market Price Risk

Market price risk arises from the effect which falls in the price or value of the assets held could have on the property of the fund. The Manager seeks to mitigate such risk by maintaining a prudent diversification of its investments.

NOTES TO THE FINANCIAL STATEMENTS

continued

The Manager adheres to investment guidelines and to investment borrowing powers set out in the Trust Deed, Scheme Particulars and in the rules of the Collective Investment Schemes Sourcebook. This mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Manager's Investment Report and Portfolio Statement.

Foreign Currency Risk

The fund invests in overseas securities and the balance sheet can be significantly affected by movements in foreign exchange rates. The fund has not hedged the sterling value of investments that are priced in other currencies. Revenue received in other currencies is translated to sterling on or near the date of receipt. The fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Interest Rate Risk

The fund holds cash on deposit. Changes in interest rates may have an adverse effect on the value of such deposits and on the amount of income derived from them.

The Manager reviews policies for managing these risks in pursuance of Investment Objective and Policy.

The currency and interest rate profile of portfolio investments at 31st January was:

Interest rate profile

	Floating rate (Cash) £	Non interest bearing (Equities/Other) £	Total £	Total %
2013				
UK Sterling	2,344,609	13,485,463	15,830,072	36.0
US Dollar	376,706	10,626,976	11,003,682	25.1
Euro		9,816,614	9,816,614	22.3
Swiss Franc		4,009,048	4,009,048	9.1
Japanese Yen		2,005,422	2,005,422	4.6
Australian Dollar		1,257,563	1,257,563	2.9
	<u>2,721,315</u>	<u>41,201,086</u>	<u>43,922,401</u>	<u>100.0</u>
2012				
UK Sterling	2,215,232	11,118,894	13,334,126	34.4
US Dollar		11,187,664	11,187,664	28.8
Euro		7,813,529	7,813,529	20.1
Swiss Franc		3,893,251	3,893,251	10.0
Australian Dollar		1,544,628	1,544,628	4.0
Japanese Yen		1,065,312	1,065,312	2.7
	<u>2,215,232</u>	<u>36,623,278</u>	<u>38,838,510</u>	<u>100.0</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

Currency profile

	Monetary (Cash/Other assets) £	Non-monetary (Securities) £	Total £	Total %
2013				
UK Sterling	1,694,048	14,136,024	15,830,072	36.0
US Dollar	376,706	10,626,976	11,003,682	25.1
Euro		9,816,614	9,816,614	22.3
Swiss Franc		4,009,048	4,009,048	9.1
Japanese Yen		2,005,422	2,005,422	4.6
Australian Dollar		1,257,563	1,257,563	2.9
	<u>2,070,754</u>	<u>41,851,647</u>	<u>43,922,401</u>	<u>100.0</u>
2012				
UK Sterling	1,789,819	11,544,307	13,334,126	34.4
US Dollar		11,187,664	11,187,664	28.8
Euro		7,813,529	7,813,529	20.1
Swiss Franc		3,893,251	3,893,251	10.0
Australian Dollar		1,544,628	1,544,628	4.0
Japanese Yen		1,065,312	1,065,312	2.7
	<u>1,789,819</u>	<u>37,048,691</u>	<u>38,838,510</u>	<u>100.0</u>

The variable-rate financial assets comprise sterling bank balances that bear interest calculated at the current Bank of England base rate less 0.75%. Under normal circumstances, interest rates will not fall below 0%.

There were no fixed rate financial assets held during the year.

The non-interest bearing financial assets largely consist of equities, which do not have maturity dates.

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs

Year ended
31st Jan. 2013

Analysis of total purchase costs	£
Purchases in period before transaction costs	2,305,708
Add: Broker Commissions	4,865
Stamp Duty	<u>9,087</u>
Total purchase costs	13,952
Gross purchases total	<u>2,319,660</u>
Analysis of total sales costs	
Gross sales in period before transaction costs	2,599,067
Less: Broker Commissions	<u>(5,510)</u>
Total sales costs	(5,510)
Total sales net of transaction costs	<u>2,593,557</u>

DISTRIBUTION TABLE

in pence per unit

for the year to 31st January 2013

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st February 2012

Group 2 - Units purchased 1st February to 31st July 2012

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount paid 28.09.12
Group 1	Legacy	21.111	2.111	19.000	—	19.000
Group 2	Legacy	11.954	1.195	10.759	8.241	19.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st August 2012

Group 2 - Units purchased 1st August to 31st January 2013

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount payable 28.03.13
Group 1	Legacy	44.458	4.446	40.012	—	40.012
Group 2	Legacy	29.912	2.991	26.921	13.091	40.012
Group 2	Personal	1.151	0.115	1.036	38.987	40.023

DISTRIBUTION SUMMARY

in pence per unit

for the year to 31st January 2013

	Year to 31 st Jan. 2013 <i>net rate</i>		Year to 31 st Jan. 2012 <i>net rate</i>
Unit Class:	Personal	Legacy	Legacy
Interim paid	—	19.000	15.000
Final payable/paid	<u>40.023</u>	<u>40.012</u>	<u>27.134</u>
	<u>40.023</u>	<u>59.012</u>	<u>42.134</u>

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